fives

DESIGNING THE FACTORIES OF THE FUTURE, TODAY

FINANCIAL REPORT

2017 #2016 financial year

PROFILE

Fives designs and supplies machines, process equipment and production lines for the world's largest industrial players in Aerospace, Aluminium, Automotive, Cement and Minerals, Energy, Glass, Logistics and Steel sectors.
Located in nearly thirty countries and with almost 8,400 employees across six continents, the Group is known for its technological expertise and competence in executing large-scale international projects.

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REPORT OF THE EXECUTIVE BOARD

TO THE ANNUAL ORDINARY GENERAL MEETING ON JUNE 27, 2017

1. GROUP ACTIVITY IN 2016

1.1. Business overview and activity

While 2016 started with the promise of stabilization for key macro-economic indicators, particularly with the slight increase in oil prices, the latest numbers from the IMF (3.1%), the OECD (2.9%) and the World Bank (2.3%) are converging on recognition of the lowest levels of global growth since the 2009 financial crisis.

In Europe, Brexit was a harsh reminder of the fragility of political and institutional equilibrium, increasing doubts about the European Union's ability to stem the rising tide of populism and respond to current economic issues. In the US, the uncertainty of the presidential campaign, marked by the stark contrasts between the candidates' vision, heightened the wait-and-see attitude: industrial investment once again dropped in 2016, after having suffered from the economy-wide impact of low oil prices in 2015. While the financial markets' reactions remain measured for the time being, it is probably still too soon to anticipate the positive or negative consequences of Brexit (likely to be "hard") and Donald Trump's investiture on industrial investment, a less speculative area of finance.

Emerging countries are no longer the powerful growth drivers they were in 2011: China's shift from an investment and industry to a services and consumption-based paradigm, the drop in the budgets of economies which are heavily dependent on commodities, particularly oil, and difficulty in obtaining external financing are all dampening investment. Another obstacle is the difficulty in obtaining export licenses and validating financing in countries under sanctions, including Russia and Iran.

This climate negatively affected the Group's commercial activity in 2016 on two levels. First, investment decisions on large projects (particularly in metal, but also in the energy and cement sectors) have been postponed quarter after quarter, since the long-term nature of their returns, sometimes paired with financing difficulties, discourages businesses from braving the current uncertain and volatile climate, even when demand exists. Overall, the Group booked a historically low volume of large orders in 2016. Furthermore, in industries where numerous plants have closed, are running at reduced volumes, or are under constant pressure on costs (particularly in the metal, energy and heavy industry sectors), customers are putting off upgrades to their equipment and dramatically reducing their spare parts stocks - an area where Group orders dropped compared to 2015. This effect is offset by improved performance in other services and equipment activities which, however, have lower margins.

Group order intake stood at €1,465 million for 2016, a €243 million drop compared to 2015 (€1,708 million) and a €257 million drop at constant scope and exchange rate, due to the low level of booking of large orders. Broken down by geographical zone, Europe and North America are holding steady, thanks to the positive trends in automotive and logistics equipment production, which offset the morose energy and general industry markets. Asia, the Middle East and Africa, which are more exposed to major projects and the metal and cement industries, were lower-performing.

1.2. External Growth

On December 7, 2016, the Group completed the acquisition of Daisho, a Japanese sub-group which specializes in the design and production of disc grinding machines and bar peeling machines for the automotive and other industries. This acquisition completed Fives' grinding technologies portfolio and consolidated its presence on the Japanese and Korean markets.
Daisho has close to sixty employees and full-year sales of €20 million, with an EBITDA of approximately €2 million.

1.3. Commercial environment by market

Automotive

This division designs, manufactures and installs equipment, machining systems, automated production systems and fluid filling systems primarily for the automotive industry.

In the automotive sector, current trends are very positive. Global manufacturers have resources thanks to their high profits for the past two years, and lower oil prices are good for the sector. Investment is driven mainly by the dynamic North American market (USA and Mexico), with the overhaul of motors and transmissions for existing models and preparations to launch new models in the coming years. In China, the increase in demand generated a wave of capacity-building programs by both foreign automotive manufacturers (mainly German, American and Japanese) and domestic producers and OEMs in 2011-2012. Thus, after being driven by investments in powertrain sub-assembly lines, the Group's order intake currently benefits from investments in final assembly and end-of-line equipment. Finally, since 2015, after several years of production capacity rationalization following the 2009 economic crisis, Western European manufacturers have been launching renovation and modernization programs for their plants, where productive capacity is maintained, particularly for the premium brands and SUV segments in the UK, France, Germany and Spain. Only the Russian, Brazilian and Indian markets remain untouched by this trend.
Order intake for the year reached €387 million, a strong increase (+€73 million) over 2015 (€314 million).

Logistics

This division designs automated sorting systems for postal, courier, logistics and distribution companies, and e-commerce actors.

The logistics sector continues to grow at an exceptional pace. The increased volumes of shipped goods due to the expansion of e-commerce, and the associated handling and throughput management constraints, are supporting demand for sorting center automation. In Europe, Japan, South Korea, North America and Australia, large numbers of multi-year capacity-building or modernization programs have been launched, both by courier companies, which are investing in hubs of all sizes around major cities, and by national postal services, which rely on their capillary networks to serve remote areas. The distribution market is also increasingly active in Japan and Western Europe, where numerous operators are starting to automate their warehouses.

The market is also opening up directly to new e-commerce players like Amazon and JD.Com, whose business models are changing to integrate merchandise storage and distribution downstream of their online platforms.
2016 order intake was €210 million, a level comparable to 2015 (€219 million).

Metals

The metals division is developing processes and supplying equipment mainly designed for aluminium production, flat steel and glass. The equipment offered for primary ***aluminium*** *are made for key manufacturing processes in the carbon, reduction and casthouse sectors of aluminium plants. In the* ***steel*** *industry, the Group has both mechanical and thermal expertise and supplies steel strip processing lines as well as rolling mills and high-capacity heating furnaces. The division also offers products for the* ***glass*** *sector where the Group provides hollow glass and flat glass production lines, including all of the equipment for the melting and annealing lehr sections.*

In the primary aluminium sector, the significant drop in the cost of energy (the main component in aluminium production cost) enabled the majority of producers to remain slightly profitable by maintaining production, using low-performance smelters at lower costs. The increase in global demand (+4%) was absorbed by the increase in production, mainly in China and India, keeping prices relatively low (around $1,550 per ton) until the last quarter. This impacted the Group's commercial activity on two levels: for the fourth year running, no new large-scale capacity increase projects were confirmed in 2016, and service orders, particularly for spare parts, dropped sharply due to producers' efforts to drastically reduce operating costs, at least temporarily, until prices rise. The Group's commercial activity therefore centered on a few counter-cyclical opportunities in non-traditional regions (China and South America).

This brought 2016 order intake in the aluminium sector to €122 million. This is a drop of only €7 million compared to 2015 (€129 million), however the 2015 figures included only a 6-month contribution from Fives ECL; when compared to a proforma vision of 2015, order intake actually dropped close to fifty million euros in 2016.

In the steel sector, the trends seen in 2015 were even more pronounced in 2016. In a market affected by structural overcapacity, and currently in the midst of restructuring, China, the leading global producer, saw virtually no large projects confirmed, even by major state players like Baosteel. The few sectors with continued demand (particularly high added-value steels for the automotive industry, on which the Group is well positioned) are niche markets with volumes being too low to offset the lack of investment on all the other markets. As for the other regions which do have growth potential (India, South Korea, USA, Russia), they only showed signs of life at the end of the year.
Order intake for the year in the steel sector was €79 million, a significant drop (-€51 million) compared to 2015 (€130 million), which was already a historic low for the Group.

ORDER INTAKE BY GEOGRAPHICAL AREA

€ million	2014	2015	2016
Americas	408.7	635.9	482.0
Asia and Oceania	360.3	364.0	328.8
Europe	539.3	532.5	550.2
Middle East & Africa	556.7	175.4	104.1
Total	**1,865.0**	**1,707.8**	**1,465.1**
Contribution from mature economies	51%	62%	64%
Contribution from emerging countries	49%	38%	36%

ORDER INTAKE BY END MARKET

€ million	2014	2015	2016
Automotive	273.6	314.5	386.9
Logistics	180.3	218.7	210.0
Metals (aluminium and steel)	213.1	259.2	201.0
Energy	398.1	334.9	301.0
Cement	587.8	232.7	84.4
Aerospace and industry	212.1	342.6	266.6
Holding and sourcing co.		5.2	15.2
Total	**1,865.0**	**1,707.8**	**1,465.1**

For the metals sector as a whole, 2016 order intake was €201 million, a drop of €58 million from 2015 (€259 million). Excluding Fives ECL (consolidated for 12 months in 2016 vs. 6 months in 2015), order intake was €129 million (down from €211 million in 2015), a historic low for the Group in this division, in which both sectors are hard hit by difficult market conditions (cyclical for aluminium but structural for steel).

Energy

The division designs and manufactures a variety of industrial equipment for the energy sector, primarily in high-performance industrial combustion systems, tubes production and finishing equipment, cryogenics equipment for hydrocarbon processing and air separation, and bioenergy and sugar industries. Plus, on the nuclear piping sector, the Group is involved in maintenance contracts as well as some new construction projects, mostly in France.

In the energy sector, the Group continues to be affected by low oil prices, still solidly under $60 per barrel. In the combustion, tubes and cryogenics sectors, which are inherently exposed to oil exploration and petrochemicals (combustion), gas extraction and transport (tubes), and natural and industrial gas processing (cryogenics), few projects offered high enough returns on investment to be considered by major customers. Due to the constraints on operations of their existing installations, customers were strongly focused on production cost optimization, further driving down demand for spare parts and services.

In the sugar production equipment sector, however, investments picked up again in 2016 thanks to the strong increase in sugar prices, which bottomed out in mid-2015; the droughts in several major sugar producing regions (China, India, Thailand) reduced supplies, encouraging consumption of stocks from previous years.

Finally, in the high-performance industrial piping sector (in France), the additional work volumes related to the construction of the new Flamanville EPR, which had increased over the 2012-2015 period (over €30 million in annual orders for the Group), dropped sharply in 2016; due to delays on the project, the orders linked to the acceleration work will not be launched until 2017. This drop was partially offset by the recovery of modernization and maintenance activities for existing French nuclear sites under framework contracts with EDF, whose volumes had been contained in 2015 in order to cut costs.

For the energy sector as a whole, order intake was €301 million, a drop of €34 million (10%) compared to 2015 (€335 million), with all sectors except sugar production equipment affected.

Cement

The cement division's offer ranges from supplying isolated process equipment such as burners, grinding mills, material classifiers, filters (for the cement and mineral industries), to grinding shops, turnkey cement plants and associated service.

In the cement sector, the increase in demand was slight (+ 3% in 2016), and existing capacity utilization rates remain low in many areas worldwide. On the supply side, the trend of market concentration, with the emblematic mergers of Lafarge and Holcim and then Heidelberg and Italcementi, encouraged a tendency to postpone decision-making. The newly merged entities are working to develop synergies and have clear investment-reduction objectives, while their current or planned asset sales are offering their international competitors opportunities which take priority over new internal projects. While regional players have developed over the past few years in the strongest emerging markets (Central and South America, Southeast Asia, North and Sub-Saharan Africa, Middle East), the majority of them faces financing issues due to the drop in commodities prices, especially oil prices. Due to this context, the Group's commercial activity is mainly focused on supplying individual pieces of equipment and developing services.

Order intake for 2016 was €84 million, down €149 million from 2015 (€233 million), due to the absence of large projects (one turnkey cement plant was ordered in 2015 for €157 million).

Aerospace and industry

The aerospace and industry division offers metal cutting and machining solutions for large complex parts, as well as composite processing machine tools, designed for the aerospace and heavy manufacturing (primarily in the mining and hydrocarbons sectors) industries. It also offers preventive and corrective industrial maintenance solutions.

In the aerospace sector, the programs linked to the "second wave" of the new Boeing and Airbus long-haul aircraft are coming to a close. The long-term drop in oil prices has been a game-changer for airlines, whose existing fleets are once again profitable enough so they can defer investing in new-generation, more fuel-efficient aircraft. Orders placed with manufacturers are likely to be postponed or canceled, leading to a slowdown in the planned ramp-up for the entire sub-contracting chain, which is now mainly working on the 737 MAX and A320neo programs, as well as the Safran/GE LEAP motor they are fitted with. This phenomenon is, however, offset by the development of the Chinese aerospace market, where increasing urbanization and rising incomes are driving a strong increase in domestic travels, which remains very limited relative to the size of the country. Like Russia, China is strengthening its positions as a sub-contractor for Airbus and Boeing, in addition to preparing to produce its own aircraft. In North America, the military aviation sector also took off at the end of the year, thanks to the perspectives for Lockheed Martin's F-35.

In the industry sector, both the oil and gas segment and the mining and heavy machinery segment remain morose. Industrial investment continued to drop in the USA (the Group's main market in the sector) and fell to its lowest levels over the summer, a situation which lasted much of the year, with investment only returning to its already-low 2015 levels during the last two months of 2016. In the industrial maintenance sector (mainly in France), commercial activity returned to normal levels after a boost from the start of several multi-year contracts in 2015 (for a non-recurring order intake of €63 million).

For the aerospace and industry sector as a whole, order intake was €267 million, down €76 million from 2015 (€343 million) due to the drop in commercial activity in the general industry sector.

1.4. Outstanding commercial successes

In the Americas

The United States

In the automated production systems sector, General Motors awarded Fives a new order for the supply of an assembly line for different sub-assemblies as part of its 10-speed AB1V automatic transmission program as a result of the Group's successful work on the production of sub-assembly lines for similar automatic transmissions. The installation, which is slated for delivery in November 2017, will give GM an annual production capacity of over 250,000 transmissions.

In the aerospace sector, Boeing once again chose Fives, with orders for the supply of two Liné Machines Powermill V high rail multi-axis profilers capable of machining large-scale parts with high precision for two of its sites in Washington State: one in February for profiling and drilling the wings of the Boeing 777X on its Everett site, and the other in October for special tooling to machine the ribs of the 737 and 747 on its Frederickson site. The machines will be the third and ninth, respectively, from the range delivered to these sites.

In the combustion sector, Cliffs Natural Resources, located in northern Minnesota, chose the Group to supply and install a new combustion system for its iron ore pelletizing project. Once the project is commissioned, the pellets produced will supply one of the largest blast furnaces in the USA.

Mexico

In the tubes sector, Fives won several orders for new tube production lines for different applications in Mexico: Perfiles y Herrajes, L.M. S.A. de C.V., Mexico's leading tubes and profiled products manufacturer, once again selected the Group, with an order for the design and supply of a new OTO line with a monthly capacity of 3,000 tons to produce 3" mechanical tubes, while Productos Laminados De Monterrey, S.A. de C.V. (aka Prolamsa), a Mexican leader in carbon steel tubing and component production, ordered the design and supply of a high-performance production line for 3½" tubes for automotive use, which must meet automotive parts manufacturers' highest rigidity standards.

The United States and Mexico

In the grinding sector, in 2015 the Group had signed a 3-year contract with General Motors (GM) for the supply of all of the crankshaft grinders for its new motor programs, particularly the fifth generation CSS and V8 for trucks. This framework contract led to the booking of orders for 24 machines in 2016, and over the course of the contract, GM plans to order a total of around fifty machines, with delivery starting in 2016 and set to continue into 2018.

In Asia and Oceania

South Korea

In the logistics sector, LG CNS chose Fives to build an entirely new giant logistics terminal in Gwanju for CJ Korea Express, the country's leading express courier company. The Fives solution, which features seven cross-belt sorting loops for a total length of 4,400 m, 56 injection lines for a total of nearly 3,000 destinations, mechanical installation services, and slide plates for chutes, is designed to handle packages weighing up to 50 kg. Once it is started up in June 2018, the system will offer the customer sorting throughput of 150,000 to 200,000 packages per hour. This new contract for the Gwanju site, which follows the 2013 completion of three cross-belt sorters for CJ Korea Express' Daejeon, Sangnok and Gwanak terminals, confirms customers' trust in Fives' cross-belt technologies as well as the Group's ability to provide support as a full partner for their large-scale projects.

China

In the flat steel sector, the Group's recognized expertise in the design and supply of high-end equipment and project management, which has enabled it to produce close to fifty strip treatment lines and cold rolling mills for stainless steel plants over the past two decades, convinced the Chinese producer Foshan Chendge Stainless Steel Co., Ltd. to select Fives to build its new cold annealing and pickling line. This new line, which features proprietary Group technologies like an annealing furnace and the DMS SkinPass 2Hi in-line mill, has an annual capacity of 500,000 tons and will produce stainless steel for a range of applications including construction, machinery, the automotive industry, household appliances, medical equipment, chemical storage tanks, high-speed train rails, and aviation. The line is scheduled for start-up before end 2017.

In the aluminium sector, Fives signed a contract with a top Chinese producer to supply a technology package for two green anode production lines with a unit production capacity of 60 tph. The contract includes the supply of the basic engineering for both lines, proprietary equipment (Rhodax® crushers, ball mills, TSV classifiers, Eolios for pitch fume treatment, and Xelios vibrocompactors) and the level 1 and 2 control system.

In the automated production systems sector the Group achieved a breakthrough in China where, at the end of the year, Shanghai Automobile Gear Works (SAGW, a SAIC group subsidiary) ordered the supply of a complete CVT transmission assembly line, including testing equipment and washers, for a new plant located in Liuzhou, Guangxi province.

In the aerospace sector, Hongdu Aviation (AVIC group), a major sub-contractor for the new Chinese medium-haul aircraft, the C919, has once again chosen the Group, after investing in several Forest-Liné and Cincinnati range machines. Fives received an order for the supply of a Liné Machines Flexitool universal holding fixture, used to position and affix different parts with complex shapes made of composite materials before they undergo drilling and profiling. With over 700 holding cups and 350 fully-electric actuators, the new Liné Machines Flexitool, installed on a Forest-Liné V-Star2, will be the largest universal holding fixture ever installed in China.

In Europe

France

In the nuclear piping sector, following a Europe-wide request for proposals, for the fourth time running, Fives and its piping design consortium partners Endel, Boccard, and SOM, won the design framework contract from DIDPE, the EDF division responsible for engineering on the nuclear portion of power plants (reactor building and nuclear island) and preparing for and carrying out heavy maintenance work on the major nuclear components. This five-year contract, which includes an optional one-year renewal, covers dimensioning studies and piping production for the entire French nuclear fleet. The fact that EDF DIPDE has once again chosen the consortium confirms the quality of the work done by its teams since 1999.

In the industrial maintenance sector, Fives is expanding on the aerospace market after winning a contract with Airbus to maintain its production, logistical and lubrication resources on its Nantes sites, which specializes in production of the central structure box of airplane wings, nacelle air inlets, and structural parts made of carbon fiber reinforced plastic (CFRP). This initial contract with Europe's top manufacturer is one of a series of commercial achievements with other aerospace industry players like Ratier Figeac this year, and the Safran group over the past decade.

In the sugar sector, the Group drew on its two centuries of experience to once again show that it knows how to adapt to meet its customers' needs, particularly for Tereos, a world leader in the sugar industry. Fives designed a new "100% stainless steel" version of its Cail & Fletcher ZUKA® batch centrifugal for the client's Chevrières site in the Oise region of northern France, which was so satisfactory that the client ordered five more for its plant in Escaudœuvres (Nord). Tereos also worked with Fives Sugar Consulting to optimize the site's performance and improve its production approach. The Fives teams drew on their holistic expertise in the sugar production process and a wide range of dedicated tools, including the proprietary simulator BEMEIO™ which they developed, to model the plant's operations, with a focus on the crystallization plant.

Germany

In the filling sector, Daimler chose Fives to replace its multi-fluid filling systems on its Düsseldorf production site. This is the first site where Daimler has implemented its new Intégra automation standards, which suppliers will have to master to continue working with this client in the future. The project's success is a crucial challenge for Fives, and has the potential to provide access to this key German automotive player's future investments.

The United Kingdom

In the energy sector, the order for the supply of three Enhanced All Dry systems (EAD™) in the United Kingdom marks a major step in the Group's diversification strategy for gas and fume treatment in Europe, going beyond its traditional expertise in aluminium. These systems will reduce particle emissions from the gasifiers, designed to process waste wood and recycled solid combustibles.

In the logistics sectors, TNT, a world leader in express courier services, is continuing its two decades of partnership with Fives with a contract for the automation for its new site in Dartford, England. The solution provided by Fives includes a cross-belt sorter with four induction lines, to sort parcels weighing up to 50 kg to 79 destinations. Once it is up and running, the system will enable TNT to sort up to 11,000 packages per hour.

North Europe

In the logistics sector, PostNord selected Fives to automate the Herning and Aarhus postal terminals in Denmark, and to supply a sorting system in Trondheim (Norway) for parcels and large letters. These new key sorting systems once again highlight a historic client's trust in the proven performance and reliability of the Group's cross-belt technology, which it has used in its regional sorting centers for over twenty years, and in the Group's teams, whose technical expertise it has learned to appreciate over the course of a historic relationship. PostNord also chose Fives to help it identify the critical components of the system to upgrade during the renovation of the sorting systems in its postal centers in Göteborg and Malmö (Sweden). The two existing centers are equipped with cross-belt sorters supplied by Fives in 1996, sort small packages ranging from 50 g to 10 kg with a maximum throughput of 10,000 items per hour, whose lifespans will be extended by five to ten years.

In the Middle East and Africa

Oman

In the cryogenics sector, Fives successfully entered the market for cold boxes over 300 tons when it was selected for an order related to the Liwa gas treatment project through South Korean engineering firm GS. This size of cold box represents a promising strategic market for the Group's commercial expansion.

Egypt

In the cement sector, CDI, a subsidiary of Chinese engineering firm Sinoma, selected Fives to supply complete combustion systems for the six clinker burning lines it is building for the Egyptian government, including six eco-designed kiln burners (Pillard NOVAFLAM®) and 24 precalcination burners (Pillard PRECAFLAM™), as well as hot gas generators and gantries and pumping groups. The equipment deliveries are staggered from March to July 2017. This commercial success, part of a capacity increase project which is exceptionally large given the morose cement market, confirms Fives' leading position in cement production burners.

1.5. Research and Development

Intellectual Property

Fives continued to file patents at an impressive pace in 2016, with 45 new patented inventions (50 in 2015), exceeding the Group's annual objective of 40 new filings.

The acquisition of Daisho also brought with it a portfolio of 21 families of patents and 43 current patents.

The Group owns a total of 611 patented inventions (patent families) in all of its sectors, protected by 2,032 patents in force in the countries where it operates.

Additive manufacturing

In April 2016, the company AddUp, a joint venture owned 50-50 by Fives and Michelin, was created to develop and sell machines and workshops for industrial production using "metal additive manufacturing," better known as 3D metal printing, worldwide. AddUp offers industrial players in a broad range of fields (automotive, aerospace, healthcare, etc.) a complete solution, including design and production of machines or full production lines as well as related services (re-design of parts, manufacturing process definition, installation, production support, training, etc.).

Fives and Michelin aim to draw on their complementary expertise to become a key player on this innovative and profitable market.

Digital development

Fives is accelerating the digital transformation of its offer by bringing its customers solutions that make it easier to manage and maintain their production tools through integrating the emerging technologies that will shape the industry of tomorrow. This transformation is focused on developing digital and robotic solutions, including connected machines and machine control, production data processing, developing process robotics, smart lines, and software for composite manufacturing and 3D printing.

1.6. Main deliveries

In the aluminium sector, the Group completed the enlargement of the anodes in two of Aluminium Bahrain's (Alba) existing workshops, where the first new anodes were produced in late 2016, Fives also carried out the first metal casting using its new Genios system, an electromagnetic moving technology, in the UK. Genios has earned Fives Engineered Sustainability® brand which certifies an eco-design approach, and offers the customer significant gains on efficiency, energy yield, and operator safety.

In the steel sector, a Stein Digiflex® vertical annealing furnace with an annual capacity of 430,000 tons, intended for tin plate production for use in food packaging, was accepted in China by Shougang Jingtang United Iron & Steel Co., for its Caofeidian plant in Hebei province. The furnace, which features Fives' latest technologies, the FlashCooling® quick cooling system and the AdvanTek® combustion system, was installed on tin plate annealing line no. 3, one of the fastest in the world, with strip production speeds of 750 mpm. It is the fifth Fives continuous annealing furnace to be operated on the site by Shougang Jingtang, which informed Fives that it is very satisfied with the performances observed.

Also in China, two complete, continuous galvanizing lines for producing a wide range of high added-value steels for the automobile industry as well as Fives furnaces for two annealing lines were started up on the Baotou site, in Inner Mongolia. The first coil was processed in February, on the Zhangjiang site annealing line for Baosteel. The Group has also processed its first rolled coil on the new continuous annealing line for Guangxi Steel (Wisco). This complete line includes the latest technology and equipment developed by Fives, including an electrolytic degreasing section involving a series of chemical processes, followed by mechanical and electrolytic processes to guarantee the high required levels of cleanness, a Stein Digiflex® vertical furnace equipped with the AdvanTek® combustion system and FlashCooling® technology, a DMS SkinPass 6Hi mill, complete terminal equipment and a double scrap press.

In the glass sector, Fives started up a new full float glass line, with a melting capacity of 800 tpd, to produce residential and automobile glass in thicknesses ranging from 3 - 10 mm for Turkish glass producer Düzce Cam. The new line features the latest proprietary furnace technology, Fives Prium® Melt Float L.E.M.® (Low Energy Melter), which offers energy savings of up to 20% compared to traditional technologies.

In the piping sector, as part of the development of France's Ariane space program, Fives successfully completed the renovation of the "fluids" lot on testing bench PF 52 for Safran Aircraft Engines (formerly SNECMA). This high-precision project took two years of work by Group teams, who proved their expertise in this type of installation, in the extremely demanding context of the spatial market. The piping (DN 4 to 300) was produced in line with rigorous requirements for cleanliness and load loss, with very strict technical specifications due to service temperatures as low as -253°C on certain hydrogen lines.

In the combustion sector, following the excellent results obtained last year thanks to the Pillard LONOxFLAM® burners installed on the boilers on several sites owned by Paris metropolitan heating operator CPCU (Bercy, Grenelle, Vaugirard and Ivry-sur-Seine), the Bercy site was selected as the pilot for the use of biofuels, and two of its four boilers have been running with Fives Pillard LONOxFLAM® burners supplied with biofuels since late May. The excellent emissions results obtained rewarded the Group's work on developing eco-friendly solutions. The customer was so happy with the solution that it has decided to switch the burners on two of its Grenelle site boilers to biofuels.

In the tubes sector, Fives started up an innovative hydrostatic tube testing unit for world leader Vallourec on its Düsseldorf-Rath site in Germany. The unit can perform tests beyond the standards implemented by the American Petroleum Institute (API), the authority in the industry, to meet the constantly changing demands of oil exploration in increasingly deep, difficult-to-reach zones, and is one of the most powerful ever built by the Group.

In the cement sector, Fives successfully completed start-up of a new 4,500 tpd clinker production line for LafargeHolcim on its Barroso site in Brazil, including performance testing on the raw grinding plant, which houses the largest FCB Horomill® grinding mill ever installed. Buzzi Unicem also gave Fives the acceptance certificate for the raw grinding installation on its Maryneal site in Texas, an installation which left the customer very satisfied. In the Philippines, Republic Cement (part of the CRH group, previously Lafarge Republic Inc.) commissioned a Horomill® cement grinding unit, which offers unrivaled performance in terms of energy efficiency, product quality and flexibility. At the end of the year, Fives also started up the first FCB Horomill® grinding workshop on Cementos Fortaleza's new Tula production site (Mexico). Finally, in the minerals sector, Fives started up the new FCB Rhodax® hematite grinder, to the satisfaction of a Danish customer.

In the automotive sector, GMCH congratulated Fives on the quality of the grinders it supplied to its Grand Rapids, Michigan site, the first new grinders supplied by the Group since it acquired the Bryant patents, and indicated that they are better than any of the other grinders on the site. In the automated production systems sector, Fives also started up an automated crankshaft line for Fiat in Termoli (Italy), and in the filling sector delivered HFO refrigerant fluid filling units to several Renault sites in Europe.

In the logistics sector, in Italy, Fives delivered its first eco-designed GENI-Belt™ cross-belt sorter for the airport terminal of a leading courier company and started up several automated high-throughput sorting platforms for historic customers in Japan and South Korea. 2016 also saw a number of achievements in Australia, including the delivery of a third sorting hub for the Toll Group, this time on its South Sydney site: the hub features a cross-belt for small parcels and will offer throughput of 16,000 items per hour to 341 destinations.

In the aerospace sector, the Group delivered two very large Liné Machines trim and drill machines processing wings and spars for the Boeing 777X program to the Everett site in Washington state. In Japan, Fives installed several composite laying systems as a part of the Boeing 787 program for Fuji Heavy Industries and Mitsubishi Heavy Industries. The Group also completed the development of new products, which were delivered for the first time in 2016, including the first five-axis robot mounted milling machine (Forest-Liné P2M), designed for finishing operations on composite wings, which was delivered to Airbus in Spain, the first Forest-Liné Modumill MT dual ram milling/turning gantry machine, designed to machine titanium motor parts, and the new Giddings&Lewis T-Bed Horizontal Boring mill product range, which was launched successfully.

2. FINANCIAL PERFORMANCE

2.1. Accounting principles and consolidation scope

The Group's consolidated financial statements were prepared in accordance with the IFRS standards.
The retrospective effect on fiscal year 2015 of the elements described in Note 4 "Year-on-Year Comparison" has not been restated in the figures below. Therefore, the figures stated for 2015 are the numbers published in the consolidated accounts for fiscal year 2015, not in the restated comparison provided in the 2016 consolidated accounts.

Fiscal year 2016 integrated the full-year contribution of the sub-group Fives ECL and the company Fives Lund LLC, which entered the scope on July 9, 2015 (six months of consolidation in fiscal year 2015) and August 31, 2015 (four months of consolidation in fiscal year 2015), respectively.
Due to Fives ECL's losses in 2016 (expected at acquisition), these two entities' contribution to the Group results was lower than in 2015 (€3 million negative impact on EBITDA).
The term "historic scope" employed hereafter refers to the data excluding the contributions of Fives ECL and Fives Lund LLC.

The sub-group Daisho, acquired on December 7, 2016, constitutes an expansion of the Group's activity in the grinding sector (automotive division) in Japan. Its contribution to the results for fiscal year 2016 was insignificant.

Following the decision to close the Fives Industries site (workshop located in France, whose activity focused mainly on the steel market), the company was removed from the consolidation scope on January 1, 2016. A restructuring expense of €12 million was therefore added to non recurring profit.

Average foreign exchange rate fluctuations did not have a significant impact on the consolidated profit and loss statement (negative impact of €0.4 million on EBITDA).

SALES BY END MARKET

€ million	2015	2016
Automotive	333.0	318.5
Logistics	179.2	238.7
Metals (aluminium and steel)	277.9	274.9
Energy	364.5	375.5
Cement	318.5	278.0
Aerospace and industry	240.0	285.2
Holding and sourcing co.	5.1	8.4
Total	**1,718.2**	**1,779.2**

SALES BY GEOGRAPHICAL AREA

€ million	2015	2016
Americas	521.1	567.3
Asia and Oceania	369.0	384.8
Europe	511.6	570.0
Middle East and Africa	316.5	257.1
Total	**1,718.2**	**1,779.2**
Contribution from mature economies	58%	60%
Contribution from emerging countries	42%	40%

2.2. Summary of results in 2016

Sales

2016 sales were €1,779 million. This represents an increase of €61 million over 2015 (€1,718 million), of which €43 million due to the scope effect, despite a negative foreign exchange effect (- €9 million). Sales therefore increased slightly at constant scope and exchange rate (€27 million, + 2%).

SUMMARY OF CONSOLIDATED FIGURES

€ million	2015	2016
Sales	**1,718.2**	**1,779.2**
Gross profit	377.4	383.0
General expenses	(294.1)	(299.8)
Other revenue and expenses	7.4	6.5
EBITA	**90.7**	**89.7**
Profit from recurring operations (EBIT)	**64.0**	**64.1**
EBITDA	**116.0**	**115.6**
	6.7%	*6.5%*
Operating profit	**56.5**	**49.1**
Net financial result	19.3	(13.9)
Profit before tax	**75.8**	**35.2**
Net profit	**55.7**	**4.0**
Net profit (Group Share)	54.4	3.2

Gross profit

Gross profit for 2016 was 21.5%, down 0.5 point compared to 2015 (22.0%) due to:

– a roughly 20-million-euro decrease in sales from spare parts in the historic scope, mainly on the energy, metals and general industry markets. Since the margin on this type of order is high, the impact on the Group's gross margin was a 0.3 point drop in 2016 from 2015;

– lower margins at Fives ECL due to the fact that, as foreseen during the acquisition, 2016 volumes were inadequate to optimally absorb fixed production costs.

General expenses

General expenses were €300 million in 2016. This includes a scope effect of €10 million and a favorable exchange rate effect of €1 million. At constant scope and exchange rate, they were down €3 million compared to 2015.

This drop at constant scope and exchange rate is due to:

- €10 million (6%) in savings on administrative costs;
- a €2 million (1%) investment in sales and R&D, in an increasingly complex market climate which requires support for expanding sectors (including logistics), covering more regions, improving the technological offer and digitizing the Group's solutions;
- a €5 million decrease in R&D tax credits; in 2015, the Group had benefited from the carry-over of previous credits in the US.

Other revenue and operating expenses (including profit-sharing and incentives)

The profit of €6 million for fiscal year 2016 includes €11 million linked the downward revision of the Group's earn-out debts, in particular those related to Fives ECL (€10 million).

The earn-out debt recorded in the Fives ECL opening balance sheet was mainly based on the 2016-2019 forecast sales generated by services activities. In light of the steep drop in services sales in 2016 compared to the forecasts (which were in line with the actual sales for 2013-2015), the earn-out debt was revised downwards at closing, leading to a profit on the books for the year.

Note that the €7 million in revenue for the 2015 financial year included the €11 million in badwill related to the allocation of the acquisition price of Fives ECL.

At constant scope, this item is therefore stable compared to 2015.

EBITDA

The Group's 2016 EBITDA was €116 million (6.5% of sales), in line with the 2015 figure (6.7% of sales). The €0.4 million drop since 2015 corresponds to the negative foreign exchange effect.

Excluding the scope effect, the fiscal year 2016 EBITDA was €104 million, a €3 million increase of 2015 (€101 million), a 3% increase at constant scope and exchange rate, while the EBITDA margin remained steady at 6.1%.

Profit from recurring operations (EBIT)

The Group's profit from recurring operations for 2016 was €64 million, stable compared to 2015.

Operating profit

The Group's operating profit in 2016 included an extraordinary expense of €15 million for restructuring costs, mainly linked to the closure of the Fives Industries site (€12 million). The closure was part of a series of Group actions to reduce break-even points in its steel activity, a structurally depressed market.

Note that in 2015, the Group's operating profit included €7 million in non-recurring expenses: €5 million in restructuring costs for the divisions affected by the difficult economic climate (metals, energy, general industry) and €2 million in acquisition fees netted of the sale profits.

Net financial result

The net financial profit and loss includes the net debt cost, foreign exchange gains or losses (including the term effects of foreign exchange derivative hedging and the variation in the fair value of non-hedging derivatives), financial expenses from defined-benefit pension plans (accretion of the commitment, netted of the expected yield of the plan's assets) and the retirement funds in France, as well as revenue from profit-sharing.

The net financial result was a loss of €14 million in 2016, compared to a €19 million profit in 2015. That represents a drop of €33 million, of which €31 million due to foreign exchange rate (€3 million loss in 2016 *vs.* €28 million profit in 2015).

The foreign exchange gains or losses mainly include the effects of changes in the euro-dollar and euro-pound sterling parities on the unhedged balance (due to long maturity) of loans in dollars taken out by Fives and intragroup loans in foreign currencies granted by Fives:

– in US dollars to its American subsidiaries to fund the acquisitions of the subgroups Fives North American Combustion in 2008, Fives Bronx in 2010, Fives Machining Systems in 2013, and Fives Lund LLC in 2015;

– in pounds sterling to the English holding company Fives UK Holding Ltd. at the end of 2012 for its acquisition of the Group's British subsidiaries.

The pound sterling's depreciation at closing against the euro between December 31, 2015 and December 31, 2016 led to a foreign exchange loss in 2016. The loss was partially offset by the less significant inverse effect of the dollar's rise against the euro at closing.

Note that a significant foreign exchange rate gain was recorded in 2015 due to the dollar's rise against the euro between December 31, 2014 and December 31, 2015, while the changing pound sterling closing exchange rates did not have a significant effect.

The net foreign exchange loss recorded in 2016 (-€3 million) breaks down into a €7 million realized gain (thanks to the implementation of hedging and reimbursement flows) and an unrealized loss of €10 million. Since the borrowing and loans were originated, the Group has recorded a cumulative net foreign exchange gain of €66 million (including €27 million in realized net gains and €39 million in unrealized net gains).

Excluding the foreign exchange gains and losses, the main elements of the financial profits and losses break down as follows:
– Financial debt cost: - €5 million, stable compared to 2015;
– Effect of undiscounting of the earn-out debts and buyback commitments for Fives ECL and Fives Lund; - €4 million *vs.* - €2 million in 2015 when this effect only applied during the second half;
– Miscellaneous: - €2 million, stable compared to 2015.

Taxes

The total income tax expense (current and deferred taxes) for the 2016 fiscal year was €31 million - including €5 million in French Corporate Added Value Tax (CVAE) and Italian Regional Production Tax (IRAP). It increased €10 million over 2015 (€21 million), when €9 million in tax gains were recorded thanks to the recognition of a carry-back asset in the US and a patent box current tax reimbursement in the UK (cash receipts in 2016).

Net profit

Net income for the entire consolidated scope was thus €4 million, down €52 million compared to 2015 (€56 million) despite a stable profit from recurring operations. This drop was caused by higher restructuring costs and by the fact that the foreign exchange rate balance and taxation did not benefit from the unusual favorable elements seen in 2015.

2.3. Contribution of each division to Group results

AUTOMOTIVE

€ million	2015	2016
Order book at January 1	189.7	188.1
Order intake	314.5	386.9
Order book at Dec. 31	188.1	257.0
Sales	333.0	318.5
EBITDA	34.1	30.6
Headcount at Dec. 31	1,337	1,521

Automotive sector sales were €319 million, a 4% drop from 2015 (€333 million). Despite an opening order book in line with last year and a strong increase in order intake, the majority of new orders were placed at the end of the year, meaning that the progress generated in sales was limited relative to the volume of orders booked during the year. The closing order book increased significantly.

The EBITDA margin was 9.6% for 2016. Note that fiscal year 2015 benefited from the carry-over of historic research tax credits in the US. Restated without this effect, the 2015 EBITDA margin was 8.9%. Profitability therefore increased in 2016.

LOGISTICS

€ million	2015	2016
Order book at January 1	117.9	165.2
Order intake	218.7	210.0
Order book at Dec. 31	165.2	143.8
Sales	179.2	238.7
EBITDA	16.4	22.2
Headcount at Dec. 31	469	544

2016 sales in logistics were €239 million, a strong increase (+33 %) over 2015 (€179 million) due to a higher opening book.

The EBITDA margin increased slightly (9.3% in 2016 *vs.* 9.1% in 2015), with the activity's strong growth accompanied by efforts to reinforce and structure the division, to give it the resources to match its ambitions on a market with long-term positive trends.

METALS

€ million	2015	2016
Order book at January 1	256.1	262.2
Order intake	259.2	201.0
Order book at Dec. 31	262.2	186.6
Sales	277.9	274.9
EBITDA	28.1	12.4
Headcount at Dec. 31	1,722	1,592

The metals division recorded sales of €275 million in 2016. While sales for the year were in line with 2015 (€278 million), the figure includes a scope effect generated by Fives ECL, consolidated for a full year in 2016 but only a half year in 2015. At constant scope, sales dropped 12% due to the significant decrease in activity in the steel sector.

At constant scope, the EBITDA was €5 million (2.3% of sales) in 2016, compared with €14 million in 2015 (5.9% of sales). Fiscal year 2015 had seen the end of the guarantee period for large contracts in good conditions in the aluminium sector, and the activity mix was less favorable in 2016 due to the drop in spare parts sales. Note, however, that in steel the EBITDA returned to a balance in 2016 after posting losses in 2015, despite smaller volumes, largely due to restructuring.

ENERGY

€ million	2015	2016
Order book at January 1	275.2	250.5
Order intake	334.9	301.0
Order book at Dec. 31	250.5	175.9
Sales	364.5	375.5
EBITDA	22.3	18.3
Headcount at Dec. 31	2,407	2,263

Energy division sales were €376 million, a slight increase (3%) over 2015. The drop in the combustion market (due to lower order intake in 2016 on the sectors for the oil and gas markets and the US market) was more than offset by the increase in sales on the nuclear (thanks to the progress of the orders for the Flamanville EPR in France included in the opening order book) and sugar (market rebound due to rising prices) markets. The cryogenics and tubes businesses remained stable: despite lower order intake in 2016, the orders from the opening backlog (2015 order intake) maintained sales levels.

The EBITDA margin was 4.9%, 1.2 point lower than in 2015 (6.1%). On a difficult market, the Group completed orders with lower average margins than prior to the drop in oil prices, an effect which was partially offset by a decrease in structural expenses.

CEMENT

€ million	2015	2016
Order book at January 1	536.4	447.6
Order intake	232.7	84.4
Order book at Dec. 31	447.6	249.5
Sales	318.5	278.0
EBITDA	21.1	22.8
Headcount at Dec. 31	609	586

The cement division's sales were €278 million, a decrease of €41 million from 2015. Sales remained stable for the three turnkey contracts currently under execution (in Algeria, Qatar and Mexico) and the equipment and services activities; 2015, on the other hand, had also benefited from the contribution of previous large contracts, which have since ended.

The EBITDA margin was 8.2%, a 1.6-point increase over 2015. This increase is due both to the completion of the guarantee period on in-hand large contracts in good conditions and the improved margins on two of the three turnkey contracts currently being executed.

AEROSPACE AND INDUSTRY

€ million	2015	2016
Order book at January 1	118.3	237.8
Order intake	342.6	266.6
Order book at Dec. 31	237.8	222.9
Sales	240.0	285.2
EBITDA	(2.0)	6.6
Headcount at Dec. 31	1,439	1,555

The aerospace and industry division's sales were €285 million, a €45 million increase (19%) over 2015 (€240 million), thanks to a higher opening book in aerospace and industrial maintenance, while general industry was not a major contributor.

The EBITDA returned to positive levels, at 2.3% of sales, mainly thanks to the better absorption of structural expenses by activity volumes. Note that in 2015 the development of new machine ranges for the aerospace market had required additional expenses, which affected the results. Since these developments are now stabilized, the gross profit improved slightly in 2016, despite a less favorable capacitive mix, due to the lower contribution of spare parts sales.

3. GROUP FORECASTS

3.1. Trends and outlook

The Group's outlook for 2017 remains very positive in the automotive and especially logistics sectors, where order intake should increase significantly due to growing demand. In addition, after a nearly four-year low cycle, the aluminium market is finally rebounding, with the launch of a new capacity investment in Bahrain, where the Group won two large orders in early 2017. Furthermore, after two consecutive morose years due to the drop in oil prices, the energy sector is finally showing the first signs of recovery. Only steel, which is affected by global overcapacity, and cement, which is suffering from the concentration of customers and the difficulties faced by local players in high-demand regions when seeking financing, continue to lag behind.

These trends are confirmed by the IMF and World Bank's January forecasts, which predict higher growth in 2017 (3.4% *vs.* 3.1% in 2016 according to the IMF, 2.7% *vs.* 2.3% in 2016 according to the World Bank), driven by the expected recovery in emerging countries and the US. Despite the uncertainty surrounding the economic policy of the Trump administration, the two institutions presented a central scenario of support for growth in the form of a budget overhaul and tax cuts. If announcements of future infrastructure, defense and energy spending are confirmed, they could provide long-term support for the recovery of industrial investment, which started in the US in November 2016, generating potential opportunities for the Group in the steel, cement, industry, aerospace and energy sectors.

3.2. Closing order book and business outlooks for 2017

The Group ended 2016 with an order book of €1,247 million, down €309 million from 2015 (€1,556 million). Unlike in 2015, the low levels of large orders booked during the year failed to offset the level of sales recognized on in-hand contracts (particularly turnkey cement plants).

However, the fact that two major aluminium contracts were recorded in early 2017 (awarded in 2016 but not in force at closing) means that the new fiscal year started with an order book which is higher than it appeared on December 31, 2016. This order book, paired with the commercial outlook described above, should ensure that the Group's 2017 sales are in line with 2016. Since the order book margins were higher at end 2016 than at end 2015, profits are set to increase in 2017.

ORDER BOOK BY END MARKET

€ million	12.31.14	12.31.15	12.31.16
Automotive	189.7	188.1	257.0
Logistics	117.9	165.2	143.8
Metals (aluminium and steel)	256.1	262.2	186.6
Energy	275.2	250.5	175.9
Cement	536.4	447.6	249.5
Aerospace and industry	118.3	237.8	222.9
Holding and sourcing co.		4.5	11.0
Total	**1,493.6**	**1,555.9**	**1,246.7**

ORDER BOOK BY GEOGRAPHICAL AREA

€ million	12.31.14	12.31.15	12.31.16
Americas	255.3	400.9	317.0
Asia and Oceania	344.2	359.6	312.0
Europe	366.2	394.4	369.9
Middle East and Africa	527.9	401.0	247.8
Total	**1,493.6**	**1,555.9**	**1,246.7**
Contribution from mature economies	40%	45%	47%
Contribution from emerging countries	60%	55%	53%

CORPORATE GOVERNANCE

THE EXECUTIVE BOARD

Fives is headed by an Executive Board overseen by the Supervisory Board; the number of Executive Board members is established by the Supervisory Board, which has set a minimum of two members and a maximum of five.

The Executive Board currently has two members and is responsible for the management of the company. It has the most extensive powers to act on behalf of Fives under all circumstances, limited only by the company purpose and powers expressly vested by the Supervisory Board and shareholder meetings.

Every member of the Executive Board also have personal responsibility for supervising one or more of the Group's Operational Divisions and one or several functional Fives departments.

With regard to the Supervisory Board, the Executive Board:
- presents a quarterly report on the Group's performance, together with a revised budget for the current year and, at each year end, an initial budget for the following year;
- within the three months following the financial year end, closes the annual company and consolidated financial statements and provides the same to the Supervisory Board;
- provides the Supervisory Board with the Executive Board report that will be presented to the Annual Ordinary General Meeting ;
- reports on specific issues that could be of major importance for the Group.

The Executive Board meets as often as the company's interests require.

Executive Board members are appointed and remunerated as provided for by law. Their term of office is terminated by the General Meeting of shareholders. The Executive Board is appointed for a term of six years. Each Executive Board member shall cease his/her functions on the date of his/her 65th birthday.

Composition of the Executive Board

Frédéric Sanchez, 57 years old, Chairman of the Executive Board.
Appointed on October 3, 2002, his term of office was renewed by the Supervisory Board on September 29, 2014 and will expire on September 28, 2020.
Main positions held:
Various positions in companies affiliated to the Fives group.
Member of the Board of Directors of Compagnie des Gaz de Pétrole Primagaz.
Member of the Supervisory Board of Holding d'Infrastructures des Métiers de l'Environnement SAS.
Chairman and member of the Board of Directors of Cameron France Holding SAS.

Martin Duverne, 60 years old, member of the Executive Board.
Appointed on October 3, 2002, his term of office was renewed by the Supervisory Board on September 29, 2014 and will expire on September 28, 2020.
Main positions held:
Various positions in companies affiliated to the Fives group.

THE SUPERVISORY BOARD

The Supervisory Board is composed of at least three and at most eighteen members, except in the case of a merger, in accordance with applicable law.

With seven members since June 27, 2017, the Supervisory Board exercises permanent control over the management of the company by the Executive Board. It meets at least four times per year to consider the quarterly report submitted by the Executive Board. It inspects and verifies the documents associated with the corporate and consolidated financial statements submitted to it by the Executive Board within three months of the financial year end.
Throughout the year, it performs the checks and controls it considers appropriate and may request any documents it deems useful in the accomplishment of its role.

In 2016, the Supervisory Board met on: March 29, June 28, September 30 and December 19.

The members of the Supervisory Board are appointed and removed from office in the conditions provided for by law. Supervisory Board members are appointed for a term of six years expiring at the end of the Ordinary General Meeting of shareholders called to approve the financial statements for the year ended and held in the year in which the term of office expires.

The General Meeting shall determine the remuneration, if any, paid to Supervisory Board members. The number of Supervisory Board members aged 70 or over may not exceed one third of the number of Board members.

Composition of the Supervisory Board

Philippe Reichstul, 68 years old, Chairman and member of the Supervisory Board.
Appointed these roles on March 28, 2014, and June 25, 2013 respectively, his term will expire at the end of the General Meeting called to approve the 2018 financial statements.
Main positions held:
Managing Director of Gestao Empresarial.
Partner at Semco Partners.
Member of the Supervisory Board of PSA Peugeot Citroën.

Jacques Lefèvre, 79 years old, Honorary Chairman and member of the Supervisory Board.
Appointed these roles on December 20, 2012, and June 25, 2013 respectively, his term will expire at the end of the General Meeting called to approve the 2017 financial statements.
Main positions held:
Member of the Board of Directors of the National Investment Company, Morocco.

Dominique Gaillard, 57 years old, Vice-Chairman and member of the Supervisory Board.
Appointed these roles on March 28, 2014, and October 17, 2012, respectively (and renewed on June 25, 2013). His term will expire at the end of the General Meeting called to approve the 2018 financial statements.
Main positions held:
Various roles within companies affiliated to Ardian Holding.
Director, member of the Strategy Committee, member of the Governance and Remuneration Committee of Mersen.
Non-voting director of Club Med Holding.

Lise Fauconnier, 51 years old, member of the Surpervisory Board.
Appointed on October 17, 2012, and renewed on June 25, 2015, her term of office will expire at the end of the General Meeting called to approve the 2020 financial statements.
Main positions held:
Various roles within companies affiliated to Ardian Holding.

Antonio Marcegaglia, 53 years old, member of the Supervisory Board.
Appointed on June 27, 2014, his term of office will expire at the end of the General Meeting called to approve the 2019 financial statements.
Main positions held:
President and CEO of Marcegaglia Spa.

Jean-Georges Malcor, 60 years old, member of the Supervisory Board.
Appointed on June 25, 2013, his term of office will expire at the end of the General Meeting called to approve the 2018 financial statements.
Main positions held:
CEO and member of the Board of Directors of CGG.
Member of the Board of Directors and member of the Audit Committee and the Supervisory Board at STMicroelectronics.

Laurence Parisot, 58 years old, member of the Supervisory Board.
Appointed on June 27, 2017, her term of office will expire at the end of the General Meeting called to approve the 2022 financial statements.
Main positions held:
Member of the Board of Directors of BNP Paribas and Chair of its Governance, Appointments, and CSR Committee.
Member of the Board of Directors of EDF.

Fives' governing bodies are assisted in their decision making by various committees, as follows:

THE EXECUTIVE COMMITTEE

To support it in its decision-making, the Executive Board has introduced an Executive Committee whose members include the members of the Executive Board and the Group's key operational and functional managers.

As the body responsible for consultation, recommendation and implementation, the Executive Committee meets to consider issues submitted to it, and to support the Executive Board in reaching those decisions that fall within its scope of competence. It also examines the proposals put forward by the Country Coordination and Steering Committees. Its tasks include monitoring the implementation of Group policies.

The Executive Committee meets at least four times per year.

In 2016, it met on April 6, June 23, September 23 and December 14 and discussed, among other subjects:
- establishment of consolidated results;
- human resources;
- health, safety, environment;
- FivesWAY program;
- export compliance and prevention of corruption matters;
- presentation of the Fives Innovation Awards winners.

Composition of the Executive committee

Suresh Abye, 38 years old,
Group Chief Financial Officer.

Xavier Becquey, 47 years old,
Head of Group Operational Performance.

Daniel Brunelli-Brondex, 56 years old,
Country Director - India.

Bruno Carbonaro, 50 years old,
Head of the Automotive Business Line.

Jean-Marie Caroff, 55 years old,
Head of Group International Development.

Alain Cordonnier, 56 years old,
Head of the Cement Business Line.

Sylvain Dulude, 54 years old,
Country Director - North America.

Arnaud Lecœur, 46 years old,
Group General Counsel.

Yannick Leprêtre, 47 years old,
Head of Group Innovation and Digital.

Guillaume Mehlman, 52 years old,
Head of the Steel and Glass Business Lines.

Terry Moody, 55 years old,
Head of the Aerospace Business Line.

Frédéric Renaud, 64 years old,
Country Director - Italy.

Luigi Russo, 43 years old,
Head of the Combustion and Intralogistics Business Lines.

Michelle XY Shan, 51 years old,
Country Director - China.

Paule Viallon, 51 years old,
Head of Group Human Resources.

Hugues Vincent, 61 years old,
Head of the Aluminium Business Line.

THE HEAD OF COUNTRY

All Group Companies operating in the same country (or region) form part of a matrix structure reporting to a Head of Country, whose tasks include:
- chairing the Country Coordination and Steering Committee (where appropriate);
- acting as the initial point of contact for Fives' central functional services;
- ensuring that Fives' instructions and directives are understood and enforced;
- informing Fives of any difficulties encountered in applying its instructions and directives as a result of specific regional issues;
- support Fives in the process of integrating newly acquired companies;
- managing the relationship between Fives and local stakeholders and coordinating the relationship between these stakeholders and subsidiary companies;
- contributing proactively to regional synergies.

THE COUNTRY COORDINATION AND STEERING COMMITTEES

These Committees are responsible for the broad coordination of Fives' strategy and situation, and will also define the methods for implementation in the Group subsidiaries.

In addition to the members of the Executive Committee, they are made up of Chief Executive Officers (or equivalent positions) and functional directors for Fives or the country in question.

The Country Coordination and Steering Committees meet three or four times per year, and are chaired by:
- The Country Directors for North America, China, India and Italia.
- The Chairman of the Executive Board for France.

THE ACCOUNTS COMMITTEE

The role of the Accounts committee is to provide information to the Supervisory Board. It is composed of the following Supervisory Board members:

Dominique Gaillard, Chairman of the Accounts committee.
Lise Fauconnier, member of the Accounts committee.
Jacques Lefèvre, member of the Accounts committee.

The Chairman of the Executive Board, the Chief Financial Officer, the Director of Consolidation and Corporate Accounting, the Group Treasurer and the company's Statutory Auditors also attend Accounts committee meetings.

Its role is primarily to:
- examine and assess the financial documents issued by Fives in connection with the preparation of the annual and interim company and consolidated financial statements;
- advise the Supervisory Board on any changes in accounting principles and policies applied;
- examine the manner in which internal and external controls are performed in respect of the company's consolidated financial statements.

The Accounts committee meets at least twice a year. In 2016, it met on March 29 and on September 30.

THE APPOINTMENTS AND REMUNERATION COMMITTEE

The appointments and remuneration Committee is responsible for making proposals to the Supervisory Board concerning appointments to the Executive Board and the renewal of Executive Board members' terms of office together with the amount of their remuneration.

It is composed of the following Supervisory Board members:

Dominique Gaillard, Chairman of the appointments and remuneration Committee;
Jean-Georges Malcor, member of the appointments and remuneration Committee.

In 2016, the appointments and remuneration committee met on March 29.

INTERNAL CONTROL

The internal control procedures applied within the Group are intended:
- to ensure that management actions and the conduct of transactions, as well as the conduct of the Group employees, comply with applicable laws and regulations, the guidelines issued by the Group's governing bodies and its values, standards and internal rules, and
- to ensure that the accounting, financial and management information provided to the Group's governing bodies gives a fair and accurate picture of the Group's activities and position.

With the prevention and management of the risks deriving from the Group's activities and the conduct of its staff, the Group's organization is based on:
- the quality, personal involvement and accountability of management teams at each Group company;
- coordination by business division;
- the implementation, as part of concerted action by all Group companies, of the "Directives and Guidelines Policy Book". This manual is a major risk management tool and provides the basis for the internal limitations set by the Boards of Directors of Group companies on the powers of their Chief Executive Officers (or equivalent position).

Every material binding offer is subjected to an in-depth review intended to avoid exposure to risks that could have a significant adverse effect on the financial outcome of the proposed contract or an adverse impact on the business or reputation of the company in a given business sector or geographic region.

Similarly, each material contract in progress is reviewed in detail at least once each quarter by the main managers of each Group company so as to make a detailed assessment of contract progress, review the technical, financial and contractual issues involved, and make any relevant decisions.

With regard to the preparation and processing of accounting and financial information, internal control is based on:
- implementing professional accounting and financial procedures throughout the Fives group by building on the experience of its staff;
- uniform guidelines, accounting methods and consolidation rules;
- a common integrated consolidation and management application, thus ensuring the consistency of accounting data and management information.

EXTERNAL CONTROL

The Company's Independent Auditors are:
- **Ernst & Young et Autres,** represented by Pierre Jouanne. Statutory Auditor, appointed on June 27, 2012.
- **Deloitte & Associés,** represented by Pascal Colin. Statutory Auditor, whose term of office was renewed on June 27, 2012.
- **Auditex,** Substitute Statutory Auditor, whose term of office was renewed on June 27, 2012.
- **Beas,** Substitute Statutory Auditor, whose term of office was renewed on June 27, 2012.

Their terms of office will expire after the General Meeting of shareholders which will approve the 2017 financial statements.

In the context of their legal assignment, the Statutory Auditors carry out a limited review of the consolidated interim financial statements and a detailed audit of the annual company and consolidated financial statements. The company and consolidated financial statements have, to date, been approved without qualifications.

FINANCIAL AND LEGAL INFORMATION

FINANCIAL INFORMATION

Share capital

At December 31, 2016, Fives had a share capital of €102,723,764, composed of 2,185,612 fully paid-up shares with a par value of €47 each. The shares are registered shares.
There are no other securities giving access to the capital.

Changes in the share capital

In 2016 the share capital is not subject to any evolution.

Share ownership

Fives' main shareholder at December 31, 2016 was Novafives, which held 99.99% of the share capital.

Stock options and allocation of bonus shares

The company had not set in place any stock option plan or allocation of bonus shares at December 31, 2016.

Dividends / Distribution of reserves

No dividends were paid in 2014, 2015 and 2016.

LEGAL INFORMATION

Company name and registered office

Fives, 3 rue Drouot, 75009 Paris – France.

Legal form

A French limited company (Société anonyme) with an Executive Board and Supervisory Board since September 13, 2001.

Term

The term of the company is set at January 1, 2039, unless the company is wound-up early or the term is extended.

Trade and companies registry

542 023 841 RCS Paris.

Financial year

January 1 to December 31.

Purpose (summary of Article 3 of the Memorandum and Articles of Association)

The Company's object is, directly or indirectly, in France and abroad, all engineering activities in the areas of industry and in particular in the areas linked to the production and to the use of energy, the production of aluminium, cement, glass, steel, sugar and chemical products, the manufacturing industry (automotive, aeronautics, logistics, etc.) and, in this context, all activities relating to the design, development of and completion of projects of all kinds in the form of the provision of services, design offices and engineering advice as well as the design, development and acquisition of all property rights, processes and all industrial manufacturing resources, entering into all licensing agreements or any agreements relating to these assets.

Distribution of profits (summary of Article 23 of the Memorandum and Articles of Association)

The General Meeting of shareholders shall have the power to grant each shareholder the option of receiving all or part of the dividend in cash or in shares in accordance with the applicable statutory and regulatory provisions.
Dividends or interim dividends shall be paid under the conditions provided for by law.

Conditions for the holding of General Meetings
(summary of Articles 18, 19 and 21 of the Memorandum and Articles of Association)

General Meetings shall be convened under the conditions laid down by law and chaired by the Chairman of the Supervisory Board or, if unavailable, by whichever member has been designated by the Board.

The agenda shall be prepared as provided for by law.

General Meetings shall deliberate and decide in the conditions of quorum and majority provided for by law.

Voting rights shall be exercised by usufructuaries at Ordinary General Meetings and by bare owners at Extraordinary General Meetings.

Shareholders may appoint proxies under the conditions provided for by law. Decisions made by General Meetings, in accordance with the Memorandum and Articles of Association, shall be binding on all shareholders without exception. They shall be recorded in the minutes signed by the officers of the meeting and kept in a special register initialed and signed as provided for by law, held at the registered office.

Legal documents

All legal documents relating to the company and notably the Memorandum and Articles of Association, minutes of General Meetings and Statutory Auditors' reports may be consulted by the shareholders at the company's registered office.

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CONSOLIDATED INCOME STATEMENT

In thousands of euros	Notes	2016	2015
Sales	6.2	**1,779,199**	**1,718,164**
Cost of sales		(1,396,168)	(1,340,755)
Gross profit		**383,031**	**377,409**
Selling expenses		(110,580)	(105,590)
Administrative expenses		(156,416)	(161,815)
Research and development expenses	6.4	(32,811)	(26,743)
Employee profit sharing and bonus schemes		(2,327)	(2,542)
Other operating income and expenses	6.5	8,820	9,992
Amortization of intangible assets related to acquisitions	6.6	(25,658)	(26,678)
Profit from recurring operations		**64,059**	**64,033**
Restructuring costs	6.7	(14,734)	(5,415)
Impairment of fixed assets		(210)	
Gain (loss) on disposals and acquisition costs	6.8	29	(2,108)
Operating profit		**49,144**	**56,510**
Cost of net financial debt	6.9	(4,679)	(5,253)
Other financial income and expense	6.9	(9,262)	24,535
Net financial income (expense)		**(13,941)**	**19,282**
Profit before income tax		**35,203**	**75,792**
Income tax expense	6.10	(31,141)	(20,889)
Share of profit (loss) of associates		(100)	770
Profit (loss) for the year		**3,962**	**55,673**
Attributable to owners of the Group		3,216	54,473
Attributable to non-controlling interests		746	1,200

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In thousands of euros	Notes	2016	2015
Profit for the year		**3,962**	**55,673**
Net change in fair value of available-for-sale financial assets		136	(118)
Deferred tax on net change in fair value of available-for-sale financial assets		(3)	32
Foreign currency translation differences		7,164	11,731
Total Items subsequently recycled through profit and loss		**7,297**	**11,645**
Actuarial gains (losses)	6.22	(3,349)	4,888
Deferred tax on actuarial gains and losses		289	(1,635)
Total Items that may not be recycled through profit and loss		**(3,060)**	**3,253**
Total comprehensive income		**8,199**	**70,571**
Attributable to:			
- Owners of the Group		7,332	69,047
- Non-controlling interests		867	1,524

CONSOLIDATED BALANCE SHEET

ASSETS

In thousands of euros	*Notes*	31.12.16	31.12.15
Goodwill	6.11	245,048	240,727
Intangible assets	6.12	114,882	134,221
Property, plant and equipment	6.13	185,063	187,889
Non-current financial assets	6.14	17,484	11,595
Deferred tax assets		39,042	41,202
Non-current assets		**601,519**	**615,634**
Inventories and work in progress	6.15	177,236	187,516
Construction contracts in progress, assets	6.16	127,272	118,656
Trade receivables	6.17	408,818	395,740
Other current assets	6.18	96,483	99,914
Current financial assets	6.14	5,510	3,332
Current tax assets		8,309	8,648
Cash and cash equivalents	6.19	122,627	178,096
Current assets		**946,255**	**991,902**
Total assets		**1,547,774**	**1,607,536**

SHAREHOLDERS' EQUITY AND LIABILITIES

In thousands of euros	*Notes*	31.12.16	31.12.15
Share capital		102,724	102,724
Share premium and reserves		305,440	252,747
Foreign currency translation reserve		33,643	26,768
Profit attributable to owners of the Group		3,216	54,473
Shareholders' equity attributable to owners of the Group		**445,023**	**436,712**
Non-controlling interests		10,805	10,390
Shareholders' equity	6.21	**455,828**	**447,102**
Non-current provisions	6.22	71,053	69,250
Non-current financial debt	6.23	41,794	79,496
Other non-current liabilities	6.24	37,217	42,684
Deferred tax liabilities		7,036	4,678
Non-current liabilities		**157,100**	**196,108**
Current provisions	6.22	82,763	107,737
Current financial debt	6.23	99,815	83,955
Construction contracts in progress, liabilities	6.16	213,456	207,708
Trade and related payables		318,466	325,751
Current tax liabilities		18,340	9,958
Other current liabilities	6.24	202,006	229,218
Current liabilities		**934,846**	**964,327**
Total shareholders' equity and liabilities		**1,547,774**	**1,607,536**

CONSOLIDATED CASH FLOW STATEMENT

In thousands of euros	Notes	2016	2015
Cash and cash equivalents at January 1		**175,962**	**163,975**
Operating activities			
Profit for the year			
Adjustments for:		**3,962**	**55,673**
Change in non-current provisions		654	(1,866)
Amortization, depreciation and impairment		51,743	51,921
Net (gain) loss on disposals of assets and acquisition costs		(25)	2,311
Share of profit (loss) of equity-accounted associates		100	(770)
Other non-cash income and expense items		3,681	(31,876)
Income tax expense		31,141	20,889
Cost of net financial debt		4,679	5,253
Operating cash flow before change in working capital and income tax		95,935	101,535
Change in working capital	*6.20*	(53,209)	(30,749)
Income tax paid		(17,938)	(29,339)
Net cash provided by operating activities		**24,788**	**41,447**
Investing activites			
Acquisitions of property, plant and equipment and intangible assets		(27,581)	(22,253)
Disposals of property, plant and equipment and intangible assets		2,262	5,761
Change in financial assets		(5,193)	(1,110)
Impact of changes in consolidation scope		(1,195)	(12,306)
Net cash used in investing activities		**(31,707)**	**(29,908)**
Financing activites			
Dividends paid to non-controlling interests		(646)	(640)
Net increase (decrease) in borrowings		(34,589)	4,510
Net interest paid		(4,700)	(5,096)
Net interest received		839	1,182
Net interest received (paid)		(3,861)	(3,914)
Net cash used in financing activities		**(39,096)**	**(44)**
Effect of exchange rate fluctuations		(10,356)	492
Net increase (decrease) in cash and cash equivalents		**(56,371)**	**11,987**
Cash and cash equivalents at December 31	*6.20*	**119,590**	**175,962**

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

In thousands of euros	Share capital	Premiums, retained earnings and reserves	Actuarial gains (losses) on pensions	Foreign currency translation reserve	Hedging reserve	Available-for-sale financial assets - fair value reserve	Equity attributable to owners of the Group	Non-controlling interests	Total equity
Shareholders' equity at January 1, 2015	**102,724**	**267,222**	**(10,979)**	**15,172**		**800**	**374,939**	**2,165**	**377,104**
Profit for the period		54,416					54,416	1,200	55,616
Other comprehensive income			3,191	11,468		(86)	14,573	324	14,897
Profit and other comprehensive income		**54,416**	**3,191**	**11,468**		**(86)**	**68,989**	**1,524**	**70,513**
Dividends paid								(640)	(640)
Change in consolidation		(7,342)					(7,342)	7,342	
Other changes		(64)	3	126		3	68		68
Shareholders' equity at December 31, 2015	**102,724**	**314,232**	**(7,785)**	**26,766**		**717**	**436,654**	**10,391**	**447,045**

In thousands of euros	Share capital	Premiums, retained earnings and reserves	Actuarial gains (losses) on pensions	Foreign currency translation reserve	Hedging reserve	Available-for-sale financial assets - fair value reserve	Equity attributable to owners of the Group	Non-controlling interests	Total equity
Shareholders' equity at January 1, 2016	**102,724**	**314,232**	**(7,785)**	**26,766**		**717**	**436,654**	**10,391**	**447,045**
Opening balance sheet adjustment		57		1			58		58
Shareholders' equity at January 1, 2016, adjusted	**102,724**	**314,289**	**(7,785)**	**26,767**		**717**	**436,712**	**10,391**	**447,103**
Profit for the period		3,216					3,216	746	3,962
Other comprehensive income			(3 010)	6,993		133	4,116	121	4,237
Profit and other comprehensive income		**3,216**	**(3 010)**	**6,993**		**133**	**7,332**	**867**	**8,199**
Dividends paid								(646)	(646)
Change in consolidation		127	(84)	(118)			(75)	128	53
Change in carrying amount of obligation to purchase non-controlling interests		518					518		518
Other changes		535		1			536	65	601
Shareholders' equity at December 31, 2016	**102,724**	**318,685**	**(10,879)**	**33,643**		**850**	**445,023**	**10,805**	**455,828**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL PRESENTATION

Fives (hereinafter Fives or "the Company") is a private limited liability company with a Management Board and a Supervisory Board, incorporated in France and subject to all French legislation governing commercial companies, in particular the legal provisions of the French Commercial Code. The registered office is located at 27-29 rue de Provence, 75009 Paris, France.

The consolidated financial statements of the Company comprise the financial statements of companies over which the Company has direct or indirect exclusive control, which are fully consolidated, and the financial statements of companies over which the Company exercises significant influence (associates), which are accounted for using the equity method. The single economic entity is referred to as "the Group". The Fives group's companies design and supply process equipment and turnkey production lines and plant facilities for major industrial players worldwide. The Group is uniquely positioned due to its command of proprietary technologies and its expertise in engineering and complex project management.

The consolidated financial statements have been prepared under the responsibility of the Management Board, which approved them on March 23, 2017. They will be final when approved by the shareholders at their General Meeting on June 27, 2017.

The main accounting methods used to prepare the consolidated financial statements are described hereafter.

2. ACCOUNTING POLICIES

2.1. Statement of compliance

The consolidated financial statements of Fives for the reporting period ended December 31, 2016 have been prepared in accordance with the international standards issued by the International Accounting Standards Board (IASB) and adopted by the European Union at December 31, 2016. The international standards comprise International Accounting Standards (IAS), International Financial Reporting Standards (IFRS) and SIC and IFRIC interpretations.

The following standards are mandatory for financial years beginning on or after January 1, 2016:
- Amendments to IAS 19 "Defined Benefit Plans: Employee Contributions";
- Amendments to IFRS 11 «Accounting for Acquisitions of Interests in Joint Operations»;
- Amendments to IAS 1 «Disclosure Initiative»;
- Amendments to IAS 16 and IAS 38 – «Clarification of Acceptable Methods of Depreciation and Amortization»;
- Annual improvements 2010-2012;
- Annual improvements 2012-2014.

The Group has opted for the early implementation of amendments to IAS 7 "Statement of Cash Flows" – Disclosure Initiative (applicable to annual reporting periods beginning on or after January 1, 2017 but not yet adopted by the European Union).

The Group did not opt for the early implementation of the following standards, which are not yet mandatory and have not yet been approved by the European Union, for the consolidated financial statements at December 31, 2016:
- IFRS 9 and amendments «Financial Instruments»;
- IFRS 15 and amendments «Revenue from Contracts with Customers»;
- IFRS 16 «Leases» (applicable to annual reporting periods beginning on or after January 1, 2019, but not yet adopted by the European Union);
- Amendments to IFRS 2 "Classification and measurement of share-based payment transactions";
- Amendments to IFRS 10 and IAS 28 «Sale or Contribution of Assets between an Investor and its Associate or Joint Venture»;
- Amendments to IAS 12 "Income Taxes" – Recognition of Deferred Tax Assets for Unrealized Losses (applicable to annual reporting periods beginning on or after January 1, 2017 but not yet adopted by the European Union).

The Group is currently assessing their potential impact on the financial statements.

All the IFRS adopted by the European Union are available for viewing on the European Commission's website at the following address: http://ec.europa.eu/finance/company-reporting/index_en.htm.

2.2. Basis of preparation of the consolidated financial statements

The Group's consolidated financial statements have been prepared using historical costs, with the exception of the following assets and liabilities, which are stated at fair value:
- Financial assets held for trading;
- Available-for-sale financial assets;
- Derivative financial instruments.

2.3. Presentation of financial statements

In accordance with IAS 1 "Presentation of Financial Statements", current and non-current items are presented separately in the consolidated balance sheet. Generally, assets expected to be realized and liabilities due for settlement in the operating cycle or within twelve months after the reporting date are classified as current. Other assets and liabilities are classified as non-current.

2.4. Consolidation methods

Subsidiaries are companies that are controlled by the Group. They are fully consolidated. The Group exercises control when it has exposure to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect the amount of the returns. In assessing control, the Group takes into consideration all potential voting rights that are exercisable at the reporting date, including those held by another party.

Associates are entities in which the Group has significant influence but not control over the financial and operating policies. Significant influence is presumed when the Group holds 20 % or more of the voting power of the entity. Associates are accounted for using the equity method. Investments in associates are initially recognized at cost and adjusted thereafter for the post-acquisition change in the investor's share of net assets in the investee, less any accumulated impairment losses.

Companies are consolidated on the basis of their separate financial statements at December 31, restated to comply with Group accounting principles. All transactions between consolidated companies are eliminated.

The list of subsidiaries and associates is provided in note 6.32.

2.5. Significant estimates and judgments

The preparation of the consolidated financial statements requires Group and division management to use judgments, estimates and assumptions, including expectations of future events, which affect the reported amounts of certain financial statement items.

These assessments and estimates are reviewed at each reporting date and the underlying assumptions are adjusted, where appropriate, based on actual results, experience and any other relevant factors given the economic circumstances. The effects of such adjustments are recognized when made.

The items reported in the Group's future financial statements may differ from current estimates due to changes in the assumptions made and economic circumstances at the reporting date.

The main assumptions relating to future events and other sources of estimation uncertainty at the reporting date that may have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities are presented below.

Recognition of revenue and profit from construction contracts and long-term service contracts and related provisions

Revenue and profit from construction contracts and long-term service contracts are recognized on the percentage-of-completion basis.

Revenue and profit are recognized on the basis of estimated contract revenue and costs on completion, which are reviewed regularly as contract work is performed.

If the contract review reveals a negative profit margin at completion, any expected loss on incomplete work is recognized immediately.

Total expected revenue and costs reflect management's most reliable estimate of the expected future economic benefits and obligations arising from the contract.

Estimates of provisions for litigation

The Group regularly identifies and analyzes ongoing litigation and assesses any provisions required, where appropriate, based on the most reliable estimate of the outflow of economic benefits required to settle such obligations at the reporting date.

These estimates take into account information available and the range of possible outcomes.

Impairment of non-financial assets

Goodwill and other intangible assets with indefinite useful lives are tested for impairment at least once a year and whenever there is an indication of impairment.

Other amortizable intangible assets and depreciable property, plant and equipment are tested for impairment when there is an indication that their carrying amount may exceed their recoverable amount.

In assessing value in use, management estimates the future cash flows that the entity expects to obtain from the asset or cash generating unit, and applies an appropriate discount rate to calculate their present value.

Deferred tax assets

Deferred tax assets relating to tax losses carried forward are recognized to the extent of the following two criteria: (i) the net amount of deferred tax liabilities for temporary differences and (ii) the probability that future taxable profit will be available against which the benefits of the tax losses can be utilized. To determine the amount of deferred tax assets to be recognized, management is required to estimate the amount and probability of future taxable profit.

Employee benefits

Costs relating to defined benefit plans are estimated using the actuarial valuation method. Actuarial valuations are based on assumptions with regard to the discount rate, salary increases, mortality and pension increases.

The value of retirement benefit plans other than those in France entailing lump-sum payments on retirement are appraised by external actuaries.

Due to the long-term nature of these plans, there is significant uncertainty with regard to the estimates.

2.6. Foreign currency transactions

Transactions denominated in foreign currencies are translated at the exchange rates effective at the transaction dates. In accordance with IAS 21 on "Effects of Changes in Foreign Exchange Rates", monetary items are translated using the closing rate effective at the reporting date. The corresponding foreign currency translation gains or losses are recognized in net financial income and expense.

2.7. Translation of the financial statements of entities outside the eurozone

The Group's financial statements are presented in euros, which is the parent company's reporting and functional currency. All financial data is rounded to the nearest thousand euros.

An entity's functional currency is the currency used in the primary economic environment in which it operates. In the majority of cases, the functional currency is the local currency.

However, an entity may use a functional currency that differs from the local currency if its main transactions are denominated in a foreign currency.

The financial statements of foreign entities whose functional currency is not the euro are translated into euros as follows:

- balance sheet items are translated into euros using the exchange rate effective at the reporting date;
- income statement and cash flow items are translated using the average exchange rate for the reporting period;
- foreign currency translation differences are recognized directly in equity in the line item "Foreign currency translation reserve".

2.8. Segment information

The operating segments chosen to present reportable segment information have been identified on the basis of the internal management reports used by the Management Board to allocate resources and assess performance. There are no aggregated operating segments.

The Management Board is the Group's Chief Operating Decision Maker (CODM), as defined in IFRS 8.

The methods used to measure each segment's performance (KPIs) for the purposes of the internal management report are the same as those used to prepare the consolidated financial statements.

Operating segment information is presented in note 6.1.

2.9. Business combinations and goodwill

In accordance with IFRS 3, business combinations are accounted for using the acquisition method. Under this method, upon the initial consolidation of an entity over which the Group has acquired exclusive control:

- the identifiable assets acquired and liabilities assumed are measured at their fair value at the acquisition date (except for deferred tax assets and liabilities and assets and liabilities relating to employee benefits, which are measured and recognized in accordance with IAS 12 "Income Taxes" and IAS 19 "Employee Benefits", respectively);
- non-controlling interests are measured either at fair value (full goodwill) or at the proportionate share of the acquiree's identifiable net assets (partial goodwill). The accounting policy choice is made on a transaction-by-transaction basis.

At the first consolidation date, goodwill is measured as the difference between:

- the fair value of the consideration transferred;
- the proportionate share in the net amount of identifiable assets acquired and liabilities assumed at the acquisition date, measured at fair value.

Where appropriate, measuring non-controlling interests at fair value results in the recognition of full goodwill, as goodwill is adjusted to reflect the amount attributable to non-controlling interests.

The purchase price must be finalized and allocated within 12 months of the acquisition date.

In the event of a bargain purchase where the consideration paid is lower than the fair value of the net assets acquired and liabilities assumed, the resulting gain is recognized directly in the income statement in the line item "Other operating income and expense".

Goodwill is not amortized. In accordance with IAS 36 "Impairment of Assets", goodwill is tested for impairment at least once a year and more frequently if there is an indication of impairment.

The methods used to test for impairment are described in note 2.14.
In addition, the following principles apply to business combinations:

- Goodwill is allocated to each cash-generating unit likely to benefit from the business combination as of the acquisition date;
- Contingent consideration in a business combination is recorded at fair value as of the acquisition date and any subsequent adjustment occurring after the purchase price allocation period is recognized in the income statement;
- Acquisition-related costs are recognized as expenses when incurred, under "gains or losses on disposals and acquisition costs" on the income statement;
- Any acquisition or disposal of ownership interests that dœs not affect control subsequent to a business combination is accounted for as an equity transaction and recognized directly in equity, in accordance with IFRS 10;
- In the event of the acquisition of additional ownership interests in an associate without obtaining control, the Group maintains the assets acquired and liabilities assumed previously at their carrying amount in the consolidated financial statements;
- In the event that control is obtained in a step acquisition, the cost of the business combination includes the previously held equity interest in the acquiree remeasured at its acquisition-date fair value.

2.10. Research and development costs

Research and development costs are expensed in the period they are incurred.

Expenditure on development activities is only capitalized if the following criteria required by IAS 38 are met:

- the product or process has been clearly identified and the associated costs can be measured reliably;
- the product is technically feasible;
- the resources required to complete development are available;
- there is a market for the product, or the product will be used internally;
- the product will generate future economic benefits for the Group either through its sale or internal use.

No development costs were capitalized in the reporting periods presented, as the development projects under way did not meet all the conditions.

The Group has tax credits relating to its subsidiaries' research activities, including research tax credits in France and the United States. The tax credits, which are calculated on the basis of research and development costs, are accounted for as grants and recognized in profit from recurring operations in the line item "Research and development costs". They are recognized in accordance with IAS 20 "Grants".

2.11. Intangible assets

Separately acquired intangible assets are recognized at their acquisition cost.

Software and IT licenses are amortized on a straight-line basis over their expected useful lives (between one and five years).

Intangible assets (technologies, brands, customer relationships and order book) acquired as part of business combinations are reported on the balance sheet at fair value, which is determined on the basis of external valuations for the most significant assets and internal appraisals for other assets. The valuation process is performed in accordance with generally accepted accounting principles, based on the income approach. Intangible assets are amortized on a straight-line basis over their useful lives, including, where appropriate, any period of protection provided by law or regulations. Their estimated useful lives generally range from five to ten years.

Allowances for amortization of intangible assets acquired as part of a business combination are shown under "Amortization of intangible assets related to acquisitions" in the consolidated income statement.

2.12. Property, plant and equipment

Property, plant and equipment are measured at acquisition cost. A depreciation schedule is established for each depreciable asset over its useful life, defined as the period during which the Group expects to draw future economic benefits from its use. In the case of buildings and certain heavy equipment, if several significant components of these assets bring the company economic benefits at different rates, then each component is recognized separately and given its own depreciation schedule. The straight-line depreciation method is generally used.

The useful lives are generally the following:
- Main structure of buildings (shell and brickwork), depending on the type of construction: 30 to 50 years;
- Facades, roofing and secondary construction: 20 to 30 years;
- Technical and general improvements: 15 to 20 years;
- Fixtures and fittings: 10 to 15 years;
- Heavy industrial equipment, depending on the type of machinery: 10 to 25 years;
- Other components and light industrial equipment, machinery and tools: 5 to 15 years.

2.13. Finance leases

Assets acquired under finance leases are capitalized when the leases transfer substantially all the risks and rewards incidental to ownership of such assets to the Group. A financial liability is recognized as an offsetting entry for the capitalized asset. Assets held under finance leases are depreciated over their useful lives.

2.14. Impairment of property, plant and equipment, intangible assets and goodwill

The carrying amount of non-current assets (excluding financial assets) is reviewed using impairment testing to identify any impairment losses:
- for intangible assets with indefinite useful lives and goodwill, impairment testing is performed at each reporting date, or more frequently when there is an indication of impairment;
- for all other assets, impairment testing is performed whenever there is an indication of impairment.

The indicators that trigger impairment testing are external and include factors such as market value and significant changes in the company's business environment.

Cash Generating Units (CGUs) are homogeneous groups of assets that generate cash inflows. The recoverable amount of a CGU or group of CGUs is based on its value in use.

Goodwill is tested for impairment at the level of the groups of CGUs representing each operating segment.

Value in use for the Group corresponds to the value of the expected future economic benefits arising from the use of the CGUs. It is measured by discounting the expected future cash flows of each group of CGUs. The discounted future cash flows are determined on the basis of management's economic assumptions and operating forecasts in accordance with the following principles:
- the cash flows (pretax) are derived from the business plan;
- the discount rate is determined by an independent expert;
- the terminal value is calculated by summing the discounted cash flows to infinity, on the basis of a normative cash flow and perpetual growth rate. The growth rate reflects the potential expansion of markets in which the Group operates and the Group's competitive position.

Details of the assumptions used are provided in note 6.11.

Goodwill impairment cannot be reversed. Impairment losses are recognized on the income statement in the line item "Impairment of fixed assets".

2.15. Financial assets (excluding derivative instruments)

Initial measurement

Financial assets and liabilities are initially measured at fair value, which is generally the acquisition cost.

Classification and measurement at the reporting date

Financial assets (excluding derivative hedging instruments) are classified under one of the following categories in the balance sheet:

Category	Measurement	Recognition of change in value
Loans and receivables	Amortized cost	N/A
Held-to-maturity financial assets	Amortized cost	N/A
Available-for-sale assets	Fair value	Shareholders' equity
Financial assets measured at fair value	Fair value	Income statement

Loans, receivables and held-to-maturity financial assets

Loans and receivables are measured and recognized at amortized cost less any impairment losses at the transaction date. They include receivables from associates, loans for social housing, and guarantees and sureties given.

Change in fair value of financial assets recognized in the income statement

This category of assets includes:

- assets held for trading, which were acquired by the company in order to generate short-term profit;
- derivative instruments that are not designated as hedging instruments.

Marketable securities, such as money market funds and mutual funds, are measured at fair value at the reporting date on the basis of their latest quoted market price or net asset value. Any changes in their fair value are recognized in net financial income or expense.

Available-for-sale assets

Investments in non-consolidated associates are accounted for as available-for-sale assets and measured at fair value with unrealized gains and losses recorded under shareholders' equity, with the exception of long-term unrealized losses, which are recognized in the income statement.

Fair value is based on quoted market prices, when available. When quoted market prices are not available, the Group determines fair value through valuation techniques such as over-the-counter transactions, discounted cash flow analysis or revalued net assets.

2.16. Financial liabilities (excluding derivative instruments)

Loans and borrowings

Loans and borrowings are initially recognized under financial liabilities at fair value, which corresponds to their issue price net of any transaction costs incurred.

Subsequently, the difference between the net carrying amount initially recognized and the redemption value is amortized on an actuarial basis using the effective interest rate method. The effective interest rate is the rate that exactly discounts the cash flows associated with the loans and borrowings to the net carrying amount at initial recognition.

Earnout clauses

Earnout liabilities arising from acquisitions of equity investments are measured at their acquisition-date fair value. They are remeasured at each reporting date, and any change in fair value is recognized either in operating profit or net financial income or expense according to whether it results from an operating event or from the time value of money. Earn-out liabilities are recognized in the line items «other non-current liabilities» and «other current liabilities» on the balance sheet.

Commitments to purchase non-controlling interests

Commitments to purchase non-controlling interests are measured at fair value. Changes in the fair value of the commitments are recognized directly in equity. Commitments to purchase non-controlling interests are recognized in the line items «other non-current liabilities» and «other current liabilities» on the balance sheet.

2.17. Derivative instruments

The Group uses derivative instruments to hedge its exposure to market risk.

Foreign exchange risk is hedged by currency forward sales and purchases and by insurance contracted with French export credit insurance company Bpifrance Assurance Export (formerly Compagnie française d'assurance pour le commerce extérieur – COFACE) for French subsidiaries To cover its exposure to interest rate risk, the Group primarily uses swaps that change floating rate debt to fixed rate debt.

Derivative financial instruments are measured at fair value. Fair value is provided by the financial institutions that are counterparties to transactions for interest rate derivatives or calculated using standard valuation methods under market conditions at the reporting date for foreign exchange derivatives. Changes in the fair value of derivative instruments are recognized in the income statement, except for the effective portion of derivatives eligible for cash flow hedge accounting, which is recognized in equity.

Derivative instruments eligible for hedge accounting

The Group uses the criteria prescribed by IAS 39 to assess whether a derivative instrument qualifies for hedge accounting:

- the hedging relation is clearly identified and documented at the inception date of the hedging instrument;
- hedging relation effectiveness is demonstrated at the inception of the hedge and at each reporting date, both prospectively and retrospectively.

The majority of the interest rate and foreign exchange derivatives used by Fives qualify as hedging instruments.

Fair value hedges

Fair value hedges cover exposure to changes in fair value of a recognized asset or liability or an unrecognized firm commitment to acquire or sell an asset. Changes in the fair value of the hedged item attributable to the hedged risk adjust the carrying amount of the hedged item and are recognized in the income statement. The ineffective portion of the hedge is recognized in operating income and expense or financial income and expense according to the nature of the hedged item; the forward point adjustment is always recognized in net financial income or expense.

Fair value hedging is used to account for foreign exchange hedges.

Cash flow hedges

Cash flow hedges cover highly probable forecast transactions (forecast cash flows) that have not yet been invoiced. If they fulfill the criteria to qualify for cash flow hedge accounting, the changes in cash flows generated by the hedged item are offset by the changes in value of the hedging instrument.

The cumulative changes in fair value of the effective portion are recognized as a component of equity and the cumulative changes in fair value of the ineffective portion (corresponding to an "overhedge" where changes in the fair value of the hedging instrument are greater than changes in the fair value of the hedged item) are recognized in earnings. When the hedged cash flows occur, the amounts recognized in equity are transferred to the income statement, matching the cash flows from the hedged item.

Cash flow hedging is used to account for interest rate hedges.

Derivative instruments not eligible for hedge accounting

Changes in the fair value of derivatives that are not eligible for hedge accounting are recorded directly in net financial income or expense.

Such instruments include derivative financial instruments that are used as economic hedges, but which have not been or are no longer documented as hedge accounting relationships.

2.18. Revenue recognition

The Group generates revenue through construction contracts, sales of goods, and services rendered in connection with its business activities.

Construction contracts

IAS 11 defines a construction contract as a contract specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose. Construction contracts are complex and/or require a high degree of integration, usually involving research work. Revenue is conditional on the fulfillment of contractually-agreed performance obligations.

Revenue and profit are recognized on a percentage-of-completion basis, as the contract is performed. The stage of completion of each contract is determined by measuring the costs incurred to date over estimated costs at completion.

Profit at completion is estimated based on analyses of costs and revenue at completion, which are revised periodically and regularly over the life of the contract.

Penalties for late fulfillment or non-fulfillment of performance obligations are charged to revenue.

Losses at completion are fully recognized as soon as they are foreseen. For each construction contract, the accumulated amount of costs incurred at the reporting date, plus profit recognized less progress billings and any losses at completion recognized, is determined per contract. If the amount is positive, it is recorded as an asset under "Construction contracts in progress, assets". If it is negative, it is recorded as a liability under "Construction contracts in progress, liabilities".

The excess of progress billings over cash received is recognized in trade receivables.

Completion is recognized upon provisional acceptance (or equivalent event) for contracts involving integrated systems subject to overall performance obligations. A provision is recognized for any remaining expenses that may be incurred to secure full acceptance. A contingency provision is recognized for future warranty costs.

Sales of goods and rendering of services

Sales of goods and the rendering of services are recognized in accordance with IAS 18, which sets out the revenue recognition criteria:

- Revenue from the sale of goods such as single pieces of equipment or machinery is recognized when the company has transferred to the buyer the significant risks and rewards incidental to ownership of the equipment;
- Revenue from the rendering of services is recognized by reference to the stage of completion of the service rendered.

2.19. Inventories and work in progress (excluding construction contracts)

Inventories and work in progress (excluding construction contracts) are measured using the weighted average cost method, at the lower of acquisition or production cost and net realizable value.

An impairment loss is recognized, when appropriate, to reduce their carrying amount to their probable net realizable value.

2.20. Cash and cash equivalents

Cash and cash equivalents are composed of immediately available cash and short-term investments. Cash and cash equivalents comprise bank balances, cash on hand, demand deposits, which are short-term investments that are subject to an insignificant risk of change in value, and money market funds.

2.21. Provisions

In accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", provisions are recognized when the Group has a legal or constructive present obligation toward a third party as a result of a past event, which will probably result in an outflow of resources embodying economic benefits without any associated consideration. The amount of provisions recognized corresponds to the best estimate of the outflow of resources that will probably be required to settle the obligation.

Obligations relating to construction contracts in progress are included in the measurement of profit at completion and are recorded in the line items "Construction contracts, assets" or "Construction contracts, liabilities".

Upon contract completion, the obligations are recognized as separate line items under liabilities.

Obligations resulting from transactions other than construction contracts are recognized directly under provisions if they meet the above-mentioned criteria.

If the time value of money is significant, the provisions are measured at their present value.
Known litigation and claims that could affect the Group's companies were examined at the reporting date. The provisions judged necessary were recognized to cover the associated risks, on the advice of legal counsel. Provisions are described in note 6.22.

2.22. Retirement benefits

In accordance with local law and practices, the Group participates in retirement plans in the countries in which it operates. For basic retirement plans and other defined contribution plans, the Group expenses the contributions payable when they are due and dœs not recognize any provisions, as its commitments do not extend beyond the contributions paid.
For defined benefit plans, the provisions are determined in the following manner:
- The actuarial valuation method used is the Projected Unit Credit Method, which assumes that each period of service gives rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. The calculations include assumptions regarding mortality, employee turnover and salary increase rates, as appropriate;
- Actuarial gains or losses net of deferred tax are recognized immediately in other comprehensive income, with an offsetting entry in shareholders' equity, in accordance with IAS 19 "Employee Benefits".

The expense for the year relating to current and past service cost and gains or losses on plan curtailments or settlements is recognized in operating profit.

The interest cost, net of the expected return on plan assets, is recognized in net financial income or expense.

2.23. Provisions for long-service awards

Provisions for long-service awards are calculated by combining all award levels, in accordance with IAS 19. The provision is measured for all current employees at the reporting date, based on actuarial assumptions with regard to factors such as seniority, life expectancy and employee turnover. The effects of changes in actuarial assumptions are recognized in the income statement.

2.24. Income tax

Income tax includes current tax expense (income) and deferred tax expense (income), calculated in compliance with the legal provisions of the country where the income is taxed.

Current and deferred taxes are recognized in profit and loss, or shareholders' equity if the taxes are related to items recognized directly in shareholders' equity. The effects of changes in tax rates are recorded in shareholders' equity or in the income statement for the year the change is enacted or substantively enacted, according to the initial recognition method used for deferred taxes.
Current tax expense (benefit) is the estimated tax due for the period's taxable income, determined by the tax rate adopted at the reporting date.

Treatment of French value-added business tax (CVAE) and Italian regional production tax (IRAP)

For the Group, the value added base used to calculate CVAE for French companies and IRAP for Italian companies is an intermediary aggregate of net income. Consequently, CVAE and IRAP are accounted for in the same way as corporate income tax.

Treatment of tax credits relating to research and intellectual property

The Group analyzes each scheme to determine if it can be assimilated to a grant, and recognized in profit from recurring operations in accordance with IAS 20, or to a tax deduction in relation to intellectual property, and recognized in income tax in accordance with IAS 12.

Deferred taxes

Deferred taxes are recognized based on temporary differences between the carrying amount and tax bases of assets and liabilities, and for tax losses carried forward. No deferred tax is recognized for temporary differences generated by:
- goodwill that is not tax-deductible;
- the initial recognition of an asset or liability in a transaction that is not a business combination, which has no impact on accounting profit or taxable profit (tax loss) at the transaction date;
- investments in subsidiaries, joint ventures and associates if the Group controls the date at which the temporary differences reverse and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets are recognized only if the company's medium-term earnings forecasts provide reasonable assurance that they can be used to offset future liabilities. Deferred tax liabilities are factored into the amount recognized. The Group ensures that the forecasts used for the recognition of deferred tax assets and liabilities and those used for impairment tests are consistent.

Deferred tax assets and liabilities are offset if the entity has a legal right to offset current tax assets and liabilities and if the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

3. SIGNIFICANT EVENTS OF THE PERIOD

Order intake for 2016 amounted to €1,465 million. Commercial activity was sluggish, with practically no new major projects, as key customers postponed their investment decisions due to the volatile economic, political and institutional environment. Conversely, order intake remained stable in Europe and North America, boosted by strong business momentum from automotive and logistics equipment manufacturers, which offset the slowdown in the energy and industrial markets. However, commercial activity slackened in Asia, the Middle East and Africa, which are more exposed to major projects and the metals and cement sectors.

4. YEAR-ON-YEAR COMPARABILITY

In 2016, the Group revised the initial estimates made on the acquisition of Fives Lund, reducing goodwill and other current and non-current liabilities by €2.2 million. The adjustments also affected profit for 2015, which increased by €57 thousand, impacting financial income and deferred tax.

5. CONSOLIDATION SCOPE

The list of companies included in the consolidation scope at December 31, 2016 is provided in note 6.32.

5.1. Daisho

On December 7, 2016, the Group acquired the sub-group Daisho Seiki Corporation, a leading Japanese supplier of disc grinding machines and bar peeling machines for the automotive and general industry. The transaction strengthens Fives' footprint in the grinding business, especially in Japan and Korea, and extends its expertise to the design and manufacture of high-precision vertical axis double and single disc grinders.

Consideration transferred for the 100% stake in Daisho Seiki Corporation was JPY 325 million. Directly-related acquisition costs incurred in 2016 amounted to €0.6 million before tax. They are included in the line item "Gain (loss) on disposals and acquisition costs".

The identifiable assets acquired and liabilities and contingent liabilities assumed that meet IFRS 3 recognition criteria were recognized in the opening balance sheet on the basis of the provisional estimate of acquisition-date fair value. Under IFRS 3, the Group is required to finalize purchase price allocation within a 12-month measurement period.

Daisho is included in the Automotive operating segment.

6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (in thousands of euros)

6.1. Operating segment information

The Group's operating segments are the following:

Automotive: The division designs, manufactures and installs equipment, machining, automated production and filling systems, mainly for the automotive industry.

Logistics: The division designs automated sorting systems for postal, courier, logistics, and distribution companies, and e-commerce actors.

Cement: The division's offer ranges from the supply of individual process equipment, such as grinding mills and material separating equipment (for cement and mineral industries), to turnkey grinding and cement units.

Energy: The division designs and manufactures various types of industrial equipment for the energy sector, in particular serving the following segments: high performance industrial combustion systems, tube manufacturing and finishing equipment, cryogenic equipment for hydrocarbon processing and air separation, biœnergy and sugar. For the nuclear piping segment, the Group mainly operates in France, providing maintenance services and building new plants.

Metals: The division develops process equipment primarily for the production of aluminium, flat steel and glass. For aluminium, the equipment covers the key primary aluminium production processes for carbon, reduction and casthouse activities. For the steel sector, drawing on dual mechanical and thermal expertise, the Group supplies mills, large capacity reheating furnaces, and steel strip processing lines. The division also serves the glass industry, with the Group supplying flat and hollow glass production lines, including all melting furnace and annealing lehr process equipment.

Aerospace and Industry: The division provides large-scale complex part machining solutions and composite processing for the aerospace, mining and hydrocarbons sectors. It also offers preventive and corrective industrial maintenance solutions.

Other: holding activities or those shared with other activities.

Segment information

	2016	2015
Automotive	386,857	314,459
Logistics	209,951	218,713
Cement	84,399	232,703
Energy	300,985	334,886
Metals	201,032	259,189
Aerospace and Industry	266,619	342,638
Other	15,223	5,198
Total order intake	**1,465,066**	**1,707,786**
Automotive	318,514	333,025
Logistics	238,665	179,194
Cement	277,975	318,514
Energy	375,523	364,522
Metals	274,903	277,879
Aerospace and Industry	285,239	239,941
Other	8,380	5,089
Total sales	**1,779,199**	**1,718,164**
Automotive	25,225	28,812
Logistics	20,158	14,508
Cement	21,530	19,482
Energy	2,024	5,298
Metals	4,636	20,665
Aerospace and Industry	(10,967)	(19,707)
Other	1,453	(5,025)
Total profit from recurring operations	**64,059**	**64,033**
Automotive	30,619	34,051
Logistics	22,187	16,386
Cement	22,831	21,119
Energy	18,338	22,324
Metals	12,376	28,057
Aerospace and Industry	6,624	(2,001)
Other	2,613	(3,982)
Profit from recurring operations before depreciation and amortization	**115,588**	**115,954**

The breakdown of assets by operating segment is as follows:

Dec. 31, 2016	Automotive	Logistics	Cement	Energy	Metals	Aero. & Industry	Other	Total
Goodwill	28,511	17,590	1,967	84,649	34,382	77,949		245,048
Intangible assets, property, plant and equipment	58,297	17,238	7,290	89,070	44,733	80,207	3,112	299,947
Total allocated assets	**86,808**	**34,828**	**9,257**	**173,719**	**79,115**	**158,156**	**3,112**	**544,995**
Other assets								1,002,779
Total assets								**1,547,774**

Dec. 31, 2015	Automotive	Logistics	Cement	Energy	Metals	Aero. & Industry	Other	Total
Goodwill	29,475	17,590	1,956	82,560	33,674	75,472		240,727
Intangible assets, property, plant and equipment	51,992	14,649	7,402	100,790	52,493	92,258	2,526	322,110
Total allocated assets	**81,467**	**32,239**	**9,358**	**183,350**	**86,167**	**167,730**	**2,526**	**562,837**
Other assets								1,044,699
Total assets								**1,607,536**

6.2. Sales

Sales comprised the following:

	2016	2015
Construction contract revenue (IAS 11)	1,112,961	1,039,153
Services rendered (IAS 18 - percentage of completion)	222,845	203,877
Sales of goods (IAS 18 - contract completion)	443,393	475,134
Total	**1,779,199**	**1,718,164**

Sales by geographical destination

	2016	2015
Europe	569,979	511,609
Africa and Middle East	257,128	316,489
Americas	567,303	521,091
Asia and Oceania	384,789	368,975
Total	**1,779,199**	**1,718,164**

Sales by geographical origin

	2016	2015
Europe	1,089,699	1,083,251
Africa and Middle East	22,457	20,321
Americas	477,626	461,363
Asia and Oceania	189,417	153,229
Total	**1,779,199**	**1,718,164**

Information on major customers

As in 2015, no single Group customer accounted for more than 5% of consolidated sales in the reporting period ended December 31, 2016.

6.3. Personnel expenses and headcount

Personnel expenses

	2016	2015
Personnel expenses	574,146	544,390
Headcount at reporting date	8,365	8,298

The increase in personnel expenses included €22 million arising from the full-year consolidation of the Fives ECL sub-group and Fives Lund.

Headcount at December 31

By category	2016	2015
Engineers and management	3,668	3,491
Supervisory and office staff	3,194	3,204
Other employees	1,503	1,603
Total	**8,365**	**8,298**

By type of contract	2016	2015
Permanent contracts	7,894	7,844
Fixed-term contracts	312	294
Apprenticeships and internships	159	160
Total	**8,365**	**8,298**

6.4. Research and development costs

	2016	2015
Research and development expenses, gross	(36,692)	(36,155)
Research tax credits and grants received	3,881	9,412
Total	**(32,811)**	**(26,743)**

6.5. Other operating income and expense

Other operating income and expense for 2016 amounted to €8.8 million. It included a remeasurement gain of €11.2 million reflecting a decrease in the Group's earn-out liabilities, mainly for Fives ECL, where sales volumes were lower than expected for its service business, due to the temporary slowdown experienced on the aluminium market in 2016.

For 2015, other operating income and expense amounted to €10 million, including badwill of €11.3 million recognized upon the acquisition of Fives ECL.

6.6. Amortization and depreciation included in profit from recurring operations

Profit from recurring operations includes the following amortization and depreciation items:

	2016	2015
Included in cost of sales	(15,719)	(15,509)
Included in overheads and other operating items	(10,151)	(9,734)
Amortization of intangible assets related to acquisitions	(25,658)	(26,678)
Total	**(51,528)**	**(51,921)**

6.7. Restructuring costs

Restructuring costs mainly reflect the closure of Fives Industries (Metals operating segment), announced on April 7, 2016.

The line item "Restructuring costs" therefore includes:
- The past and future costs of the redundancy plan, including the salaries that the company pays employees during the three to six-month notice period (from the date the redundancy plan is announced to the actual employment termination date), the redundancy payments and statutory compensation paid monthly between the redundancy notice date and the expected new employment date, capped at 15 months' salary depending on the employee's age;
- The costs of outplacement services and regional re-employment incentives;
- Various professional fees;
- The loss generated in the first quarter of 2016 (€0.9 million, mainly due to low activity levels) has also been recognized in the line item "Restructuring costs".

6.8. Gain (loss) on disposals and acquisition costs

	2016	2015
Gain (loss) on disposals	590	1,415
Acquisition costs	(561)	(3,523)
Total	**29**	**(2,108)**

6.9. Net financial income and expense

Cost of net financial debt

	2016	2015
Financial expenses relating to:		
- bank debt	(3,150)	(3,074)
- finance leases	(17)	(47)
Other interest expense	(1,341)	(2,017)
Deferred transaction costs	(1,155)	(1,261)
Interest and related expenses	**(5,663)**	**(6,399)**
Interest and related income	**984**	**1,146**
Total	**(4,679)**	**(5,253)**

Other financial income and expense

	2016	2015
Income from associates	169	88
Foreign exchange gains (losses)	(3,220)	28,262
- Foreign exchange gains (losses)	*(2,570)*	*28,295*
- Impact of forward points on changes in fair value of foreign exchange derivatives and swap points	*(650)*	*(33)*
Expenses for retirement and related benefits	(1,437)	(1,609)
Net financial provisions	(336)	64
Other financial items	(4,438)	(2,270)
Total	**(9,262)**	**24,535**

The Group's net financial income and expense includes unrealized foreign exchange gains and losses generated by changes in EUR/USD and EUR/GBP parities on the unhedged balance of loans in US dollars contracted by Fives, and intercompany loans in foreign currencies granted by Fives:

- loans in dollars to American subsidiaries in connection with the acquisitions of Fives North American, Bronx, Fives Machining Systems and Fives Lund sub-groups in 2008, 2010, 2013 and 2015, respectively;
- loans in pounds sterling to Fives UK Holding Ltd, in connection with the transfer of the Group's British companies to this entity, initiated at the end of 2012.

Details of the loans are provided in note 6.26.

6.10. Current and deferred tax

Analysis of income tax expense

	2016	2015
French value-added business tax (CVAE) and Italian production tax (IRAP)	(5,439)	(5,030)
Current tax	(21,142)	(24,505)
Subtotal current tax	**(26,581)**	**(29,535)**
Deferred tax	**(4,560)**	**8,646**
Total	**(31,141)**	**(20,889)**

Effective tax rate

	2016	2015
Profit before income tax	**35,203**	**75,703**
Parent company tax rate	*34,43%*	*34,43%*
Theoretical tax expense	(12,120)	(26,065)
Effect of:		
Tax rate differences	3,191	3,078
Change in unrecognized deferred tax assets and unrecognized losses	20	(266)
Projected change in French tax rate	(1,493)	
Permanent differences and other items	(16,898)	5,868
Income tax benefit/(expense)	**(27,301)**	**(17,384)**
Effective tax rate	**77,55%**	**22,96%**
Effect of French value-added business tax (CVAE) and Italian production tax (IRAP)	(3,841)	(3,473)
Income tax benefit/(expense)	**(31,141)**	**(20,857)**

French companies' current tax

Fives and its French subsidiaries that are directly or indirectly more than 95%-owned are included in the tax group established on January 1, 2013 by Novafives (detailed in note 6.30). The tax savings resulting from offsetting the taxable losses of loss-making companies with the taxable profit of profit-making companies, when calculating consolidated tax, is reported in the financial statements of Novafives.

Consolidated tax groups

The Group files consolidated tax returns in the United States and Italy. The advantage is that all member entities of the consolidated tax group are considered a single entity for tax purposes. The Group also uses the group relief mechanism in the United Kingdom, which allows the offsetting of losses and profits between companies in the same tax group in a reporting period.

Deferred tax

The offsetting methods used are described in note 2.24.

Deferred tax assets are only recognized when it is sufficiently likely that they can be used against future taxable profit.

The breakdown of deferred tax assets and liabilities is as follows:

	Dec. 31, 2015					Dec. 31, 2016	
	Deferred tax assets	Deferred tax liabilities	Change recognized in income statement	Change recognized in equity	Translation differences and other	Deferred tax assets	Deferred tax liabilities
Provisions for retirement benefits	15,922		(1,805)	289	(651)	13,754	
Tax loss carryforwards	17,767		(2,337)		(277)	15,153	
Revaluations	6,497	(30,525)	3,320		960	9,434	(29,181)
Other temporary differences	37,645	(8,728)	(3,759)	(3)	(343)	32,497	(7,816)
Deferred tax assets (liabilities), gross	**77,831**	**(39,253)**	**(4,581)**	**285**	**(310)**	**70,838**	**(36,998)**
Deferred tax asset limit	(2,054)		20		199	(1,835)	
Offsetting	(34,575)	34,575				(29,962)	29,962
Deferred tax assets recognized	**41,202**	**(4 678)**	**(4,561)**	**285**	**(111)**	**39,042**	**(7,036)**
Net deferred tax	**36,524**					**32,006**	

6.11. Goodwill

	Dec. 31, 2015 Net	Change in consolidation scope	Transfer	Translation differences and other	Dec. 31, 2016 Net
Automotive	29,475			(964)	28,511
Logistics	17,590				17,590
Cement	1,956			11	1,967
Energy	82,560			2,089	84,649
Metals	33,674			708	34,382
Aerospace and Industry	75,472			2,477	77,949
Total	**240,727**			**4,321**	**245,048**

In compliance with IAS 36, an impairment test was performed at December 31, 2016 on each operating segment CGU.
The following assumptions were used:
– 2017-2020 medium-term plan;
– Terminal value growth rate: 2% (identical to assumptions used in 2015 test);
– Discount rate: 10% (identical to assumptions used in 2015 test).

The test did not result in the recognition of impairment at December 31, 2016.

Sensitivity analysis

Interest rate sensitivity

The tests were performed based on the following set of assumptions: a 1% increase in the discount rate and a decrease of 1% in the terminal value growth rate.
On this basis, no impairment would result.

Cash flow sensitivity

A 10% decrease in estimated long-term cash flows in any of the Group's six segments would not result in any impairment.

6.12. Intangible assets

	Dec. 31, 2016			Dec. 31, 2015		
	Gross	Accumulated amortization/ Impairment»	Net	Gross	Accumulated amortization/ Impairment	Net
Technologies, R&D acquired	105,042	(45,425)	59,617	104,968	(36,019)	68,949
Brands acquired	26,878	(14,627)	12,251	26,262	(9,005)	17,257
Customer relationships, order book and other intangibles acquired	70,670	(46,272)	24,398	68,788	(34,890)	33,898
Concessions, patents and licenses	35,129	(28,409)	6,719	33,499	(25,406)	8,093
Other intangible assets	25,281	(13,384)	11,897	13,958	(7,934)	6,024
Total	**263,000**	**(148,118)**	**114,882**	**247,475**	**(113,254)**	**134,221**

At December 31, 2016, the analysis of changes in intangible assets was as follows:

	Gross	Accumulated amortization / Impairment	Net
Balance at December 31, 2015	**247,475**	**(113,254)**	**134,221**
Acquisitions	7,793		7,793
Deconsolidations and disposals	(514)	708	194
Amortization / Impairment		(29,751)	(29,751)
Reclassified items	3,240	(2,747)	493
Change in consolidation scope	(176)	298	122
Translation differences	5,182	(3,373)	1,809
Balance at December 31, 2016	**263,000**	**(148 119)**	**114,881**

At December 31, 2015, the analysis of changes in intangible assets was as follows:

	Gross	Accumulated amortization / Impairment»	Net
Balance at December 31, 2014	**187,013**	**(76,018)**	**110,995**
Acquisitions	3,526		3,526
Deconsolidations and disposals	(672)	179	(493)
Amortization / Impairment		(30,215)	(30,215)
Reclassified items	2,546	(1,492)	1,054
Change in consolidation scope	39,385		39,385
Translation differences	15,677	(5,708)	9,969
Balance at December 31, 2015	**247,475**	**(113,254)**	**134,221**

6.13. Property, plant and equipment

	Dec. 31, 2016			Dec. 31, 2015		
	Gross	Accumulated depreciation / Impairment	Net	Gross	Accumulated depreciation / Impairment	Net
Land and developments	28,110	(169)	27,941	25,800	(340)	25,460
Leasehold land	237		237	1,260		1,260
Buildings	157,122	(77,249)	79,873	158,477	(76,307)	82,170
Leasehold buildings	8,014	(3,972)	4,042	9,647	(4,324)	5,323
Plant, equipment and machinery	179,755	(132,284)	47,471	189,533	(140,679)	48,854
Other assets	59,035	(41,652)	17,383	56,887	(41,094)	15,793
Other leasehold assets	747	(164)	583	430	(29)	401
Assets under construction	3,613		3,613	7,846	(56)	7,790
Advances on fixed assets	3,920		3,920	838		838
Total	**440,553**	**(255,490)**	**185,063**	**450,718**	**(262,829)**	**187,889**

At December 31, 2016, the analysis of changes in property, plant and equipment was as follows:

	Gross	Accumulated depreciation / Impairment	Net
Balance at December 31, 2015	**450,718**	**(262,829)**	**187,889**
Acquisitions	18,497		18,497
Deconsolidations and disposals	(12,040)	10,642	(1,398)
Depreciation / Impairment		(21,892)	(21,892)
Reclassified items	(9,587)	7,673	(1,914)
Change in consolidation scope	(5,845)	11,362	5,517
Translation differences	(1,190)	(446)	(1,636)
Balance at December 31, 2016	**440,553**	**(255,490)**	**185,063**

At December 31, 2015, the analysis of changes in property, plant and equipment was as follows:

	Gross	Accumulated depreciation / Impairment	Net
Balance at December 31, 2014	**405,231**	**(238,636)**	**166,595**
Acquisitions	19,868		19,868
Deconsolidations and disposals	(6,800)	4,712	(2,088)
Depreciation / Impairment		(21,725)	(21,725)
Reclassified items	1,516	35	1,551
Change in consolidation scope	17,527		17,527
Translation differences	13,376	(7,215)	6,161
Balance at December 31, 2015	**450,718**	**(262,829)**	**187,889**

6.14. Current and non-current financial assets

Non-current financial assets

	Dec. 31, 2016			Dec. 31, 2015		
	Gross	Impairment	Net	Gross	Impairment	Net
Available-for-sale securities	9,842	(1,643)	8,199	7,758	(1,637)	6,121
Equity-accounted associates	981		981	1,079		1,079
Loans related to investments in associates	3,618	(154)	3 464	190	(84)	106
Other financial assets	5,068	(228)	4,840	4,487	(198)	4,289
Total	**19,509**	**(2,025)**	**17,484**	**13,514**	**(1,919)**	**11,595**

At December 31, 2016, the change in gross value of available-for-sale securities included an increase in fair value of €136 thousand (€133 thousand, net of tax).

At December 31, 2016, the repayment and maturity schedule (excluding available-for-sale securities and equity-accounted associates) was as follows:

	Dec. 31, 2016		
	Carrying amount	Between 1 and 5 years	More than 5 years
Loans related to investments in associates	3,464		3,464
Other financial assets	4,840	1,900	2,940
Total	**8,304**	**1,900**	**6,404**

Current financial assets

	Dec. 31, 2016			Dec. 31, 2015		
	Gross	Impairment	Net	Gross	Impairment	Net
Derivatives	1,150		1,150	1,514		1,514
Loans related to investments in associates	188	(64)	124	225	(80)	145
Loans	150		150	101		101
Accrued interest	3		3	5		5
Other	4,083		4,083	1,567		1,567
Total current financial assets	**5,574**	**(64)**	**5,510**	**3,412**	**(80)**	**3,332**

6.15. Inventories and work in progress

	Dec. 31, 2016			Dec. 31, 2015		
	Gross	Impairment	Net	Gross	Impairment	Net
Raw materials	74,201	(16,422)	57,779	75,283	(18,278)	57,005
Work in progress under completed-contract method	96,767	(6,216)	90,551	106,884	(5,056)	101,828
Semi-finished and finished goods	38,438	(9,532)	28,906	38,278	(9,595)	28,683
Total	**209,406**	**(32,170)**	**177,236**	**220,445**	**(32,929)**	**187,516**

6.16. Construction contracts

	Dec. 31, 2016	Dec. 31, 2015
Construction contracts in progress, assets	127,272	118,656
Construction contracts in progress, liabilities	(213,456)	(207,708)
Net	**(86,184)**	**(89,052)**

Cumulative information on construction contracts in progress was as follows:

	Dec. 31, 2016	Dec. 31, 2015
Costs and profit recognized on a percentage-of-completion basis	1,699,509	1,546,649
Progress billings	(1,783,594)	(1,632,746)
Provisions for loss at completion	(2,099)	(2,955)
Net	**(86,184)**	**(89,052)**

6.17. Trade receivables

	Dec. 31, 2016			Dec. 31, 2015		
	Gross	Impairment	Net	Gross	Impairment	Net
Total trade receivables	**417,913**	**(9,095)**	**408,818**	**407,005**	**(11,265)**	**395,740**

Changes in the impairment of trade receivables can be analyzed as follows:

	Opening balance	Allowances	Reversals	Translation differences	Other*	Closing balance
2016	(11,265)	(1,589)	3,625	121	13	(9,095)
2015	(10,902)	(4,888)	6,754	(408)	(1,821)	(11,265)

* resulting mainly from changes in consolidation scope

At December 31, 2016 the trade receivables aging schedule was as follows:

	Total	Not overdue	Less than 30 days overdue	Between 30 days and 90 days overdue	More than 90 days overdue
2016	408,818	322,429	46,039	20,641	19,709
2015	395,740	309,900	48,039	17,166	20,635

La politique du Groupe en matière de maîtrise du risque client repose sur les principes suivants:

- Upstream risk management processes entailing the analysis of receivables risk during the project bid and selection stage;
- Specific provisions for major contracts, including the obligation to hedge risk (commercial and/or political risk) according to criteria relating to contract size, type of receivable, and country category;
- Regular monitoring of overdue payments during contract performance and early implementation of collection procedures for receivables due.

Given the nature of the Group's activities, often receivables that are still unpaid after the contractual due date have been confirmed by clients but are only paid once the requirements notified during the work acceptance inspection have been fulfilled and full acceptance has been secured. Such receivables are fully recoverable; the remaining expenses incurred to secure full acceptance are included in the calculation of the related contract's profit margin at completion.

Allowances for impairment losses are measured on a case-by-case basis taking into account collection risk.

6.18. Other current assets

	Dec. 31, 2016	Dec. 31, 2015
Tax receivables	49,205	44,443
Advances and progress payments	30,130	32,811
Other receivables	9,319	13,719
Prepaid expenses	7,828	8,941
Total	**96,483**	**99,914**

6.19. Cash and cash equivalents

	Dec. 31, 2016	Dec. 31, 2015
Cash equivalents	9,830	66,248
Cash	112,797	111,848
Total cash and cash equivalents	**122,627**	**178,096**

Cash equivalents comprise money market funds, negotiable certificates of deposit and term deposits of less than three months.

Cash includes interest-bearing current accounts.

Breakdown of cash and cash equivalents per currency

	Euro	USD	GBP	CNY	JPY	CAD	Other	Total
Cash equivalents	740	4,833			1,957		2,300	9,830
Cash	46,990	10,552	2,505	21,648	8,655	13,427	9,020	112,797
Total at Dec. 31, 2016	**47,730**	**15,385**	**2,505**	**21,648**	**10,612**	**13,427**	**11,321**	**122,627**
Foreign exchange swaps	3,244	(38,290)	(4,216)	5,172	30,572	2,824	696	
Total at Dec. 31, 2016 (before swaps)	**50,974**	**(22,905)**	**(1,711)**	**26,820**	**41,184**	**16,251**	**12,017**	**122,627**

At December 31, 2015, the breakdown of cash and cash equivalents was as follows:

	Euro	USD	GBP	CNY	JPY	CAD	Other	Total
Cash equivalents	45,756	19,447					1,045	66,248
Cash	45,731	13,112	8,669	20,690	3,879	4,697	15,070	111,848
Total at Dec. 31, 2015	**91,487**	**32,559**	**8,669**	**20,690**	**3,879**	**4,697**	**16,115**	**178,096**
Foreign exchange swaps	(68,260)	20,851	5,586	14,729	17,929	4,631	4,534	
Total at Dec. 31, 2015 (before swaps)	**23,227**	**53,410**	**14,255**	**35,419**	**21,808**	**9,328**	**20,649**	**178,096**

Cash and cash equivalents are mainly held in major currencies and are available for use by the Group.

6.20. Statement of cash flows

Cash and cash equivalents, net

	Dec. 31, 2016	Dec. 31, 2015
Cash equivalents	9,830	66,248
Cash	112,797	111,848
Total cash and cash equivalents	**122,626**	**178,096**
Bank overdrafts	(3,036)	(2,134)
Total	**119,590**	**175,962**

Changes in WCR

	Dec. 31, 2016	Dec. 31, 2015	Changes	
			Operating activities	Other*
Inventories and work in progress	(177,236)	(187 515)	14,174	(3,894)
Construction contracts in progress, assets	(127,272)	(118 656)	(11,996)	3,380
Trade receivables	(408,818)	(395 740)	(8,180)	(4,898)
Other current / non-current assets included in working capital	(96,739)	(99 498)	2,676	83
Construction contracts in progress, liabilities	213,456	207 708	4,723	1,025
Trade and related payables	318,466	325 751	(4,238)	(3,047)
Other current / non-current liabilities included in working capital	205,940	224 642	(25,275)	6,572
Working capital requirements before current provisions	**(72,202)**	**(43,311)**	**(28,115)**	**(779)**
Current provisions	82,763	107,737	(25,094)	120
Working capital requirements	**10,561**	**64,426**	**(53,209)**	**(659)**

* resulting mainly from changes in consolidation scope and foreign currency translation differences

6.21. Shareholders' equity

Financial capital management policy

The Group implements a stringent, prudent financial capital management policy to ensure satisfactory returns for shareholders.
There are no financial covenants involving the Group's consolidated equity or the equity of the parent company.

Share capital

Share capital at December 31, 2016, as at December 31, 2015, was divided into 2,185,612 shares with a par value of €47. The shares are fully paid either in cash or in kind. Share capital amounts to €102,723,764.

Shareholding structure

The majority shareholder of Fives is Novafives, which held 99.99% of Fives' share capital at December 31, 2016.

Dividend payments

The Group did not pay out any dividends in the reporting period.

6.22. Current and non-current provisions

	Dec. 31, 2015	Allowances	Utilization	Unutilized reversals	Translation difference	Other*	Dec. 31, 2016
Warranties	50,877	21,771	(13,625)	(21,322)	(507)	3,206	**40,400**
Contract litigation	4,016	713	(425)	(1,147)	10		**3,167**
Future losses on contracts	695	1,247	(1,162)	(318)	(11)	(37)	**414**
Completed contract expenses	36,320	19,081	(19,020)	(13,746)	(274)	2,622	**24,983**
Other contingency and expense provisions	15,829	12,170	(4,595)	(4,716)	149	(5,038)	**13,799**
Total current provisions	**107,737**	**54,982**	**(38,827)**	**(41,249)**	**(633)**	**753**	**82,763**
Retirement benefits	54,195	5,105	(6,839)	(153)	(2,047)	3,269	**53,529**
Other post-employment benefits	7,271	765	(1,116)	(534)	36	(212)	**6,211**
Other provisions - non-current portion	7,784	12,017	(6,998)	(1,594)	50	54	**11,313**
Total non-current provisions	**69,250**	**17,887**	**(14,953)**	**(2,281)**	**(1,961)**	**3,111**	**71,053**

Current provisions

Current provisions mainly comprise provisions for warranties, future losses on contracts excluding construction contracts, and litigation over completed contracts.

Provisions for warranties cover the estimated future costs to be incurred over contract warranty periods, after provisional acceptance (or an equivalent event).

Non-current provisions

Non-current provisions mainly comprise provisions for restructuring, provisions for employee benefits (including Italian contractual retirement benefits (TFR) and French long-service awards) and provisions for litigation not related to contracts.

The provision for retirement obligations reflects the Group's defined benefit plans currently in place, which include:

- French and Japanese retirement benefits;
- supplementary retirement plans; the British, American, German and French pension funds have been closed to further accrual and the vested rights thereunder were frozen as of the respective closure dates.

Actuarial assumptions

Dec. 31, 2016	France	United Kingdom	United States of America	Japan	Germany	India
Discount rate	1.5%	2.7 - 2.9%	3.6%	0.3%	1.8%	6.6 - 8.0%
Expected return on plan assets	NA	2.7 - 2.9%	NA	NA	NA	6.6 - 8.0%
Salary increase rate	1.5%	NA	NA	2%	NA	5 - 7.25%

Dec. 31, 2015	France	United Kingdom	United States of America	Japan	Germany	India
Discount rate	2.3%	3.7 - 4.2%	3.7%	0.3%	2.3%	7.7 - 7.9%
Expected return on plan assets	NA	3.7 - 4.2%	NA	NA	NA	7.7 - 7.9%
Salary increase rate	1.5 - 2%	NA	NA	2%	NA	5%

The present value of future obligations (defined benefit obligations) amounted to €99,726 thousand at December 31, 2016. Given the fair value of all plan assets, the net obligation at December 31, 2016 totaled €53,529 thousand.

The net expense recognized for the reporting period reflects the current service cost, the interest cost of the obligation less the expected return on plan assets and the amortization of past service costs. In total, expenses and changes in provisions for retirement benefit obligations resulted in a net expense of €3,276 thousand, of which €2,008 thousand were recognized in profit from recurring operations, and €1,437 thousand were recognized in financial expense.

Net actuarial gains and losses generated during the reporting period and recognized directly in items of other comprehensive income amounted to €3,350 thousand, excluding tax.

	Retirement obligations						Total
	France	United States of America	United Kingdom	Eurozone	Japan	India	
CHANGE IN PRESENT VALUE OF OBLIGATION							
Present value of obligation at January 1, adjusted	23,769	9,620	60,057	3,630	845	433	98,355
Current service cost	1,477		300	22	139	69	2,008
Interest cost	527	329	2,147	49	4	39	3,095
Employee contributions made							
Plan amendments							
Plan curtailments / settlements		(169)	(300)				(469)
Newly consolidated	46				436		482
Benefits paid	(2,815)	(824)	(3,772)	(85)		(71)	(7,567)
Actuarial (gain) loss	1,761	(248)	11,183	101		29	12,826
Foreign exchange gains and losses and other	(337)	270	(8,989)		46	9	(9,001)
Present value of obligation at December 31, 2016	**24,428**	**8,978**	**60,626**	**3,717**	**1,470**	**508**	**99,727**
CHANGE IN FAIR VALUE OF PLAN ASSETS							
Fair value of plan assets at January 1			43,787			372	44,159
Net return on plan assets			11,101			33	11,134
Employer contributions paid			1,574			102	1,676
Employee contributions paid							
Plan curtailments / settlements			(300)				(300)
Newly consolidated							
Benefits paid			(3,772)			(80)	(3,852)
Foreign exchange gains and losses and other			(6,625)			6	(6,619)
Fair value of plan assets at December 31, 2016			**45,765**			**433**	**46,198**
COMPONENTS OF AMOUNTS RECOGNIZED IN THE FINANCIAL STATEMENTS							
Net obligation (obligation less plan assets)	24,428	8,978	14,861	3,717	1,470	75	53,529
Net provision recognized in the balance sheet at Dec. 31, 2016	**24,428**	**8,978**	**14,861**	**3,717**	**1,470**	**75**	**53,529**
COMPONENTS OF NET EXPENSE RECOGNIZED FOR 2016							
Current service cost	1,477		300	22	139	69	2,008
Interest cost	527	329	2,147	49	4	39	3,095
Expected return on plan assets			(1,624)			(34)	(1,658)
(Gain) loss on plan curtailments / settlements		(169)					(169)
Net expense recognized in the income statement for 2016	**2,004**	**160**	**823**	**71**	**143**	**74**	**3,276**
CHANGE IN PROVISIONS FOR RETIREMENT AND OTHER							
Provisions recognized in the balance sheet at January 1, adjusted	23,769	9,620	16,270	3,630	845	61	54,195
Employer contributions paid			(1,574)			(102)	(1,676)
Net expense recognized	2,004	160	823	71	143	74	3,276
Benefits paid directly by the employer	(2,815)	(824)		(85)		9	(3,715)
Newly consolidated	46				436		482
Net actuarial (gains) and losses	1,761	(248)	1,706	101		30	3,350
Foreign exchange gains and losses	(337)	270	(2,364)		46	3	(2,382)
Provisions recognized in the balance sheet at Dec. 31, 2016	**24,428**	**8,978**	**14,862**	**3,717**	**1,470**	**75**	**53,529**

	Retirement obligations						Total
	France	United States of America	United Kingdom	Eurozone	Japan	India	
CHANGE IN PRESENT VALUE OF OBLIGATION							
Present value of obligation at January 1, adjusted	24,864	9,543	68,539	2,304	711	419	106,380
Current service cost	1,757		315	24	56	96	2,248
Interest cost	554	340	2,522	48		37	3,501
Employee contributions paid							
Plan amendments							
Plan curtailments / settlements			(315)				(315)
Newly consolidated	3,718			1,444			5,162
Benefits paid	(2,770)	(959)	(13,472)	(84)		(82)	(17,367)
Actuarial (gain) loss	(4,354)	(384)	(1,864)	(106)		(63)	(6,771)
Foreign exchange gains and losses and other		1,080	4,332		78	26	5,516
Present value of obligation at December 31, 2015	**23,769**	**9,620**	**60,057**	**3,630**	**845**	**433**	**98,354**
CHANGE IN FAIR VALUE OF PLAN ASSETS							
Fair value of plan assets at January 1			52,537			296	52,833
Net return on plan assets			(15)			26	11
Employer contributions paid			1,708			68	1,776
Employee contributions paid							
Plan curtailments / settlements			(315)				(315)
Newly consolidated							
Benefits paid			(13,472)			(79)	(13,551)
Foreign exchange gains and losses and other			3,344			61	3,405
Fair value of plan assets at December 31, 2015			**43,787**			**372**	**44,159**
COMPONENTS OF AMOUNTS RECOGNIZED IN THE FINANCIAL STATEMENTS							
Components of amounts recognized in the financial statements	23,769	9,620	16,270	3,630	845	61	54,195
Net provision recognized in the balance sheet at Dec. 31, 2015	**23,769**	**9,620**	**16,270**	**3,630**	**845**	**61**	**54,195**
COMPONENTS OF NET EXPENSE RECOGNIZED FOR 2015							
Current service cost	1,757		315	24	56	96	2,248
Interest cost	554	340	2,522	48		37	3,501
Expected return on plan assets			(1,868)			(25)	(1,893)
(Gain) loss on plan curtailments / settlements							
Net expense recognized in the income statement for 2015	**2,311**	**340**	**969**	**72**	**56**	**108**	**3,856**
CHANGE IN PROVISIONS FOR RETIREMENT AND OTHER BENEFITS							
Provisions recognized in the balance sheet at January 1, adjusted	24,864	9,543	16,002	2,304	711	123	53,547
Employer contributions paid			(1,708)			(68)	(1,776)
Net expense recognized	2,311	340	969	72	56	108	3,856
Benefits paid directly by the employer	(2,770)	(959)		(84)		(3)	(3,816)
Newly consolidated	3,718			1,444			5,162
Net actuarial (gains) and losses	(4,354)	(384)	19	(106)		(63)	(4,888)
Foreign exchange gains and losses		1,080	987		78	(36)	2,110
Provisions recognized in the balance sheet at Dec. 31, 2015	**23,769**	**9,620**	**16,269**	**3,630**	**845**	**61**	**54,195**

Plan assets by investment type

	2016		2015	
	Amount	%	Amount	%
Shares	37,967	82%	35,213	80%
Bonds and other debt securities	6,994	15%	7,356	17%
Money market investments	997	2%	1,358	3%
Diversified funds	240	1%	232	1%
Fair value of invested plan assets	**46,198**	**100.00%**	**44,159**	**100.00%**

Present value of obligation

	Dec. 31, 2016	Dec. 31, 2015
Defined benefit obligation	99,727	98,354
Fair value of invested plan assets	(46,198)	(44,159)
Present value of obligation	**53,529**	**54,195**

Sensitivity analysis

The present value of post-employment benefits is sensitive to discount rates. The following table presents the impact of a 25 basis point decrease in discount rates on the present value of the obligation:

	2016		2015	
	In thousands of euros	DBO as a %	In thousands of euros	DBO as a %
France	845	3.56%	752	3.27%
United States of America	332	3.77%	179	1.86%
United Kingdom	3,130	5.16%	3,041	5.06%
Germany	137	3.70%	79	2.18%
Japan	1	0.10%	1	0.12%
India	1	0.13%	(83)	-17.00%

6.23. Current and non-current financial debt

	Dec. 31, 2016			Dec. 31, 2015		
	Non-current	Current	Total	Non-current	Current	Total
Bank loans	41,028	31,313	72,341	51,380	37,050	88,430
Deferred transaction costs	(1,633)		(1,633)	(2,776)		(2,776)
Finance leases	2,399	296	2,695	2,542	2,310	4,852
Accrued interest		384	384		772	772
Derivative instruments, liabilities		5,550	5,550		4,457	4,457
Other financial debt		59,236	59,236	28,350	37,232	65,582
Bank overdrafts		3,036	3,036		2,134	2,134
Total financial debt	**41,794**	**99,815**	**141,609**	**79,496**	**83,955**	**163,451**

Bank loans

The bank loans are amortizing loans, and almost all bear interest at floating rates.

Other financial debt

Other financial debt relates to loans granted by the parent company Novafives.

Change in financial debt, by type

	Dec. 31, 2016	Dec. 31, 2015	Changes					
			Financing flows	Scope	Translation	IAS 39 measurement effect	New finance lease	Interest expense
Bank loans	72,341	88,430	(25,755)	8,793	873			
Deferred transaction costs	(1,633)	(2,776)	(7)		(4)			1,154
Finance leases	2,695	4,852	(2,477)		1		319	
Other bank loans and borrowings								
Other financial debt	59,236	65,582	(6,346)					
Accrued interest	384	772	(4,700)		1			4,312
Derivative instruments, liabilities	5,550	4,457			2	1,091		
Bank overdrafts	3,036	2,134						
Total financial debt	**141,610**	**163,450**	**(39,285)**	**8,793**	**873**	**1,091**	**319**	**5,466**

Breakdown of fixed and floating rate financial debt

	Dec. 31, 2016			Dec. 31, 2015		
	Fixed rate	Floating rate	Total	Fixed rate	Floating rate	Total
Bank loans	3,335	69,006	72,341		88,430	88,430
Deferred transaction costs	(1,633)		(1,633)	(2,776)		(2,776)
Finance leases	633	2,062	2,695	483	4,369	4,852
Other financial debt		59,236	59,236		65,582	65,582
Accrued interest	384		384	772		772
Total financial debt	**2,719**	**130,304**	**133,023**	**(1,521)**	**158,381**	**156,860**

Breakdown of financial debt by currency

	Dec. 31, 2016				Dec. 31, 2015		
	Euros	USD	JPY	Total	Euros	USD	Total
Bank loans	10,485	53,222	8,634	72,341	20,229	68,201	88,430
Deferred transaction costs	(1,336)	(297)		(1,633)	(2,177)	(599)	(2,776)
Finance leases	2,653	42		2,695	4,781	71	4,852
Other financial debt	59,236			59,236	65,582		65,582
Accrued interest	173	211		384	533	239	772
Total financial debt	**71,211**	**53,178**	**8,634**	**133,023**	**88,948**	**67,912**	**156,860**

6.24. Other current and non-current liabilities

Other non-current liabilities

	Dec. 31, 2016	Dec. 31, 2016
Profit sharing	3,619	4,359
Estimated obligation to purchase non-controlling interests	8,618	7,871
Estimated earnout liability	22,545	28 542
Other liabilities	1,470	1,490
Prepaid income	965	422
Total	**37,217**	**42,684**

Other non-current liabilities

	Dec. 31, 2016	Dec. 31, 2015
Tax and social security payables	120,206	121,623
Amounts due on acquisitions of fixed assets	1,631	2,267
Advances received on contracts	49,875	65,175
Amounts due on acquisitions of equity interests		915
Estimated earnout liability		1,765
Other liabilities	21,359	26,041
Prepaid income	8,935	11,432
Total	**202,006**	**229,218**

6.25. Leases

Finance leases

Property, plant and equipment held under finance leases comprised the following:

	Dec. 31, 2016			Dec. 31, 2015		
	Gross	Accumulated depreciation / Impairment	Net	Gross	Accumulated depreciation / Impairment	Net
Leasehold land	237		237	1,260		1,260
Leasehold buildings	8,014	(3,972)	4,042	9,647	(4,324)	5,323
Other leaseholds	747	(164)	583	430	(29)	401
Total leaseholds	**8,998**	**(4,136)**	**4,862**	**11,337**	**(4,353)**	**6,984**

The schedule of future minimum finance lease payments is as follows:

	Dec. 31, 2016	Dec. 31, 2015
Less than one year	295	2,309
Between one and five years	2,389	2,461
More than five years	10	81
Value of future minimum lease payments	**2,695**	**4,852**

Operating leases

The schedule of future minimum operating lease payments is as follows:

	Dec. 31, 2016	Dec. 31, 2015
Less than one year	12,895	14,057
Between one and five years	33,377	22,896
More than five years	12,107	
Value of future minimum lease payments	**58,379**	**36,953**

6.26. Financial risk management

Financial risk is managed in accordance with the risk management policy established by the Group's Management Board. Each operating entity is responsible for identifying, assessing and hedging its exposure to financial risk, in compliance with Group policies.

To manage its exposure to market risk, the Group uses derivative financial instruments, which are recognized in the balance sheet at their fair value.

The fair value of derivative financial instruments recognized at the reporting date, without accounting for the immaterial discount relating to counterparty risk, comprised the following:

	Dec. 31, 2016		Dec. 31, 2015	
	Assets	Liabilities	Assets	Liabilities
Foreign exchange derivative instruments				
Fair value hedging derivative instruments	1,150	5,550	1,514	4,457
Derivative instruments not eligible for hedge accounting				

Liquidity risk

Fives closely monitors liquidity risk for the Group and each of its subsidiaries periodically using Group financial reporting procedures.

The following analysis concerns the contractual obligations relating to loans and borrowings, including interest payable.

Expected future cash flows are calculated on the basis of the contractual maturities of the associated financial liabilities. Future floating-rate interest payments are set on the basis of the most recent coupon for the current period and on the basis of the rates applicable at the reporting date for cash flows relating to future dates.

The future cash flows presented below have not been discounted.

	Balance sheet carrying amount	< 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	> 5 years
Non-derivative financial instruments							
Bank loans	72,341	31,313	27,788	5,279	3,625	1,153	3,182
Other financial debt	59,236	59,236					
Finance leases	2,695	296	434	431	1,413	111	10
Total gross non-current financial liabilities	**134,272**	**90,846**	**28,222**	**5,170**	**5,038**	**1,264**	**3,192**
Deferred transaction costs	(1,635)	(1,645)	9				
Total non-current financial liabilities	**132,637**	**89,201**	**28,232**	**5,710**	**5,038**	**1,264**	**3,192**
Interest on non-current financial liabilities		2,283	744	291	130	100	405

Based on data available at the reporting date, the future cash flows are not expected to occur earlier or the amounts to differ significantly from those indicated in the maturity schedule.

This analysis excludes financial assets such as cash and cash equivalents and trade receivables, which amounted to €122.6 million and €408.8 million respectively at December 31, 2016. The Group also has a revolving credit line of €90 million at its disposal until January 2020. The credit line can be drawn down freely within a limit of €30 million, above which it is subject to a quarterly leverage ratio test, which was not triggered in 2016.

Interest rate risk

Floating rate debt amounted to €130.3 million, close to cash and cash equivalents of €122.6 million at the reporting date.

The floating-rate debt recorded on Fives' balance sheet comprises loans contracted from Novafives and various tranches of external bank loans. The majority of cash and cash equivalents have been invested at floating rates (particularly in Eonia-indexed money market funds). The fixed-rate instruments include short-term deposits or certificates of deposit with a maximum three-month maturity

Interest rate risk is therefore globally offset by the yield on cash invested at floating rates.

As Novafives is not an external counterparty, and interest rates are historically low, the Group has not set up interest rate hedging for these loans.

A similar position was adopted for locally-contracted bank loans, as the cost of fixed-rate hedging outweighs the exposure to interest rate risk.

Analysis of interest rate sensitivity

The Group is exposed to the risk of interest rate fluctuations on its earnings due to:
- Cash flows relating to floating-rate debt;
- Cash flows relating to floating-rate investments.

The sensitivity analysis of 2017 earnings to interest rate risk was based on the following assumptions:
- The amount of loans and borrowings at December 31, 2016 less repayments due during 2017; with no additional hedging set up;
- Cash and cash equivalents, per currency and exchange rate, will remain constant year on year;
- The Group will maintain access to current accounts that are not subject to negative interest rates.

Given the potential negative interest rate environment, the sensitivity analysis was performed by increasing the interest rate by 1% for the upward trend analysis and decreasing the rate by 1% for the downward trend analysis. The analysis also factored in the contractual floors applicable to the reference interest rates on Group loans.

Based on these assumptions, the Group is not exposed to interest rate risk.

	Sensitivity analysis effect	
	- 1%	+ 1%
Floating rate debt	70	(683)
Cash invested at floating rates		668
Effect on profit	**70**	**(15)**

Currency risk

Loans and borrowings denominated in foreign currencies

In 2015, the Group contracted loans and borrowings in USD to finance its acquisitions and business activities in the United States. Loans and borrowings denominated in USD, held in France, represent an exposure to currency risk of USD 36.7 million.

The Group initially financed the acquisition of the North American companies in euros, its reporting currency. The associated payments were refinanced by long-term loans denominated in USD contracted by the operating companies acquired.

The outstanding loan principal exposed to currency risk amounted to USD 261.5 million at December 31, 2016, resulting in Group net exposure of USD 224.8 million.

In addition, during the last quarter of 2016, the Group decided to reduce the debt of the US sub-group by increasing the capital of Fives Group's American holding company Fives Inc. The transaction, which was conducted on March 23, 2017, reduced the amount of loan principal exposed to currency risk by USD 60 million to USD 201.5 million. The Group's net exposure post-transaction amounted to USD 164.8 million.

In December 2012, the Group began restructuring its activities in the United Kingdom by reclassifying its operating assets under a single holding company, Fives UK Holding Ltd. The latter contracted a loan from Fives to repurchase the assets. The outstanding loan principal exposed to currency risk amounted to GBP 47.1 million at December 31, 2016.

Exchange rate risk on operating profit

The Group is mainly exposed to exchange rate risk on its net sales positions arising from export contracts denominated in currencies other than the functional currency of the contracting companies.

The main currency pairs subject to exchange rate risk are EUR/USD, GBP/EUR, JPY/EUR and CNY/EUR.

The Group uses natural hedges to limit its exposure to exchange rate risk on operating profit by purchasing in the currency or currencies used for sales, on a contract by contract basis.

The net residual exchange rate risk is hedged when the risks arise, mainly through currency forwards and/or by entering into insurance contracts with the French export credit insurance company Bpifrance Assurance Export for the French subsidiaries.

Analysis of exchange rate risk sensitivity

This analysis excludes the effects of translating the financial statements of Group entities into the reporting currency (euros).

Exposure at December 31, 2016 of USD and GBP loans, estimated principal and interest for 2017

Acquisition loan principal denominated in USD totaled USD 261.5 million at December 31, 2016, with 2017 interest income of USD 18.6 million, representing a total exposure of USD 280.1 million, or €265.7 million after translation using the exchange rate effective at the reporting date. The acquisition loans are backed by external loans with outstanding loan principal of USD 36.7 million and interest expense of USD 0.8 million for 2017, representing a net position of USD 37.5 million, or €35.5 million after translation using the exchange rate effective at the reporting date. The position of the acquisition loans denominated in USD net of the external loans, including net interest, amounted to USD 242.7 million or €230.2 million after translation using the exchange rate effective at the reporting date.

Acquisition loan principal for Fives UK Ltd. amounted to GBP 47.1 million, with interest income of GBP 2.1 million for 2017, representing a total exposure of GBP 49.2 million, or €57.5 million after translation using the exchange rate effective at the reporting date.

A 10 basis point increase or decrease in the EUR/USD and/or EUR/GBP exchange rates would have the following impact on profit for 2017:

	ER-10bp	ER	ER+10bp
USD loans			
Exchange rate at Dec. 31	0.954	1.054	1.154
Net debt after hedging	254.3	230.2	210.3
Effect on 2017 profit	24.1	-	(19.9)
GBP loans			
Exchange rate at Dec. 31	0.756	0.856	0.956
Net debt after hedging	65.1	57.5	51.5
Effect on 2017 profit	7.6	-	(6.0)
Total effect on profit for 2017	**31.7**	-	**25.9**

Net exposure at December 31, 2016 of USD and GBP loans, estimated cash flows for 2017

Expected cash flows in 2017 relating to intercompany acquisition loans denominated in USD (interest payments and repayment of principal), and given the loan repayment schedules, amount to USD 26.9 million. In addition, repayment in 2017 of principal and interest on external loans denominated in USD amounts to USD 19.1 million.

Cash exposure on expected cash flows in USD in 2017 is therefore USD 7.8 million, or €7.4 million after translation using the exchange rate effective at the reporting date.

Expected cash flows relating to the Fives loan to Fives Holding UK in 2017 amount to GBP 10.1 million or €11.8 million after translation using the exchange rate effective at the reporting date.

Sales contracts

Foreign exchange risk on sales contracts is generally hedged by financial instruments that are eligible for fair value hedge accounting. The hedged items relating to such contracts are measured at the hedge coverage rates.

The companies regularly measure the effectiveness of their foreign exchange (currency) hedges in relation to changes in the underlying.

Credit risk

Credit risk is the risk that one party to a financial liability will cause a loss for the other party by defaulting on its obligations. The Group is exposed to credit risk in its operating activities (mainly trade receivables) and financing activities due to the deposits, foreign exchange hedges and other financial instruments contracted with banks and financial institutions.

Risks relating to trade receivables

The Group believes that there is limited risk that counterparty default could significantly affect its financial position and profit. The Group carefully manages credit risk relating to trade receivables, as detailed in note 6.17.

Risks relating to other financial assets

The Group uses derivatives solely to reduce its overall exposure to the foreign exchange risk and interest rate risk arising from its ordinary business activities. Derivative transactions are only entered into on organized markets or over-the-counter markets with leading operators.

Risks relating to cash and cash equivalents

At December 31, 2016, all cash and cash equivalents were invested through the top-ranking commercial banks that finance the Group's activities.

6.27. Value of financial assets and liabilities, by category

The valuation methods used are described in the accounting policies. With the exception of bonds, the Group did not identify any material differences between the carrying amount and market value of the financial assets and liabilities reported on the balance sheet, irrespective of the categories and levels of fair value.

The Group distinguishes three categories of financial instruments based on two fair value measurement methods (quoted prices and other valuation techniques):
- level 1: financial instruments with quoted prices traded in active markets;
- level 2: financial instruments the fair value of which is determined based on valuation techniques using observable inputs;
- level 3: financial instruments the fair value of which is determined using a valuation technique that is not based on or only partially based on observable market data (input based on assumptions and not on observable prices or other market data).

Available-for-sale financial assets and money market funds are classified as level one financial instruments and interest rate and exchange rate derivative instruments are classified as level two. Acquisition-related liabilities (earnout liabilities and commitments to purchase non-controlling interests) are classified as level three.

6.28. Off-balance sheet commitments

Guarantees, sureties and other

	Dec. 31, 2016	Dec. 31, 2015
Commitments given	253,878	358,364
Commitments received	79,079	53,314

Guarantees and sureties refer to commitments given or received to finance contracts in progress, and performance bonds.

6.29. Related parties

Related parties mainly comprise:
- Fives' shareholders;
- associates;
- unconsolidated entities.

There were no material transactions with related parties other than those described herein.

Remuneration of the executive officers

In 2016, the remuneration paid by Fives and its subsidiaries to the nineteen members of the Group's Executive Committee amounted to €4,236 thousand.

None of the members of the Executive Committee have defined benefit retirement plans set up by one of the Group's entities.

6.30. Statutory audit fees

Total fees charged by the statutory auditors of Fives and its subsidiaries, as presented in the consolidated financial statements for the periods ended December 31, 2016 and 2015, amounted to:

	2016			2015		
	Statutory audit	Other work	Total	Statutory audit	Other work	Total
Deloitte	562	234	**796**	646	83	**729**
Ernst & Young	778	235	**1,014**	711	123	**834**
Grant Thornton	708	59	**767**	750	309	**1,059**
Total	**2,048**	**529**	**2,577**	**2,107**	**515**	**2,622**

6.31. Subsequent events

No significant events have occurred since the reporting date.

6.32. Consolidated companies at December 31, 2016

Consolidated companies	Location	Consolidation method	Percentage controlling/ownership	Percentage interest
HOLDINGS AND SUBSIDIARIES NOT ALLOCATED TO OPERATING SEGMENTS				
Fives *	Paris, France		Parent company	
Fives Manufacturing Industries*	Paris, France	FC	100.00	100.00
FI 2006 *	Paris, France	FC	100.00	100.00
Fives UK Holding Ltd.	United Kingdom	FC	100.00	100.00
Fives Inc.	United States	FC	100.00	100.00
Fives Italy S.r.l.	Italy	FC	100.00	100.00
Fives Engineering (Shanghai) Co., Ltd.	China	FC	100.00	100.00
Shanghai Fives Automation and Processing Equipment Co., Ltd.	China	FC	100.00	100.00
Fives India Engineering & Projects Pvt. Ltd.	India	FC	100.00	100.00
Fives Japan KK	Japan	FC	100.00	100.00
AUTOMOTIVE				
Fives Conveying *	Montévrain, France	FC	100.00	100.00
Fives Cinetic *	Héricourt, France	FC	100.00	100.00
Fives Cinetic Corp.	United States	FC	100.00	100.00
Fives Cinetic Mexico SA de CV	Mexico	FC	100.00	100.00
Fives Filling & Sealing K.K.	Japan	FC	100.00	100.00
Fives DyAG Corp.	United States	FC	100.00	100.00
Fives Filling & Sealing *	Le Bignon, France	FC	100.00	100.00
Fives Giustina S.r.l.	Italy	FC	100.00	100.00
Daisho Seiki Corporation	Japan	FC	100.00	100.00
Daisho Seiki Korea Co., Ltd.	South Korea	FC	100.00	85.46
Daisho Seiki American Corporation	United States	FC	100.00	100.00
Fives Landis Corp.	United States	FC	100.00	100.00
Fives Landis Ltd.	United Kingdom	FC	100.00	100.00
Fives Landis GmbH	Germany	FC	100.00	100.00
Fives Conveying Iberica S.A.	Spain	FC	100.00	100.00
LOGISTICS				
Fives Intralogistics Corp.	Logistics	FC	100.00	100.00
Fives Intralogistics K.K.	Japon	FC	100.00	100.00

Consolidated companies	Location	Consolidation method	Percentage controlling/ownership	Percentage interest
Fives Intralogistics S.p.a.	Italy	FC	100.00	100.00
Fives Intralogistics SAS*	Grigny, France	FC	100.00	100.00
CEMENT				
Fives FCB *	Villeneuve d'Ascq, France	FC	100.00	100.00
Fives FCB Services Mexico S.A. de C.V.	Mexico	FC	99.90	99.90
Fives Pillard	Marseille, France	FC	85.18	85.18
Fives Pillard España S.A.	Spain	FC	85.18	85.18
Fives Pillard (Tianjin) International Trading Co., Ltd.	China	FC	85.18	85.18
Fives Pillard Combustion System Equipment (Beijing) Co., Ltd.	China	FC	85.18	85.18
Fives Pillard Deutschland GmbH	Germany	FC	47.50	40.46
Fives Combustion Systems Pvt. Ltd.	India	FC	100.00	100.00
ENERGY				
Fives Cail *	Ronchin, France	FC	100.00	100.00
Fives Cail KCP Ltd.	India	EM	40.00	40.00
Fives Fletcher Ltd.	United Kingdom	FC	100.00	100.00
Fives Lille do Brasil Ltda.	Brazil	FC	100.00	100.00
Fletcher Smith Inc.	United States	FC	100.00	100.00
Fives North American Combustion France, SAS*	Marseille, France	FC	100.00	100.00
Fives North American Combustion Netherlands B.V.	Netherlands	FC	100.00	100.00
Fives North American Combustion Spain, S.L.	Spain	FC	100.00	100.00
Fives North American Combustion UK, Ltd.	United Kingdom	FC	100.00	100.00
Fives North American Combustion, Inc.	United States	FC	100.00	100.00
Fives North American Combustion Canada, Inc.	Canada	FC	100.00	100.00
North American Construction Services, Ltd.	United States	FC	100.00	100.00
Fives Cryo*	Golbey, France	FC	100.00	100.00
Fives Cryo (Suzhou) Co., Ltd.	China	FC	100.00	100.00
Fives Cryomec A.G.	Switzerland	FC	100.00	100.00
Fives Cryo Inc.	United States	FC	100.00	100.00
Fives Nordon *	Nancy, France	FC	100.00	100.00
Fives Itas S.p.a.	Italy	FC	100.00	100.00
Fives Bronx, Inc.	United States	FC	100.00	100.00
Fives Bronx Ltd.	United Kingdom	FC	100.00	100.00
Fives OTO S.p.a.	Italy	FC	100.00	100.00
METALS				
F.L. Métal *	Seclin, France	FC	100.00	100.00
Fives DMS *	Seclin, France	FC	100.00	100.00
Fives ST Corp.	United States	FC	100.00	100.00
Fives Keods*	Maisons-Alfort, France	FC	100.00	100.00
Fives Stein *	Maisons-Alfort, France	FC	100.00	100.00
Fives Celes *	Lautenbach, France	FC	100.00	100.00
Fives Stein Belgium	Belgium	FC	100.00	100.00
Fives Stein Bilbao S.A.	Spain	FC	100.00	100.00
Fives Stein Inc.	United States	FC	100.00	100.00
Fives Stein India Projects Pvt. Ltd.	India	FC	100.00	100.00
Fives Stein Metallurgical Technology (Shanghai) Co, Ltd.	China	FC	100.00	100.00
Fives Stein Ltd.	United Kingdom	FC	100.00	100.00
Fives Stein Manufacturing *	Bar-Le-Duc, France	FC	100.00	100.00
Fives Solios *	Le Pecq, France	FC	100.00	100.00
PSA 2000 *	Le Pecq, France	FC	100.00	100.00

Consolidated companies	Location	Consolidation method	Percentage controlling/ownership	Percentage interest
PSA 2000 Saudi Arabia Ltd.	Saudi Arabia	FC	100.00	100.00
Fives Services Gulf SPC	Bahrain	FC	100.00	100.00
Fives Solios Corp.	United States	FC	100.00	100.00
Fives Solios Inc.	Canada	FC	100.00	100.00
Fives Services Southern Africa (Pty) Ltd.	South Africa	FC	100.00	100.00
Fives Proabd *	Mulhouse, France	FC	100.00	100.00
Fives Solios Ltd.	United Kingdom	FC	100.00	100.00
Fives ECL *	Ronchin, France	FC	100.00	100.00
ECL Services Africa Engineering (Pty) Ltd.	South Africa	FC	100.00	100.00
Fives Services, Inc.	Canada	FC	100.00	100.00
ECL Services Middle East DMCC	United Arab Emirates	FC	100.00	100.00
Fives Services Australia Pty Ltd.	Australia	FC	100.00	100.00
ECL Shanghai Co., Ltd.	China	FC	100.00	100.00
AEROSPACE AND INDUSTRY				
Cincinnati Machine International, LLC	United States	FC	100.00	100.00
Fives Giddings & Lewis, LLC	United States	FC	100.00	100.00
Fives Machining Systems Inc.	United States	FC	100.00	100.00
Fives Machining Systems International (Hong Kong) Limited	China	FC	100.00	100.00
Fives Machining Systems Korea Inc.	South Korea	FC	100.00	100.00
Fives Machining Systems (Shanghai) Co., Ltd.	China	FC	100.00	100.00
Fives Lund LLC	United States	FC	75.00	75.00
Fives Machining *	Saint-Laurent-les-Tours, France	FC	100.00	100.00
Fives Liné Machines Inc.	Canada	FC	100.00	100.00
4192567 Canada Inc.	Canada	FC	100.00	100.00
Sogelire Inc.	Canada	FC	100.00	100.00
Fives Maintenance *	Montévrain, France	FC	100.00	100.00

* Companies included in the Novafives tax group.

FC: fully consolidated

EM: accounted for by the equity method

STATUTORY AUDITORS' REPORT CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2016

ERNST & YOUNG ET AUTRES
1-2 place des Saisons - 92400 Paris-La Défense Cedex
S.A.S. à capital variable
Statutory Auditors
Member of the compagnie régionale de Versailles

DELOITTE & ASSOCIÉS
185 avenue Charles-de-Gaulle - 92524 Neuilly-sur-Seine Cedex
S.A. au capital de 1 723 040 €
Statutory Auditors
Member of the compagnie régionale de Versailles

To the Shareholders,

In compliance with the appointment entrusted to us by your annual general meeting, we hereby report to you, for the year ended December 31, 2016, on:
- the audit of the accompanying consolidated financial statements of FIVES, as attached to this report;
- the justification of our assessments;
- the specific verification required by law.

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

I. Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, using sampling techniques or other methods of selection, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at December 31, 2016 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

II. Justification of our assessments

In accordance with the requirements of article L.823-9 of the French Commercial Code (Code de commerce) relating to the justification of our assessments, we bring to your attention the following matters:

- Goodwill is tested using the method described in the notes 2.5, 2.14 and 6.11 to the consolidated financial statements. We have examined the implementation of this impairment test, the estimation of the future cash flows and the assumptions made, and we have ensured that notes 2.5, 2.14 and 6.11 to the consolidated financial statements provide adequate information in this regard.

- Income or losses on construction contracts and long-term service contracts are recognized using to the percentage of completion method, based on the estimated costs at completion that are reviewed periodically and regularly throughout the life of the contract following to the principles detailed in notes 2.5 and 2.18 to the consolidated financial statements. These estimates are made project by project under the supervision of the companies' general management. Based on the information we received, our work consisted in reviewing the processes set up, assessing the data and assumptions used as a basis for these estimates and comparing the accounting estimates of the previous periods with corresponding actual figures.

- Deferred tax assets are recognized when mid-term forecasts ensure the reasonableness of recoverability as indicated in notes 2.5 and 2.24 to the consolidated financial statements. We have examined the financial forecasts and the assumptions used, and we have ensured that notes 2.5 and 2.24 to the financial statements provide adequate information in this regard.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III. Specific verification

As required by law we have also verified, in accordance with professional standards applicable in France, the information data presented in the Group's management report.
We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Neuilly-sur-Seine and Paris-La Défense, April 5, 2017
The Statutory auditors

ERNST & YOUNG ET AUTRES	DELOITTE & ASSOCIÉS
Pierre Jouanne	Pascal Colin

DRAFT RESOLUTIONS (extract)

First resolution

The General Meeting,

- having heard the Executive Board's management report, the Supervisory Board's report, and the Statutory auditors' report;

- and after reviewing the company financial statements;

approves the company's financial statements for the year ended December 31, 2016 as presented to the Meeting and the transactions reflected in such financial statements or described in the reports and which show a net profit of €32,779,673.78.

The General Meeting also approves the total amount of certain non-tax-deductible expenses, €59,818, and the corresponding tax of €19,939.

Second resolution

Following the proposal by the Executive Board, the General meeting hereby allocates the entire annual profit of €32,779,673.78 to the balance of retained earnings, bringing it up to €199,973,994.60.

The General Meeting notes that no dividends have been distributed for the past three financial years.

Third resolution

The General Meeting,

- having heard the Executive Board's management report and the Supervisory Board as well as the Statutory Auditors' report on the consolidated financial statements for the year ended December 31, 2016;

- and after reviewing the consolidated financial statements;

approves the consolidated financial statements for the year ended December 31, 2016 as presented to the meeting and the transactions reflected in such financial statements or described in the reports, showing net profit, Group share of €3,216 thousand.

Fourth resolution

Having heard the Statutory Auditors' special report on regulated agreements governed by Article L. 225-86 of the French commercial code, the General Meeting approves the report and the agreement referred to in the report.

Fifth resolution

On the basis of the preceding resolutions, the General Meeting fully and unreservedly discharges the Members of the Executive Board from their management duties in respect of the financial year ended December 31, 2016, and the members of the Supervisory Board in respect of their appointments and duties.

Sixth resolution

The General Meeting elects as a new member of the Supervisory Board for a term of six years, i.e. until the end of the Annual Ordinary General Meeting held to approve the accounts for the 2022 financial year:

- Madame Laurence Parisot, born on August 31, 1959 in Luxeuil-les-Bains (70), residing at 5 place de la Sorbonne, 75005 Paris.

Seventh resolution

The General Meeting expressly ratifies the decision made by the Supervisory Board at its meeting of March 27, 2017 to transfer the company's headquarters from 27/29 rue de Provence, 75009 Paris to 3 rue Drouot, 75009 Paris, effective May 1, 2017.

Fives

French limited company (Société Anonyme)
with Executive Board and Supervisory Board
Share capital €102,723,764
Registered office: 3 rue Drouot, 75009 Paris (France)
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