fives
ultimate machines
ultimate factory

2013
Financial Report

PROFILE

Fives designs and supplies machines, process equipment and production lines for the world's biggest industrial players in Aerospace, Aluminium, Automotive and manufacturing industries, Cement, Energy, Glass, Logistics and Steel sectors.
Located in nearly thirty countries and with nearly 8,000 employees across six continents, the Group is known for its technological expertise and competence in executing large-scale internation projects.

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REPORT OF THE EXECUTIVE BOARD

TO THE ORDINARY GENERAL MEETING ON JUNE 27, 2014

1. GROUP ACTIVITY IN 2013

1.1. Business overview and activity

2013 has turned out to be the worst year for the global economy since the recession hit in 2009. While we saw brief glimpses of a recovery as the foundations seemed to become stronger, after 2012 when there was sustained pressure on access to capital and a slowdown in emerging countries, they have gradually faded. Although the IMF ended the year on a positive note in its world economic outlook it issued in January 2014, until then it had continuously revised its 2013 growth projections downward every quarter for over a year. Up 3.0% and despite an encouraging fourth quarter, it posted slightly lower figures than in 2012 (3.1%), even though the economic climate had already taken a heavy toll that year on industrial investment.

These circumstances impacted emerging and developed countries alike, with the notable exception of Japan, whose monetary policy of quantitative easing began at the end of 2012 (but it cannot last in the medium term), and the United Kingdom, whose comeback appears to be more sustainable. Most emerging countries are still being affected by a weakened external demand and falling prices for raw materials and commodities. Domestic consumption in the BRIC countries has still not managed to take hold while there are growing fears in China about the stability of the economy's banking and lending system, and especially of investments that remain the country's primary driver of growth. Only a handful of countries in Southeast Asia, Latin America and Eastern Europe are in the midst of an optimistic climate. In the United States, which underwent a verifiable economic recovery in 2012, demand and growth suffered from its budget restriction policy that continued throughout the year until an agreement was reached in December. In spite of solid underpinnings, growth in industrial investments unexpectedly shrank considerably. Lastly, weak demand and crushing debt in the euro zone did nothing to help relieve budgetary and financial tensions.

In 2013, Fives was consequently impacted by the slowdown of the US and Chinese economies, which have been its largest markets for several years now, although it did manage to win a few large contracts in sectors where it has a legacy presence (steel in China, automotive and aerospace in the United States). In an economic climate that is slowing down globally, few countries took over. The Group's commercial activity was sustained by a small number of large orders in emerging regions here and there that are still vibrant – particularly Southeast Asia and in the Philippines for cement – as well as developed countries undergoing a recovery, like the United Kingdom in automotive, and Japan and South Korea in logistics. It was also able to maintain a decent volume of small and medium-sized orders by conducting sales initiatives in industrial equipment while ramping up service activities (a Fives strategic objective).

In this sluggish economic climate, the Group was also severely disadvantaged by a stronger euro compared to other major global currencies: the yen (average rate dropped by more than 25% in 2013 over 2012 due to the new Japanese government's monetary easing policy), the pound sterling and, against all odds, the US dollar. The company is being impacted on several fronts under this set of circumstances. First, as a major exporter it is dealing with competition from Japan and the United States (much more competitive mechanically), so Fives lost some bids because of price, especially in steel and cryogenics. Second, because it consolidates its accounts in euros, it suffered from an adverse foreign exchange rate effect, which caused its order intake levels to drop as well as its income statement performance indicators. Lastly, several projects in emerging countries have been postponed because domestic producers are having problems financing themselves in euros.

In a general sense, misgivings about short-term outlook in the global economic environment are prompting large manufacturers to extend their bidding processes and delay any decisions for as long as they can, although many of them have cleaned up their financial situation and returned to planning major investment programs, on the end markets that appear well-oriented (cement, logistics, automotive and aerospace). Even though the Group's volume of pending offers in many sectors was approaching the record levels it achieved before the 2008-2009 crisis, effective dates are increasingly being extended, also, in some cases, for contracts that have already been officially awarded to the Group.

Finally, Fives is dealing with a downward cycle in the metal industry, which for several years has been the main order originator group-wide and is experiencing overcapacity issues worldwide (cyclical in aluminum and structural in steel). Since the spring of 2012, this situation has resulted in a near total lack of new projects under review and a historically weak level of large orders in 2013.

The Fives 2013 order intake reveals this trend: counting the contribution of acquisitions in the year, orders totaled €1,227 million (of which €1,139 million in the historical scope, including an adverse exchange rate effect of €35 million). The Group's performance suffered from the low volume of large capacity unit projects launched in 2013 around the world, mainly in emerging countries. However, recurring orders for small equipment and services are staying at an acceptable level.

Sales were nevertheless €1,626 million in 2013, an all-time record for the Group that included the contribution from acquisitions in the year. At a constant scope and exchange rate, with €1,541 million it is up slightly (2%) compared to 2012, a benefit of runoff from the opening order book and steady intake of small orders during the year. Once again, this performance is a testament to the Group's resilience. Faced with a tricky economic climate, Fives still managed to follow its course toward growth.

EBITDA reached a record level as well at €133 million, which included the contribution from acquisitions in the year but also indicates better profitability in the historic scope, despite an adverse foreign exchange rate effect of €4 million.

ORDER INTAKE BY GEOGRAPHICAL AREA

€ Million	2011	2012	2013
Order intake	**1,674.3**	**1,323.8**	**1,227.3**
The Americas	546.8	367.0	305.2
Asia & Oceania	338.9	422.6	330.2
Europe	438.4	419.3	486.1
The Middle East & Africa	350.2	114.9	105.8
Total	**1,674.3**	**1,323.8**	**1,227.3**
Contribution from mature economies	44%	50%	64%
Contribution from emerging countries	56%	50%	36%

SALES BY GEOGRAPHICAL AREA

€ Million	2011	2012	2013
Sales	**1,268.3**	**1,507.9**	**1,626.2**
The Americas	295.4	421.3	531.2
Asia & Oceania	331.8	373.4	457.9
Europe	394.8	445.0	458.3
The Middle East & Africa	246.3	268.2	178.8
Total	**1,268.3**	**1,507.9**	**1,626.2**
Contribution from mature economies	50%	46%	53%
Contribution from emerging countries	50%	54%	47%

1.2. External growth

As it continued its acquisition policy, Fives followed two broad strategic objectives to expand its technological offer and application portfolio and to build a larger presence in major growth markets. Two acquisitions were made in 2013 that, when consolidated for the full year, are expected to add some €350-400 million to sales and €35-40 million to EBITDA.

Fives Machining Systems

The Group acquired MAG Americas (now Fives Machining Systems) on July 29, 2013. As the world leader in high-performance machining solutions for large complex parts and composite processing, it services two primary end markets: civil and military aerospace and industrial capital goods for the energy sector (hydrocarbons) and the mining industry.

The Fives Machining Systems subgroup companies are Cincinnati, Giddings & Lewis, Forest-Liné and an after-sales services unit that has a large installed machine base. They have a collective portfolio of some 100 patents and employ over 1,000 people, primarily at facilities in the United States as well as Canada, France, China and South Korea.

The acquisition was part of the Fives overseas expansion strategy for its legacy high value-added technologies that offer strong technical and operational synergies with its own businesses:

- The Group is thus consolidating its position in the high-potential aerospace market by providing an offer that includes a supplier preferred by most of the industry's major players;
- Some of the Group's companies are also highly complementary, which is making us one of the world's top suppliers of high-performance machine tooling. Alongside this, the structure of the Fives Machining Systems services activity is an opportunity for Fives to speed up this business line's group-wide expansion in step with the program that began in 2012;
- The Group is finally widening its footprint in the North American market that is in the middle of re-industrializing while the Fives commercial and operational process overseas will help the acquired companies expand their global reach.

Fives Machining Systems is consolidated in the Group's 2013 books for five months and a new aerospace and special machining division was created after the acquisition. For the full year, the subgroup posted sales of €277 million and EBITDA of €26 million.

Fives OTO

The Group completed the acquisition of OTO Mills (now Fives OTO) on September 30, 2013. It is an Italian group specialized in designing welded tube manufacturing equipment (ERW). The world leader in its business sector, Fives OTO employs about 250 people and has a very wide range of equipment for producing tubes with small diameters (under 8 inches) to very wide diameters (24 inches), so it can fulfill a high variety of industrial applications and end market segments (construction, automotive, hydrocarbons, pharmacy, etc.).

Fives OTO has a highly efficient industrial organization with high-level engineering capacities and an assembly plant in northern Italy as well as far-ranging global commercial capability, which makes it extremely complementary for Fives:

- On the industrial side, Fives equipment combined with the Fives OTO offering is an opportunity for the Group to provide its customers a comprehensive offer in tube production lines;
- On the geographic coverage side, Fives OTO has an extensive presence in Latin America (Argentina, Brazil, Colombia, Mexico, etc.), which gives the Group a larger foothold in that region of the world while the Fives commercial and operational activities in Asia is opening new growth opportunities for Fives OTO.

In the Group's 2013 books, Fives OTO is consolidated for three months in the metal division. For the full year, the subgroup posted sales of €90 million and EBITDA of €12 million.

ITAS

The Group finalized the acquisition of ITAS (now Fives ITAS) in January 2014. ITAS is an Italian company specialized in combustion systems mainly designed for the hydrocarbon sector and for environmental applications, which rounds out the Group's offer in this industry. The company employs some 60 people and generated sales of almost €30 million. It will be consolidated as of 2014.

1.3. Commercial environment by market

Automotive & Logistics

This division designs, manufactures and installs equipment, machining systems, automated production systems and fluid filling systems primarily for the automotive industry, as well as automated sorting systems for logistics, express parcel, postal and distribution companies.

In the automotive segment sales of new vehicles were up in all the world's regions (except in Europe), which is encouraging financially stable carmakers to continue investing in new capacities in emerging countries and in upgrading their industrial base in mature countries. A requirement to reduce greenhouse gas emissions (including in Europe) is prompting the confirmation of several projects for engine lines (small engines) and transmission lines (dual-clutch transmissions). The market remained very promising in the machining systems segment, especially in China where investments are increasing to compensate for lack of upstream capacities impacting local production, which has built large downstream assembly plants in recent years. In the automated production systems segment, while the Group has carved out a secure position in mechanical body assembling programs underway in North America, a major highlight of the year was acquiring new customers in Russia and northern Europe as well as receiving large orders for final vehicle assembly, notably in the United Kingdom. Finally, commercial activity in the filling segment held steady at an acceptable level, even while solutions to replace conventional refrigeration gas are still under debate, which hindered investments aimed at using more environmentally conscious gas.

In the logistics segment business is still moving in the right direction and being sustained by a strong growth in shipping volumes, particularly with the growth of e-commerce. In Japan and South Korea where the market is offering strong opportunities due to the aging population and high density, large shipping companies (Fives historic customers) continued to invest heavily in their sorting centers, primarily in areas surrounding airports and train stations. Postal operators in Europe and, the United States continue to refocus their efforts on technologies more specifically designed for package sorting. Lastly, there were some major sales achievements in France in the distribution sector, which is opening new opportunities to expand the Group's technologies.

ORDER INTAKE BY END MARKET

€ Million	2011	2012	2013
Automotive/Logistics	607.2	479.8	542.9
Metals (aluminum & steel)	550.7	404.8	227.8
Energy	272.7	355.2	276.3
Cement	243.7	84.0	102.3
Aerospace and special machining			78.0
Total	**1,674.3**	**1,323.8**	**1,227.3**

Overall, the increase of €63 million (up 13%) in order intake compared to 2012 shows that all of the Group business lines are holding steady and reflects its impressive commercial performance in markets where it had traditionally been less active (European automotive market - outside France - in automated production systems and distribution in the logistics segment). The figure is obviously lower than the record achieved in fiscal year 2011, when Fives made up for lost time in the wake of the crisis on projects that had been postponed in 2008-2009, but it is the Group's second best performance of all time in the automotive and logistics division.

Metal

The metal division is developing processes and supplying equipment mainly designed for aluminum production, flat steel, tubes and glass. The equipment and integrated solutions offered for primary aluminium are made for key manufacturing processes in the carbon, electrolysis and casthouse sectors of aluminium plants. In the steel industry the group has both mechanical and thermal expertise and supplies rolling mills, high-capacity heating furnaces, steel strip treatment lines and tube production and finishing equipment. 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 segment, investments have come to a halt. Despite steady growth in consumption, the market is being impacted by global overproduction due to excess capacities in China, even though large international producers have shut down part of their installations. This discrepancy between supply and demand has caused the price of aluminum to drop faster and, in June and again in November 2013, it reached its lowest point since July 2009 (barely over $1700 per ton) and throughout the year it hovered at a level where more than half of the plants worldwide where not even covering their production costs. The situation forced the main originators to not only postpone their capacity programs, but also their plans for equipment upgrades because the return on investment seemed too remote. So the order intake for the year only consisted of add-ons to large contracts in progress and orders for small equipment and services. No new major projects have surfaced.

In the steel industry the Group is working in the flat steel and tube segments. This division also includes the glass segment. The market for the flat steel segment is still being impacted by structural overcapacity. Despite everything, Chinese producers continued to launch a small number of calls for tenders, but for the last two years very few projects actually came into force. In reality, most of them did not survive past the exceedingly long review phases in a situation where there are heavy restrictions on financing and regional and federal politics are less accommodating. So the upswing in investments we saw at the end of the year occurred against a backdrop of intensified competition between suppliers and pressure to lower prices, which was heightened by the gulf between the yen and the euro that made Japan's offer look much more competitive. Despite all this, the Group won two contracts for annealing and pickling lines in addition to an order for rolling mills that started at the beginning of the year. Meanwhile, commercial activity in the rest of the world was still very weak.

In the tubes segment, where the most potential lies in the hydrocarbon market, there was a sharp drop in investments in 2013. Demand for crude oil leveled off around the world, prompting manufacturers to delay the launch of new capacity projects while the price of natural gas went down in the United States thereby delaying a comeback for any future investments. For the Group, this situation is affecting the order intake, which is now being reduced to service orders and a handful of small contracts for isolated pieces of equipment, mainly in the United States but also in Europe. It should be noted that for the last three months of the year, this segment also received the contribution from Fives OTO.

In the glass segment, despite a market that continues to be impacted by significant overcapacities in China and Europe, where the building industry remains sluggish, the Group still managed to maintain a good amount of orders by relying on the quality of its technologies and focusing on small equipment (lehrs in China, ultrathin glass in China and Eastern Europe). Incidentally, there were a few independent producers operating in some emerging regions (Turkey, Brazil, Eastern Europe, Middle East) that continued to invest in their domestic markets, so in 2013 Fives was awarded an order for a float glass line in Turkey.

For the metal division as a whole (primary aluminum and steel), order intakes totaled €228 million, which was down by €177 million (44%) compared to 2012 and included a scope effect of €10 million for Fives OTO. This level of orders is historically low for the Group in the metal segment and is a sign of sluggish steel and aluminum markets with virtually no unit orders for the year.

Energy

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

In the energy sector, after a record year in 2012 order intake is losing steam in cryogenics. While this sector is still very medium-term oriented, the Group was impacted by three factors in 2013, especially in the air separation applications. First, some of the Group's legacy originators lost a number of large air separation projects in China and India to their sole competitor, which itself manufactures equipment that Fives supplies. Second, China is the leading market for the these applications, but the slowdown of its economy severely restricted the ability of domestic manufacturers to raise capital and invest, in turn forcing them to put several major coal liquefaction projects on hold. Third, Japanese and American bids became more competitive with the yen and the dollar losing against the euro, which also created pressure to lower prices. Conversely, the business remained promising in hydrocarbon in Southeast Asia, North America and the Middle East as did the sales activity for cryogenics pumps across all markets.

In the industrial combustion systems segment, the Group experienced the effects of slower industrial investment in the United States and Europe in spite of increased focus on energy and environmental efficiency in developed countries (stricter regulations and cost optimization), and this was mostly felt in the hydrocarbon and thermal systems segment for electricity production.

In the sugar and bioenergy segment, 2012 was a record year for sugar plants in Brazil, the world's leading producer, which sparked a supply that was much higher than the demand. Sugar prices then dropped 40% of their value in two years and this put severe constraints on capacity projects. At the same time, steady prices in 2011 and 2012 had already prompted a number of manufacturers to bring forward several upgrading investments, especially in refinery projects in Asia and sugar beet plants in Europe. This market climate therefore affected the Group's commercial activity in 2013.

Lastly, in the high-performance industrial piping segment, the French nuclear safety authorities passed new requirements on the Flamanville EPR building site that resulted in a reappraisal of additional work and this further revised upward the sales price of the Group's current contracts. In the maintenance sector, the effect of the first orders expected in the Major Refit (grand carénage) and post-Fukushima programs remains limited. However, Fives continues to work on repeat maintenance contracts for French nuclear power plants.

For the energy division as a whole, order intakes totaled €276 million, down by €79 million (22%) compared to 2012. With the exception of the industrial piping segment, all of the division's activities were impacted by worsening market conditions in 2013.

Cement

The cement division's offer ranges from supplying isolated equipment such as burners, grinding mills, material separators for the cement and mineral industries to grinding shops and turnkey cement plants.

In the cement sector, only 75% of current production capacities (excluding China) are being used despite steady growth in worldwide consumption. While several calls for tenders were launched in the most up-and-coming regions (Southeast Asia, Africa, Middle East, South America) by both major global cement makers and domestic producers, few decisions were finalized during the year. New cement-making capacities contracted in 2013 (outside China) were therefore expected to barely exceed 2012 capacities (40 million additional tons) and for the second year in a row stayed back at 2009 levels, the lowest in 10 years. The sluggishness of the market turned out to be even more resonant and tenacious than at the height of the crisis. Nevertheless, Fives managed to sign a contract with Lafarge for a grinding shop in the Philippines, which seems to be a long-awaited sign that investment is returning to the sector. Commercial activity in the equipment and services fields stayed at a decent level in line with the trend that began in 2012, even though the Chinese and Indian markets were still stagnant. The Group focused on areas with the most potential where it historically has had a strong presence and it received several orders in cement and other minerals (primarily ferronickel) in Latin America, sub-Saharan Africa and the Middle East.

Consequently, there were €102 million in orders taken in 2013, which was up €18 million (22%) over 2012 when no large contracts had come into force. In a market still being affected by weak investments, it remained lower than the 2011 figure, which included the intake of a complete cement plant in Brazil.

Aerospace and special machining

The aerospace and special machining 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 includes the companies in the Fives Machining Systems subgroup that was acquired in 2013.

In the aerospace sector, major civil aircraft manufacturers (Boeing, Airbus) each launched capacity-building programs for their narrow-body airplanes. However, several investments in 2013 were delayed for the second wave of their new long-haul aircraft whose production ramp-up was slower than expected despite a record order book. Lastly, investments in China, Russia and Brazil were still few and far between because the economic climate was less optimistic than in previous years.

In the heavy manufacturing industries sector, the drop in metal prices and a sharp increase in costs and lead times for their current projects damaged the returns on investments major originators in the mining sector had expected, causing them to freeze all investment decisions. Meanwhile in the hydrocarbon market, the lower price of natural gas amid the energy transition and the arrival of shale gas as well as the volatility of oil prices caused by a risky geopolitical climate and slowdowns in the most active emerging countries prompted key players to take a sit-and-wait attitude, despite very optimistic medium-term forecasts.

In total, order intake was €78 million for the five months since the acquisition by the Group it. Many of the investment decisions expected in 2013 were put off until 2014.

1.4. Outstanding commercial successes

In the Americas

United States

In the automated production systems sector, in May Chrysler selected Fives to provide two assembly lines for 9-speed automatic transmissions at its new plant in Tipton, Indiana. The model was developed by Chrysler in partnership with ZF to equip Jeep Cherokees and it was designed to optimize fuel consumption and reduce CO_2 emissions.

In the aerospace sector, Fives received several orders from a major global manufacturer for 5-arm vertical milling machines to machine large complex parts at three of its production sites.

In combustion, Metso Minerals Industries chose Fives in January to supply an ultra low-NOx LE combustion system for its new Magnetation LLC greenfield pellet plant in Indiana, the first time in 40 years this type of plant has been built in the country. Developed by the Group, the technology reduces emissions by over 95% compared to other current technologies.

Mexico

As part of the launch of Ecotec, the latest generation of small gas engines to be produced in five of its plants around the world, General Motors placed an order with Fives for three Landis LT2e machines to grind 3- and 4-cylinder crankshafts at the Toluca site.

Guatemala

In the cement and minerals sector, Solway Group member CGN chose Fives to supply a combustion system for the second ferronickel production line in El Estor, Guatemala that includes burners and liquid and pulverized fuel feeding systems.

In Asia and Oceania

China

In the flat steel sector, Fives signed a contract in January with the Beihai Chengde Stainless Steel Group to fully supply three 20-foot rolling mills. Equipment will be installed at its plants in southern China that expects to have an annual production capacity of between 2.5 and 3 million tons.

In December, Fives also began working on two contracts for the line furnaces segment. The first order came from Baosteel for a greenfield plant in Zhanjiang. Fives was selected to design and supply a vertical furnace for a continuous annealing line with annual production capacity of 825,000 tons. This is the Group's ninth order from Baosteel since 2005. It will contain 10 different cooling and heating sections equipped with patented FlashCooling® technology and will process steel in thermal cycles on over 95 vertical passes with the entire length of the strip inside the 2.5 km furnace. The second contract came from the Baotou Iron & Steel Group to build two vertical continuous annealing furnaces. The project will provide new high-end steel capacities in the Inner Mongolia province with annual production capacity of 4 million tons. It is expected to go online sometime in the second quarter of 2016.

In the machining systems sector, Fives signed a contract in May for 13 crankshaft grinding machines with Fuda, the number two supplier in the automotive industry. Each machine is specially designed for the end-client's particular model, for example Cummins, MAN, Yuchai, Yangma, Volvo and GZ Automotive. In October, Fives signed a contract with Volkswagen to supply crankshaft grinders for the EA211 engine production line (its newest generation of 1.0-1.6 L compact engines) at its Chengdu site.

In the cryogenics sector, Fives signed a contract in August with Hangyang to provide 53 pumps to build six gas-air separation units for the Shenhua Group, China's leading coal liquefaction company. This order is the continuation of an excellent working relationship the Group has created with the Chinese engineering firm, which has become one of its best customers.

South Korea

In the logistics sector, in May CJ Korea Express selected the Group to supply three cross belt sorters at its sites in Daejeon, Gwanak and Sangnok. This order comes after an initial contract Fives received in 2012 for its Gunpo terminal. The sorters have a total capacity of 81,000 pieces per hour and will be processing shipments to 975 destinations.

India

In flat steel, in December Jindal Steel & Power Ltd (JSPL) chose Fives to design and supply a walking beam furnace for its site in Raigarh. It will be a gas-only blast furnace that uses regenerative burners and includes a fuel oil-powered backup system. This order comes after three other contracts the Group has commissioned for the same customer in recent years.

Japan

In the logistics sector, after Sagawa Express contracted Fives to automate its terminals in Yokohama and Tokyo in 2011 and 2012, it once again turned to the Group and in March chose it to work on its Wangan Center sorting facility in Osaka. Fives will be supplying two steel belt sorters with a total capacity of 17,000 packages per hour.

The Philippines

In the cement sector, in June Fives began working on an order to commission a turnkey cement grinding shop for Lafarge Republic Inc. at its Teresa site in Rizal province. The shop will produce 850,000 tons of cement annually and be receiving a long list of proprietary process equipment developed by the Group, including a FCB Horomill® grinder to reduce electricity consumption at the cement plants, a third-generation TSV™ separator, a TGT™ filter and a hot gas generator.

In Europe

Germany

In tubular steel, in December Vallourec placed an order with Fives for a complex hydrotester that will be used to test special corrosion-resistant alloys at pressures above conventional industrial standards.

France

In industrial piping, Fives signed a large-scale nuclear maintenance contract with Comex Nucléaire (ONET SA Group) for the twenty 1300 MW sections of the French nuclear power base. The order is for eight EDF power plants (Paluel, Saint Alban, Flamanville, Cattenom, Belleville, Nogent, Golfech and Penly) and the piping work that needs to be done will continue through 2023.

In the sugar industry, in January Tereos contracted Fives to supply a falling film evaporator body with a surface area of 4,500 m² for its Chevrières plant. The equipment is being supplied as part of a bold project to reduce the plant's energy consumption.

In the logistics sector, Schneider Electric contracted Fives in May to fully automate its logistics facility in Evreux. The installation will be operated with WCS Trace® and designed for a stream of 1,600 packages per hour. All of the receiving and shipping zones at the site will be automated.

United Kingdom

In the automated production systems sector, Jaguar Land Rover placed an order with Fives in January to design and install a new body-in-white storage facility in the old paint shop at its Solihull site with a total capacity of 1000 vehicles on skids. It will be producing models like Range Rover, Range Rover Sport, Discovery, Defender and derivatives. The contract used to supply a shop with capacity for 500,000 units that includes conveyor and sequencing systems between the body-in-white shop and the paint preparation shop.

In August, Jaguar Land Rover once again called on Fives for contracts to design and build its new final assembly shop and supply all the fluid filling equipment. Operating at a rate of 50 vehicles per hour, the shop was created to produce the current L494 model (Range Rover Sport) and other new models like the C-X17 SUV. The frames and body for these vehicles will be completely made of aluminum. The group will be supplying all of the conveyors for the main line, including the sequencing system for bodies between painting and assembly.

In the Middle-East, Turkey and Africa

Bahraïn

In the aluminum sector, Alba has placed several turnkey orders with Fives that include an HTM boiler and vibrocompactors because it needed to increase its amperage on current production lines and do some work to speed up the gas treatment units.

Qatar

In cryogenics, after its subsidiary Gasal partnered with Qatar Petroleum at the Ras Laffan site, Air Liquide contracted Fives to supply all of the main exchangers at the new oxygen and nitrogen production unit that primarily supplies the GTL (gas to liquid) unit, which converts natural gas to liquid fuel.

Turkey

In the glass sector, Okan subsidiary Düzce Cam contracted Fives in May to design and supply a second float glass line with a capacity of 800 tons per day. This came two years after the Group successfully built and commissioned the first line. The equipment will include the latest L.E.M.® glass melting technology as well as provide a next-generation low-consumption furnace.

1.5. Key developments

The Fives strategy is rooted in innovation. Year after year, the Group has been stepping up its research and development efforts and in 2013 it set a record gross total of €28.1 million for the activity as part of a 22% increase over 2012 (up 16% in a comparable scope).

The Group's policy to build intellectual property has prompted Fives to patent 61 new innovations in 2013 versus 18 in 2012. Combined with the patents owned by Fives Machining Systems and Fives OTO, it now has 504 protected inventions (patent families) with a total of 1,784 active patents around the world.

In 2013, ongoing programs continued that are primarily focused on eco-design, process optimization, energy performance enhancement and digital technologies and included several projects being conducted with key customers and research institutions:

- In the energy sector, the Group is developing new plate and wave exchangers in high-temperature and/or high-pressure steel. In addition, there is a project to build an innovative electrical power storage solution with compressed air called NeriaLis that is partly funded by the ADEME and was launched in partnership with the Ecole des Mines CES laboratory and a young innovative company called Storewatt.

- In the steel sector, the Group is still working to develop its transflux quick induction annealing technology and has partnered with two large multinational producers to conduct two new series of trials.

- In the sugar sector, the Group has finished developing the CAMEIOTM software program (Cane Plant Model for Energy and Income Optimization) that quickly generates full simulations of all the volumic, thermal and energy reports for a sugar cane plant and identifies peak operational points. The service can also mediate a variety of products (sugar, ethanol, electricity) based on markets and prices and is designed for decision-makers who need to see a big picture of their industrial tool and its economic potential. In addition, a new partnership has been formed with the Ecole des Ponts to analyze the sugar cane extraction process.

Another aim of the Group's innovation policy is to put standout technologies on the market faster in all its business lines:

- In the machining systems sector, in 2013 Fives commissioned its first optical part grinding machine to Instrument Research and Development Establishment (IRDE) based in Dehradun, India. IRDE is part of an Indian defense research and development organization (DRDO) and it is tasked with designing and building night vision and thermal imaging optical systems with applications that could range from portable devices to satellites. The first of three devices was presented at a major international conference (ICOL 2014, International Conference on Optics and Optoelectronics) and is opening up new opportunities in optical grinding for the Group.

- In the glass sector, Mafic has asked Fives to begin work on a unit that reduces the energy consumption of furnaces during the basalt fiber production process. The unit includes an innovative heat collection system that cuts gas consumption by 10-15%. This is a pilot project that could be deployed more widely starting in 2015.

- In aerospace, the Group has developed an advanced standalone portable drilling unit that is smaller, lighter and energy-efficient. Special attention was given in the design phase to make it easy for operators to use.

- In the combustion sector, the Group continued to develop its product range for oil fields. Burners were designed to meet custom specifications for installations in California, the Middle East and China. Fives is will be consolidating its market position through the acquisition of ITAS in early 2014. The company specializes in combustion equipment for the hydrocarbon industry.

1.6. Main deliveries

In the aluminum sector, after opening one of the world's largest production plants at the end of 2012, Ma'aden Aluminium has received equipment installed by Fives that includes an anode production shop, a liquid pitch terminal, pot gas treatment units and molten aluminum holding furnaces. Indian producer Hindalco has successfully started up its new Mahan plant where the Group supplied the anode production shop and heating and regulation systems for the anode baking furnace. Lastly, Chinese steelmaker Angang started up and accepted delivery of a new complete pitch distillation and reforming unit provided by Fives that has an annual capacity of 200,000 tons.

In the steel sector, another highlight in 2013 was the commissioning of several lines and units of equipment at high-profile customers. Most of them were focused on the process line segment. The Sichuan Jinguang Group subsidiary South West Stainless Steel (SWSS) started up a hot annealing and pickling line for stainless steel with an annual production capacity of 700,000 tons. Except for the electrical work, this is the first line that Fives has built from scratch. It designed and supplied all the mechanical equipment and the annealing furnace as well as the pickling and strip guidance. The Group also received approval for the fifth vertical annealing furnace supplied to Shougang designed for very high-quality steel production in the food packaging industry and a bright annealing line supplied to Baoxin. Lastly, in the rolling sector, Fives received approval for five rolling mills: three in China (one for Jisco, two for Wisco) and two in Turkey for Posco Assan.

In logistics, the new giant Yamato Transport logistics terminal, Chronogate, near the Haneda International Airport in Tokyo was officially opened in September. Its fully automated sorting center was designed and built by Fives. The Group also met extremely short construction deadlines and delivered a number of sorting units to CJ Korean Express in South Korea for its terminals in Gunpo, Daejeon, Gwanak and Sangnok. Finally, in Europe the largest German logistics operator put a pilot sorting center online that Fives built in partnership with Siemens.

In aerospace, Fives successfully completed commissioning of the first machines for its new generation of composite processing systems for fuselage parts (Cincinnatif Viper range). The machines will support the «second wave» production ramp-up of Boeing 787s.

1.7. Expansion of service activities

Customers throughout the world that operate industrial machinery are facing an increasing number of requirements on reliability, technical performance and cost optimization. In addition to the conventional maintenance services that all the subsidiaries provide, the Group sees an opportunity to consolidate its position and create value for its offer by developing service solutions to guide customers through these changes. With a considerable installed base around the world, Fives is extremely well-positioned to expand this growing high-potential business that is also resilient since it is less impacted by market cycles.

End-to-end offers in a variety of segments have already been put into place that provide and draw from the know-how and expertise of Fives teams in the operational phases. For instance, the Group developed a service platform for aluminum in the Middle East, which over the last decade has been the location for the largest capacity projects.

As a consequence, a Services Department was also created at the beginning of the year at corporate level and given a mission to increase action plans in the subsidiaries in order to have a coordinated strategy and group-wide vision that encourages new solutions designed to meet customer needs.

Furthermore, the acquisition of Fives Machining Systems is perfectly aligned with the route the Group has taken and will help bring about business synergies specifically for the service activity because FMS already has an established business unit for services that manages the lifecycle of the installed machine base, has the geographic reach and can respond immediately to customer demand.

2. FINANCIAL PERFORMANCE

2.1. Accounting principles and consolidation scope

The Group consolidated financial statements were prepared in accordance with IFRS.
Since January 1, 2013, the Group has applied revised IAS 19. (see Note 3 in the Notes to the Consolidated Accounts). The retrospective effect on fiscal year 2012 of the change in accounting method has however not been restated in the figures below. Consequently, the 2012 figures presented are the figures published in the consolidated financial statements for fiscal year 2012, not in the restated comparison posted in the consolidated financial statements for fiscal year 2013.

The subgroups Fives Machining Systems and Fives OTO entered in the scope on July 29 (five months of consolidation in 2013) and September 30 (three months of consolidation in 2013), respectively.

The main aggregates in the profit and loss account were affected in 2013 by a very adverse foreign exchange effect caused by the appreciation of the average rate of the euro compared to other functional currencies the Group uses, specifically the dollar (€1.00 = $1.33 versus $1.29 in 2012), the yen (€1.00 = ¥130 in 2013 versus ¥103 in 2012) and the pound sterling (€1.00 = £0.85 in 2013 versus £0.81 in 2012).

2.2. Summary of results in 2013

SUMMARY OF CONSOLIDATED FIGURES

€ Million	2011	2012	2013	2013 historic scope	2013 constant scope and exchange rate
Sales	**1,268.3**	**1,507.9**	**1,626.2**	**1,495.4**	**1,540.7**
Gross Margin	280.3	324.2	360.2	330.9	339.5
EBITDA (*)	**99.0**	**115.1**	**133.0**	**118.4**	**122.3**
	7.8%	*7.6%*	*8.2%*	*7.9%*	*7.9%*
EBITA (*)	83.5	97.3	113.3	100.3	104.0
Current operating profit (EBIT)	76.2	92.7	104.4	95.8	99.4
Operating profit	75.0	92.4	98.0	n.a.	n.a.
Net financial result	(0.6)	(4.1)	(17.3)	n.a.	n.a.
Profit before tax	74.4	88.2	80.7	n.a.	n.a.
Net profit of consolidated companies	41.0	52.3	44.6	n.a.	n.a.
Net profit (Group Share)	40.4	50.8	43.4	n.a.	n.a.
Shareholders' equity attributable to owners of the Group	244.8	244.8	291.7	n.a.	n.a.
Cash and cash equivalents at December 31	**239.2**	**265.6**	**242.4**	**n.a.**	**n.a.**

(*) The Group defines EBITDA and EBITA as follows:
- EBITDA is current operating profit before amortization and depreciation of tangible and intangible assets, restated for any effects on the gross margin of purchase price allocation accounting entries.
- EBITA is current operating profit before amortization of intangible assets related to acquisitions, restated for any effects on the gross margin of purchase price allocation accounting entries.

As a reminder, purchase price allocation accounting entries negatively impacted the gross margin by €0.3 million in 2013 and €2.3 million in 2011.

Sales

Sales were recorded at €1.626 million in 2013, an all-time record for the Group, up €118 million (8%) over 2012. This difference includes a scope effect of €131 million and an adverse foreign exchange effect of €45 million. At constant scope and exchange rate, sales were subsequently up slightly by €32 million, or 2%. In terms of sectors, weaker activity in metals was offset by growth in cement and automotive/logistics (the division most impacted by foreign exchange effects) while energy remained stable compared to 2012.

EBITDA

The Group's EBITDA was at €133.0 million, which is an increase of €17.9 million (16%) over 2012. This difference includes a scope effect of €14.6 million and an adverse foreign exchange effect of €4.0 million. At constant scope and exchange rate, EBITDA was subsequently up by €7.3 million, or 6%.

The EBITDA margin was 8.2%. It was 7.9% in the historic scope, or 0.3 points higher than 2012 (7.6%). This increase is due to a higher gross margin (22.1% versus 21.5%), a general sign that contracts were well executed. Overhead costs were controlled and remained steady at 15% of turnover.

Current operating profit (EBIT)

The Group's current operating income was €104.4 million and was up by €11.7 million. This is a smaller increase than for EBITDA mainly due to the effect of purchase price allocation accounting entries relating to Fives Machining Systems (€4.4 million, including €4.1 million in amortization for intangible assets recorded on the date of acquisition and €0.3 million to offset margins on inventories recorded on the date of acquisition).

Operating profit

The Group's operating income was €98.0 million and included a €5.3 million expense for acquisition costs (compared to a €0.3 million expense in 2012).

Net financial result

Net financial result includes the cost of net financial debt, financial expenses relating to defined benefits pension schemes (interest cost of the obligation net of expected return on fund assets) and French long-service awards ("IDR"), income from associates, foreign exchange gains or losses, forward points on foreign exchange derivatives and change in fair value of derivatives instruments not eligible for hedge accounting.

SALES BY END MARKET

€ million	2011	2012	2013
Automotive/Logistics	391.3	541.1	564.3
Metals (aluminium & steel)	474.9	527.3	461.5
Energy	290.2	317.3	326.2
Cement	111.9	122.2	170.0
Aerospace and special machining			104.2
Total	**1,268.3**	**1,507.9**	**1,626.2**

The loss recorded was €17.3 million, or €13.2 million more than in 2012 (€4.1 million). This difference includes additional interest for bilateral bank loans that Fives arranged as part of the acquisitions' financing, but it mostly reflects a foreign exchange loss down by €11.8 million.

The Group's 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) for intragroup loans in foreign currencies granted by Fives:

- In US dollars to its American subsidiaries in order to fund the acquisitions of the subgroups Fives North American in 2008, Fives Bronx in 2010 and Fives Machining Systems in 2013;
- In pounds sterling to the English holding company Fives UK Holding Ltd. at the end of 2012 in connection with its acquisition of the Group's British subsidiaries.

As a result of the appreciation of the closing rate for the euro against the dollar and the pound sterling between December 31, 2012 and December 31, 2013, a foreign exchange loss of €10.3 million was recorded on these loans in 2013 (the loss was €1.1 million in 2012).

It should be noted however that the foreign exchange loss in the year (€10.3 million) is composed of a realized net gain of €4.4 million and an unrealized net loss of €14.6 million. Since these loans were originated, the Group has recorded a cumulative foreign exchange net gain of €6.0 million (including €10.7 million of realized net gain and €4.6 million of unrealized net loss).

Net profit

The total income tax expense (current and deferred taxes) for the fiscal year was €36.1 million and remains stable compared to 2012 (€35.9 million). It includes a current income tax expense of €37.5 million - broken down between €4.7 million in CVAE (the French added-value-based corporate tax), €14.7 million in corporate tax within the French tax group and €18.1 million in corporate tax for other Group subsidiaries - as well as income from deferred taxes of €1.4 million.

The nominal tax rate in 2013 was therefore 45%. This is mainly due to recording the CVAE as an income tax expense and the absence of recognition of a deferred tax asset in respect of tax losses for the year incurred by the holding company in France. Since these losses were higher than last year as a result of the aforementioned foreign exchange loss, the nominal tax rate was higher than in 2012 (41%).

Net profit of consolidated companies was in turn €44.6 million. This is €7.7 million under earnings for 2012 (€52.3 million). Despite a higher EBITDA (up €17.9 million), it was primarily impacted by purchase price allocation accounting entries (down €4.4 million), the increase in acquisition costs (down €4.9 million), foreign exchange result (down €11.9 million) and a higher nominal tax rate (down €3.3 million).

2.3. Contribution of each division to Group results

AUTOMOTIVE/LOGISTICS

€ Million	2011	2012	2013
Order intake	607.2	479.8	542.8
Order book at Dec. 31	476.1	406.1	365.6
Sales	391.3	541.1	564.3
EBITDA	33.1	53.2	54.5
Headcount at Dec. 31	1,978	2,191	2,158

Sales in automotive and logistics were up 4% (€23 million) despite an adverse foreign exchange effect of €35 million. The excellent order intake level in the year completely offset the impact that a smaller opening order book had on the business in the year.

The EBITDA margin rate remained stable from 2012 at 9.7% (compared to 9.8%). The increased volume of business over the last two years also enabled the Group to post higher profitability than in 2011 because overhead costs were absorbed at a better rate.

METALS

€ Million	2011	2012	2013	2013 historic scope
Order intake	550.7	404.8	227.8	217.9
Order book at Dec. 31	656.5	555.7	353.6	332.7
Sales	474.9	527.3	461.5	434.8
EBITDA	40.0	36.2	37.9	33.5
Headcount at Dec. 31	1,420	1,435	1,627	1,365

Sales for the metal division of €462 million include the three-month contribution of Fives OTO. They are €435 million in a comparable scope, which is down €92 million (17%) over 2012, including an adverse foreign exchange effect of €6 million. This drop was mainly seen in the aluminum sector where business activity in 2013 was impacted by the week order intake in 2012 and 2013, while sales in 2012 (and 2011 to a lesser degree) benefited from significant progress in major contracts taken in the Middle East in late 2010/early 2011.

The EBITDA margin rate was 8.2%. This is 7.7% in a comparable scope, which is 0.8 points better than in 2012. This improvement is due to the aluminum sector which benefits from good project execution on a number of major contracts completed or in progress. Nevertheless, this effect was attenuated by performance levels in flat steel where since 2011 the Group has been feeling pressure to lower margins at intake in a trying market that is making it difficult to return to 2011 profitability levels.

ENERGY

€ Million	2011	2012	2013
Order intake	272.7	355.2	276.3
Order book at Dec. 31	217.4	249.9	199.1
Sales	290.2	317.3	326.2
EBITDA	14.6	28.3	31.8
Headcount at Dec. 31	2,106	2,092	2,176

Sales in energy improved slightly by €9 million (up 3%). This includes an adverse foreign exchange effect of €3 million. The effect of major increase in the opening order book was partly weakened by the lower order intake in the year which impacted the Group's business activity since average production cycles in this division are shorter.

The EBITDA margin rate was 9.7%, up 0.8 points over 2012 (8.9%) thanks to growth in the industrial piping segment. This activity continues to make a comeback after a breakeven 2012 and losses in 2011 caused by the industry-wide problems encountered on construction sites for new power plants underway in France. Incidentally, profitability in 2011 was also impacted by a different mix, particularly a smaller contribution from the cryogenics and sugar segments where margins are higher than those stated in the industrial piping sector.

CEMENT

€ Million	2011	2012	2013
Order intake	243.7	84.0	102.3
Order book at Dec. 31	201.8	167.2	98.9
Sales	111.9	122.2	170.0
EBITDA	20.1	10.3	14.6
Headcount at Dec. 31	500	596	584

Despite a smaller opening order book, sales in the cement sector were much higher (up to €48 million, or 39% with a minor foreign exchange effect). This increase comes from a major contract currently in execution that was taken in late 2011 and, after spending most of 2012 on preliminary design, the Group started to feel more effects in 2013 as the first deliveries went out.

The EBITDA margin rate remained stable from 2012 at 8.6% (compared to 8.4%). Profitability in 2011 was extremely high thanks to excellent completion of several major contracts.

AEROSPACE AND SPECIAL MACHINING

€ Million	2013 (5 months)
Order intake	78.0
Order book at Dec. 31	108.0
Sales	104.2
EBITDA	10.2
Headcount at Dec. 31	1,042

The aerospace and special machining division was consolidated for five months in 2013 and contributed sales of €104 million to the Group. Its EBITDA margin rate was 9.8% for the period.

3. GROUP FORECASTS

3.1. Trends and outlook

Although outlooks remain tentative, in 2014 they appear to be moving in a better direction. The IMF forecasts global growth of 3.7%, or 0.7 points higher than in 2013. The United States will mainly be creating the momentum supported by robust domestic demand and the easing of fiscal pressure in the wake of the recent budget agreement, while the monetary policy is expected to remain amenable. So the abrupt slowdown in 2013 seems to have been cyclical and business there is already picking up at a fast pace, which is giving us hope that the impetus begun in 2012 will continue. The situation in the euro zone could turn around or at least level off because moves to make the budget policy stricter are slowing down. Lastly, the stimulus policy started by Japan a year ago cannot last in the medium term and sooner or later it will force the yen to be revaluated, although perhaps by not much, and this should eventually balance out the competitive landscape.

The situation in China that we saw at the end of 2013 with the acceleration of investments is expected to continue in the beginning of 2014, considering a number of decisions are expected in the first quarter. However, unless ambitious stimulus measures are past – which dœs not seem to be on the table – growth should then stabilize there partly due to measures to improve the regulation of the credit market. The Group is thus awaiting a less expansionist albeit more selective investment policy in China starting in the second quarter.

In a general sense, emerging countries will see external demand increase as a result of the projected recovery in developed countries. Although they are expected to keep recording high growth rates, the IMF dœs anticipate that their share of global growth will be smaller than in previous years. In a climate where domestic demand has not managed to solidify and there is still uncertainty about government action in several countries, given the two-pronged effect of the devaluation of local currency prices against international currencies (euro and dollar) and the rise of interest rates, the financing situation is intensifying and this continues to impact local investment. A number of domestic stakeholders could therefore have trouble following through with their projects in India, South America and Turkey. Only countries in the Middle East and North Africa are expected, if the political situation there remains stable, to be able to have enough resources, mainly through public spending.

Despite all this, emerging countries still have a considerable demand for industrial equipment (demography, urban development, infrastructures) and this could be profitable for major international manufacturers that will once again benefit from significant investment capacities after working to clean up their books since the 2009 crisis. In 2014, therefore, improvements in the global economic climate should prompt them to change the sit-and-wait stance they clearly took in 2013 and finally confirm their projects in sectors well-oriented (cement, hydrocarbons and aerospace for the most part) while they continue their investment plans in sectors already active like automotive and logistics.

3.2. Forecasts by business line

The business climate seems to be well-positioned in all the Group's business lines, with the exception of metal which in the short term is not expected to return to its historic intake levels, even though in all likelihood it hit the low point of the cycle in 2013.

Automotive/Logistics

Market trends in automotive remain optimistic for 2014. Several investment programs have been announced in both emerging countries (primarily China where Fives has a strong presence, but also in Southeast Asia, Eastern Europe, North Africa, the Middle East and Mexico) and developed countries (United States, United Kingdom, Japan). Only a few isolated regions around the world will not profit from this momentum, like the euro zone, India and to a lesser degree Brazil. The Group has historically close ties to American and French carmakers and in recent years has had great commercial success that enabled it to consolidate its position with major European customers in Germany, England and Russia as well as customers in Japan that are financially very healthy and involved in a strong investment trend.

In logistics, the market is also buoyed by very advantageous underlying developments that are moving it in the right direction. Fives is expected to benefit from the continuation of ongoing programs being run by European and Australian postal operators, American shipping companies (especially FedEx) and Japanese and Korean express parcel operators for which it has already done several projects in recent years. There are also many opportunities in the distribution segment, particularly in Europe.

Cement

Demand in the cement sector is still steady in emerging countries, where national and regional cement makers in the most populated areas (Southeast Asia, North Africa and sub-Saharan Africa, South America) are now increasing their capacities, while the financial situation for large international producers is healthier. So cement should recover and decisions are expected to be finalized in 2014 after a couple of rather sluggish years (2012 and 2013). Consequently, the Group is very confident about these outlooks and even more so because in the first quarter of 2014 it has already commissioned two large orders (totaling over €300 million) for a full cement plant in Algeria and a new grinding shop in the Philippines.

Energy

Underlying trends in the energy sector are still favorable. In light of growing global demand and the development of alternatives to oil, the cryogenics segment should reap the benefits in coming years as several carbon and natural gas liquefaction projects begin and because investments in shale gas are increasing, despite the fact that problems in the market observed in 2013 are only expected to be resolved gradually. The heightened demand in developed countries for energy efficiency and a smaller environmental footprint for industrial installations is expected to continue creating value for Fives technologies, particularly in the combustion and sugar plant equipment segments. Finally, the Group should be seeing positive results while France expands the nuclear maintenance activity as they feel the impact of the Major Retrofit and post-Fukushima contracts and as nuclear safety agencies determine increasingly stringent requirements for the power plants in production.

Aerospace and special machining

In aerospace, the world's two leading aircraft makers are expected to announce investment programs for the second wave of their new long-haul aircraft in 2014. In the longer term, there record order books should provide excellent outlooks for the next 10 years. In the special machining sector, we expect the Group will benefit from the projected recovery of hydrocarbons, particularly with the shale gas investments in the United States.

Metals

Prices in the aluminum sector are projected to still be impacted by lopsided supply and demand, which is being perpetuated by two factors. On the one hand, recently commissioned installations are ramping up and current extension projects will soon be going into production, which should absorb the increased demand until 2016. On the other hand, banks may free up a portion of inventories being blocked in financial contracts and this would create a new influx of aluminum on the market. Under these circumstances, there should not be many new projects in 2014; large global producers are tending to announce investments for 2015 and 2016.

In the steel sector, in the wake of the low point 2013 the business climate seems to show signs of improving, especially after investments in China are picking up and many calls for tenders that were on hold are being opened again. Alongside this, while Russia and India have not been very active in recent years, large steelmakers are now beginning to announce a handful of new projects. In the tubes segment where the medium-term outlook remains quite optimistic, we expect investments in 2014 in the United States (shale gas) and Russia as well as in Brazil and Mexico where Fives OTO has an especially strong position.

3.3. Fives boldly enters 2014

Fives is finishing 2013 with a closing order book of €1,125 million that was affected on the surface by the number of order intakes in the fiscal year, especially for large contracts. The companies acquired in 2013 however have shorter average production cycles than legacy activities, and they do help change the Group's profile. In the past, sales were typically based, for the most part, on orders already in the book at the beginning of the fiscal year; they should now reflect a more balanced mix of orders in the book and order intake of the year.

Considering, on the one hand, an improved business climate and the Group's projections for all of its business lines and, on the other hand, the significant volume of large orders originally scheduled for 2013 that are already becoming a reality in the first quarter of 2014 (or slotted for Q2), Fives remains confident about its level of activity in 2014 even though it is projected to be below 2013 figures in a comparable scope. Nevertheless, profitability increases should counteract the impact on earnings and continue the momentum we saw between 2012 and 2013, primarily due to the expansion of services. In terms of workload, the slightly weaker activity projected for the metal sector where a few large orders came into force in 2013, this should be absorbed by considerable demand expected in the cement sector.

In addition, once the contribution of the companies acquired in 2013 is integrated for the full year, Fives will see more growth in terms of volumes and profitability alike, since these activities have a higher margin rate than the Group's historic average.

ORDER BOOK BY END MARKET

€ Million	31.12.11	31.12.12	31.12.13
Order book at Dec. 31	**1,551.8**	**1,378.9**	**1,125.2**
Automotive/Logistics	476.1	406.1	365.6
Metals (aluminum & steel)	656.5	555.7	353.6
Energy	217.4	249.9	199.1
Cement	201.8	167.2	98.9
Aerospace and special machining			108.0
Total	**1,551.8**	**1,378.9**	**1,125.2**

ORDER BOOK BY GEOGRAPHICAL AREA

€ Million	31.12.11	31.12.12	31.12.13
The Americas	448.7	392.2	269.3
Asia & Oceania	417.6	478.7	368.4
Europe	335.1	312.7	364.8
The Middle East & Africa	350.4	195.3	122.7
Total	**1,551.8**	**1,378.9**	**1,125.2**
Contribution from mature economies	37%	33%	48%
Contribution from emerging countries	63%	67%	52%

After celebrating its 200th anniversary in 2012, a new chapter in Fives' history began in 2013. The Group continues to rely on its strengths, which have built its historic reputation. These include its ability to develop innovative and long-lasting proprietary technologies that sharpen its competitive edge (an area that triumphed this year with a record number of patent filings) as well as put breakthrough technologies on the market and provide new opportunities for growth; its pioneering spirit that can be seen in the geographic variety of its markets and its local regional presence through its sales offices in Brazil, China, India, Japan, Mexico, Russia, Thailand, and Turkey (and in the Middle East and Indonesia since 2013); its corporate culture where ethics, accountability, respect for employees and, above all, the health and safety of its employees are its top priorities worldwide.

In a world that is more "volatile, uncertain, complex and ambiguous" than ever, a key component of the Fives business model is also a flexible and modular structure that can respond quickly and constantly adapt to a changing environment. The Group is built on a sound financial structure and has the ability to inspire targeted strategic actions throughout the company, like expanding the services activity and an external growth policy focused on technologies and synergies, all while maintaining a local presence on the ground and with its customers through organizations designed on a human scale and coordinated by divisions and geographic zones.

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 four 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, 54 years old, Chairman of the Executive Board.
Appointed on October 3, 2002, his term of office was renewed by the Supervisory Board on September 30, 2008 and will expire on September 29, 2014. The renewal of his position will be put to the Supervisory board on September 2014.
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 Cameron France Holding SAS and Holding d'Infrastructures des Métiers de l'Environnement SAS.

Martin Duverne, 57 years old, member of the Executive Board, in charge of the Energy and Logistics divisions.
Appointed on October 3, 2002, his term of office was renewed by the Supervisory Board on September 30, 2008 and will expire on September 29, 2014. The renewal of his position will be put to the Supervisory Board on September 2014.
Main positions held:
Various positions in companies affiliated to the Fives group.

Lucile Ribot, 47 years old, member of the Executive Board.
Appointed on October 3, 2002, her term of office was renewed by the Supervisory Board on September 30, 2008 and will expire on September 29, 2014. The renewal of her position will be put to the Supervisory Board on September 2014.
Main positions held:
Various positions in companies affiliated to the Fives group.

Jean-Camille Uring, 63 years old, member of the Executive Board, in charge of the Manufacturing Industries division.
Appointed on March 28, 2012, his term of office will expire on September 29, 2014. The renewal of his position will be put to the Supervisory Board on September 2014.
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 six members at December 31, 2013, 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 2013, the Supervisory Board met on: March 28, June 25, September 27 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, 65 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 Partner.

Jacques Lefèvre, 76 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:
Director of the National Investment Company, Morocco.

Dominique Gaillard, 54 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 France.

Lise Fauconnier, 48 years old, member of the Surpervisory Board.
Appointed on October 17, 2012, her term of office will expire at the end of the General Meeting called to approve the 2014 financial statements.
Main positions held:
Various roles within companies affiliated to Ardian France.

Jean-Georges Malcor, 57 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:
Director and CEO of CGG.
Director and member of the Supervisory Board and the Audit Committee at STMicroelectronics.

Laurence Parisot, 54 years old, member of the Supervisory Board.
Appointed on June 25, 2013, her term of office will expire at the end of the General Meeting called to approve the 2018 financial statements.
Main positions held:
Vice-president and member of the Executive Board of IFOP.
Director at BNP Paribas.
Member of the Supervisory Board of the Compagnie Générale des Etablissements Michelin.
Director at Coface.
Honorary President, Medef.

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 central services 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 for improvement put forward by the Steering Committee and Coordination Committee. Its tasks include coordinating and monitoring the implementation of Group policies.

The Executive Committee meets at least four times per year in larger or smaller session, depending on the issues to be addressed.

In 2013, the Executive Committee met on the following dates: February 13, March 29, June 24, September 23 and December 13 and examined the following subjects:
- establishment of consolidated results;
- human resources;
- development of the Group's international sales force;
- internal and external communication;
- marketing policy / Group's brand architecture/ FivesWay / Fives' observatory for the "Plants of the Future";
- development of a "Service" activity;
- development of a "Customs and Logistics" project;
- innovation policy;
- Social Corporate Responsibility (CSR) actions follow-up.

Composition of the Executive committee

Daniel Brunelli-Brondex, 53 years old,
Head of the Indian Region.

Benoît Caratgé, 60 years old,
Head of the Steel/Glass Division.

Jean-Marie Caroff, 52 years old,
Head of the International Development Department.

Alain Cordonnier, 53 years old,
Head of the Cement Division.

Michel Dancette, 60 years old,
Head of Innovation and Corporate Foresight.

Sylvain Dulude, 51 years old,
Head of the North American Region.

Jean-Paul Sauteraud, 62 years old,
Head of the Group General Counsel.

Michelle XY Shan, 48 years old,
Head of the Chinese Region.

Paule Viallon, 48 years old,
Head of the Group Human Resources Department.

Hugues Vincent, 58 years old,
Head of the Aluminium Division.

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 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 STEERING COMMITTEES

As part of its commitment to give a say to those on the front line of the business, the Executive Board is forming a series of regional Steering Committees whose prime purpose is to act as the crucible of creativity for the Group.

Their task is to create regional crossdisciplinarity and ensure that the Group's management bodies are fully in touch with operational needs. In each major region, their membership includes subsidiary company CEOs and functional departmental heads from within Fives and/or the region concerned.

Steering Committee members are appointed for one year by the Chairman of the Executive Board at the beginning of each year on the basis of current strategic challenges and priorities.

Introduced in 2012 in France, North America and China, similar committees will be formed at a future date in other countries to support the Group as it grows.

The Steering Committees meet three or four times per year.

THE COORDINATION COMMITTEE

The Executive Board is forming the Coordination Committee with the intention of boosting cross-functional interaction. This new body is being formed specifically to:
- provide overall development support and assistance to Group companies;
- act as a channel for informal communication;
- ensure consistency between the policies and the recommended measures.

The Coordination Committee meets twice or three times per year.

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 Financial Control Director, 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 2013, it met on March 28, and on September 27.

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 2013, the appointments and remuneration committee met on March 28.

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 and Deputy 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 Marc Stœssel. 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, 2013, 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 2013 the share capital is not subject to any evolution.

Share ownership
Fives' main shareholder at December 31, 2013 was FL Investco, 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, 2013.

Dividends / Distribution of reserves
The combined general meeting of shareholders held on December 15, 2011 resolved to distribute an extraordinary dividend of €98,352,540, or €45 per share.
€78,682,032 of this total was paid on December 15 into a current account, with the remaining balance of €19,670,508 paid on December 16. This current account was paid out in full to settle the liability created by the capital increase transacted on December 15, 2011.
Ordinary General Assembly of December 20, 2012 has decided to make a special distribution for a total amount of €39,996,699.60 or €18.30 per share.
No dividends were paid in 2013.

LEGAL INFORMATION

Company name and registered office
Fives, 27-29 rue de Provence, 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	2013	2012*
Sales	6.2	**1,626,213**	**1,507,878**
Cost of sales		(1,265,766)	(1,183,727)
Fair value adjustment of acquired work in progress		(296)	
Gross profit		**360,151**	**324,151**
Selling expenses		(85,124)	(76,305)
Administrative expenses		(135,200)	(127,932)
Research and development expenses	6.4	(23,700)	(20,673)
Employee profit sharing and bonus schemes		(5,411)	(3,748)
Other operating income and expenses		2,323	1,916
Amortization of intangible assets related to acquisitions	6.5	(8,625)	(4,584)
Profit from recurring operations		**104,415**	**92,825**
Restructuring costs		(835)	(698)
Impairment of fixed assets			
Gain (loss) on disposals and acquisition costs		(5,531)	389
Operating profit		**98,049**	**92,516**
Cost of net financial debt	6.6	(1,733)	(160)
Other financial income and expense	6.6	(15,600)	(4,731)
Net financial income (expense)		**(17,333)**	**(4,891)**
Profit before income tax		**80,716**	**87,625**
Income tax expense	6.7	(36,128)	(35,735)
Profit for the year		**44,588**	**51,890**
Attributable to owners of the Group		43,444	50,377
Attributable to non-controlling interests		1,144	1,513
Earnings per share (in euros)		**19.88**	**23.74**

*The data for the 2012 financial year has been restated given changes in accounting methods resulting from the application of amended IAS 19 (see note 3).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In thousands of euros	2013	2012*
Profit for the year	**44,588**	**51,890**
Net change in fair value of available-for-sale financial assets	792	(74)
Deferred tax on net change in fair value of available-for-sale financial assets	(277)	39
Net change in fair value of cash flow hedges	11	(12)
Deferred tax on net change in fair value of cash flow hedges	(4)	5
Foreign currency translation differences	(4,907)	(2,802)
TOTAL Items subsequently recycled through profit and loss	**(4,385)**	**(2,844)**
Actuarial gains (losses)	8,816	(8,881)
Deferred tax on actuarial gains (losses)	(2,065)	2,445
TOTAL Items not to be recycled through profit and loss	**6,751**	**(6,436)**
Total comprehensive income for the year	**46,954**	**42,610**
Attributable to:		
- Owners of the Group	45,763	40,924
- Non-controlling interests	1,191	1,686

* The data for the 2012 financial year has been restated given changes in accounting methods resulting from the application of amended IAS 19 (see note 3).

CONSOLIDATED BALANCE SHEET

ASSETS

In thousands of euros	Notes	Dec. 31, 2013	Dec. 31, 2012*
Goodwill	6.8	200,131	124,774
Intangible assets	6.9	101,305	30,710
Property, plant and equipment	6.10	163,390	116,942
Non-current financial assets	6.11	7,889	7,276
Deferred tax assets	6.7	32,147	21,173
Non-current assets		**504,862**	**300,875**
Inventories and work in progress	6.12	195,503	167,415
Construction contracts in progress, assets	6.13	81,618	90,539
Trade receivables	6.14	353,026	334,866
Other current assets	6.15	53,822	72,200
Current financial assets	6.11	5,626	2,575
Current tax assets		16,064	5,654
Cash and cash equivalents	6.16	245,388	266,848
Current assets		**951,047**	**940,097**
Total assets		**1,455,909**	**1,240,972**

* The data at December 31, 2012 has been restated given changes in accounting methods resulting from the application of amended IAS 19 (see note 3).

SHAREHOLDERS' EQUITY AND LIABILITIES

In thousands of euros	Notes	Dec. 31, 2013	Dec. 31, 2012*
Share capital		102,724	102,724
Share premium and reserves		139,970	82,037
Foreign currency translation reserve		2,560	7,518
Profit attributable to owners of the Group		43,444	50,377
Shareholders' equity attributable to owners of the Group		**288,698**	**242,656**
Non-controlling interests		3,021	2,376
Shareholders' equity	6.18	**291,719**	**245,032**
Non-current provisions	6.19	58,682	56,061
Non-current financial liabilities	6.20	169,727	30,984
Other non-current liabilities	6.21	1,883	2,038
Deferred tax liabilities	6.7	9,714	6,321
Non-current liabilities		**240,006**	**95,404**
Current provisions	6.19	112,028	94,045
Current financial liabilities	6.20	71,738	56,972
Construction contracts in progress, liabilities	6.13	225,742	261,103
Trade and related payables		263,625	251,497
Current tax liabilities		20,166	13,814
Other current liabilities	6.21	230,885	223,105
Current liabilities		**924,184**	**900,536**
Total shareholders' equity and liabilities		**1,455,909**	**1,240,972**

* The data at December 31, 2012 has been restated given changes in accounting methods resulting from the application of amended IAS 19 (see note 3).

Consolidated Cash Flow Statement

In thousands of euros	Notes	2013	2012*
Cash and cash equivalents at January 1		**265,563**	**239,238**
Operating activities			
Profit for the year			
Adjustments for:		44,588	51,890
Change in non-current provisions		(1,523)	321
Amortization, depreciation and impairment	6.5	28,243	22,447
Net (gain) loss on disposals of assets and acquisition costs		5,320	(944)
Other non-cash income and expense items		16,327	(1,486)
Income tax expense	6.7	36,128	35,736
Cost of net financial debt	6.6	1,733	160
Operating cash flow before change in working capital and income tax		130,816	108,123
Change in working capital	6.17	1,286	4,655
Income tax paid		(36,234)	(35,828)
Net cash provided by operating activities		**95,868**	**76,950**
Investing activities			
Acquisitions of property, plant and equipment and intangible assets		(22,460)	(28,534)
Disposals of property, plant and equipment and intangible assets		334	3,435
Change in financial assets		405	16,116
Purchase of subsidiaries net of cash acquired	5.1	(211,437)	(696)
Net cash used in investing activities		**(233,158)**	**(9,679)**
Financing activities			
Transactions with non-controlling interests			(625)
Dividends paid by parent company			(39,998)
Dividends paid to non-controlling interests		(543)	(593)
Net increase in borrowings		127,645	3,459
Net interest paid		267	(627)
Net cash used in financing activities		**127,368**	**(38,384)**
Effect of exchange rate fluctuations		(13,238)	(2,562)
Net increase (decrease) in cash and cash equivalents		**(23,159)**	**26,325**
Cash and cash equivalents at December 31	6.17	**242,404**	**265,563**

* The data for the 2012 financial year has been restated given changes in accounting methods resulting from the application of amended IAS 19 (see note 3).

Payments relating to the purchase of subsidiaries, net of cash acquired, amounted to €154 million for Fives Machining Systems and Fives Forest-Liné and €57 million for Fives OTO (see note 5.1).

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, 2013 restated	**102,724**	**148,366**	**(15,966)**	**7,517**	**(7)**	**22**	**242,656**	**2,376**	**245,032**
Profit for the year		43,444					43,444	1,144	44,588
Other comprehensive income			6,697	(4,900)	7	515	2,319	47	2,366
Profit and other comprehensive income		**43,444**	**6,697**	**(4,900)**	**7**	**515**	**45,763**	**1,191**	**46,954**
Dividends paid								(543)	(543)
Share capital increase									
Other changes		336		(57)			279	(3)	276
Shareholders' equity at December 31, 2013	**102,724**	**192,146**	**(9,269)**	**2,560**		**537**	**288,698**	**3,021**	**291,719**

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, 2012	**102,724**	**141,503**	**(10,204)**	**10,716**		**57**	**244,796**	**848**	**245,644**
Effect of retrospective application of IAS 19 amendments		(2,248)	465				(1,783)	(14)	(1,797)
Shareholders' equity at January 1, 2012 restated	**102,724**	**139,255**	**(9,739)**	**10,716**		**57**	**243,013**	**834**	**243,847**
Profit for the year		50,377					50,377	1,513	51,890
Other comprehensive income			(6,241)	(3,170)	(7)	(35)	(9,453)	173	(9,280)
Profit and other comprehensive income		**50,377**	**(6,241)**	**(3,170)**	**(7)**	**(35)**	**40,924**	**1,686**	**42,610**
Dividends paid		(39,998)					(39,998)	(593)	(40,591)
Share capital increase									
Other changes		(1,268)	14	(29)			(1,283)	448	(835)
Shareholders' equity at December 31, 2012 restated	**102,724**	**148,366**	**(15,966)**	**7,517**	**(7)**	**22**	**242,656**	**2,376**	**245,032**

The data for the 2012 financial year has been restated given changes in accounting methods resulting from the application of amended IAS 19 (see note 3).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL PRINCIPLES

Fives (hereinafter Fives or "the Group") is a private limited liability company (Société Anonyme) with a Management Board and 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 of Fives is located at 27-29 rue de Provence, 75009 Paris, France.

The consolidated financial statements of the Group comprise the financial statements of companies over which the Group has direct or indirect exclusive control, which are fully consolidated, and the financial statements of companies over which the Group exercises significant influence (associates), which are accounted for using the equity method. The single economic entity is referred to as "the Group".

The 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 26, 2014. They will be final when approved by the shareholders at their General Meeting on June 27, 2014.

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 financial year ended December 31, 2013 have been prepared in accordance with the international standards issued by the International Accounting Standards Board (IASB) and adopted by the European Union as at December 31, 2013. The international standards comprise International Accounting Standards (IAS), International Financial Reporting Standards (IFRS) and SIC and IFRIC interpretations.

For its consolidated financial statements for the year ended December 31, 2013, the Group has adopted the following standards and interpretations effective for financial years beginning on or after January 1, 2013:
- Revised IAS 19 "Employee Benefits";
- Amendments to IAS 12 "Deferred Tax: Recovery of Underlying Assets";
- IFRS 13 "Fair Value Measurement";
- Amendments to IFRS 7 "Disclosures - Offsetting Financial Assets and Financial Liabilities";
- Amendments to IAS 1 "Presentation of Items of Other Comprehensive Income (OCI)";
- Annual improvements 2009-2011.

The Group has not opted for the early adoption of the following standards, which have been approved by the European Union but are not mandatory until January 1, 2014:
- IFRS 10 "Consolidated Financial Statements";
- IFRS 11 "Joint Arrangements";
- IFRS 12 "Disclosure of Interests in Other Entities";
- IFRS 27 (amended) "Separate Financial Statements";
- IAS 28 (amended) "Investments in Associates and Joint Ventures";
- Amendments to IFRS 10, 11 and 12 "Transitional Provisions".

The Group has not opted for the early adoption of the following standards, which have also been approved by the European Union but are not mandatory until January 1, 2014:
- Amendments to IAS 32 "Offsetting Financial Assets and Financial Liabilities";
- Amendments to IAS 36 "Recoverable amount disclosures for non-financial assets";
- Amendments to IAS 39 and IFRS 9 "Novation of derivatives and continuation of hedge accounting".

Moreover, the Group has not opted for the early adoption of the following standards, which should be approved by the European Union in 2014 at the earliest:
- IFRS 9 and additions "Financial Instruments" (Phase 1: Classification and Measurement of Financial Assets and Financial Liabilities);
- Amendments to IAS 19 "Defined Benefit Plans: Employee Contributions";
- IFRIC 21 "Levies";
- Amendments to IFRS 10, 12 and IAS 27 "Investment Entities";
- Annual improvements 2010-2012;
- Annual improvements 2011-2013.

The Group's consolidated financial statements at December 31, 2013 do not account for the possible effects of the above-mentioned standards. The Group is currently assessing the 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/internal_market/accounting/ias/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. Control is the direct or indirect power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Control is presumed when the Group holds, either directly or indirectly, more than 50% of voting rights. 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 6.29.

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 consolidated 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 the 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 depreciable non-financial assets 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.

The main assumptions used by the Group are described in note 2.14 "Impairment of property, plant and equipment, intangible assets and goodwill".

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.

Retirement benefit plans apart from retirement indemnities in France are assessed 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 the income statement.

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 recognized and measured in accordance with IAS 12 "Income Taxes" and IAS 19, 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. Any impairment losses are recognized in the income statement in the line item "Impairment of fixed assets".

The methods used to test for impairment are described in note 2.14.

In addition, the following principles apply to business combinations:

- Where possible, 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 IAS 27.
- In the event of the acquisition of additional ownership interests in an associate without obtaining control, the Group maintains the associate's 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 the research tax credit in France. These tax credits are accounted for as grants and recognized in profit from recurring operations under "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, with the exception of brands and goodwill, 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: 15 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.

For management purposes, goodwill from business combinations is monitored at business segment level, as described in note 6.1. Goodwill is tested for impairment at the level of the CGU representing each segment.

The recoverable amount of a CGU or group of CGUs is based on its value in use.

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 CGU or 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 on the basis of the Group's weighted average cost of capital (WACC) 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 6.8.
Goodwill impairment cannot be reversed.

2.15. Financial assets (except 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	Profit and loss

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, 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 and revalued net assets.

2.16. Financial liabilities (except 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.

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 the French export credit insurance company (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 designated as cash flow hedges, 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.

The Group classifies hedges by the following types:

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 points 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.

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, 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.

Provisions are described in note 6.19.

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 the current and past service cost and the 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 (income) is the estimated tax due for the period's taxable income, determined by the tax rate adopted at the reporting date.

Treatment of value added business tax (Cotisation sur la valeur ajoutée des entreprises - CVAE)

For the Group, the value added base used to calculate value added business tax for French companies is an intermediary aggregate of net income. Therefore, value added business tax is accounted for in the same way as corporate income tax.

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 if 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. CHANGES IN ACCOUNTING METHODS

Since January 1, 2013, the Group has applied revised IAS 19 "Employee Benefits", which was published by the IASB in June 2011 and is effective for financial years beginning on or after January 1, 2013.
The historical financial statements have been restated to reflect changes in accounting methods resulting from the retrospective application of revised IAS 19.
As a result:

- The Group had already applied the option offered by IAS 19 to immediately recognize actuarial gains and losses under other comprehensive income. The amendment therefore had no impact on the Group's consolidated financial statements;
- Past service costs resulting from the 2010 amendment to the metallurgists' collective bargaining agreement are no longer amortized over the residual vesting period. They are expensed at the plan amendment date;
- Interest on plan assets recognized on the income statement is now calculated by multiplying the fair value of the assets at January 1 by the discount rate, and not by the expected return on plan assets.

The main restatements arising from the application of the amendment, particularly the recognition of past service costs, were as follows:

At January 1, 2012:

- Increase in provisions for retirement benefits: €2.9 million;
- Decrease in shareholders' equity: €2.3 million;
- Increase in deferred taxes: €0.6 million.

At December 31, 2012:

- Increase in provisions for retirement benefits: €2.7 million;
- Decrease in shareholders' equity: €2.1 million;
- Increase in deferred taxes: €0.6 million.

The impact on the 2012 income statement was as follows:

- Decrease in pre-tax profit of consolidated companies: €590 thousand;
- Decrease in income tax expense: €154 thousand.

4. SIGNIFICANT EVENTS OF THE YEAR

Economic environment

2013 was the worst year for the world economy since the recession of 2009. After repeated downward revisions to growth forecasts for 2013, the IMF's World Economic Outlook Update published in January 2014 painted a more optimistic picture for 2014. Global growth figures were slightly lower in 2013 than 2012 (3% and 3.1% respectively), when industrial investments worldwide were already severely affected by the morose economic climate.

For several years now, the United States and China have been Fives' main markets, and the Group was hard hit by the slowdown in these two economies in 2013. However, the biggest blow came from the slump in most emerging market economies, partially offset by the recovery in the United Kingdom and Japan. With few large-scale global projects launched in 2013, the Group's order book clearly reflected the sluggish economic environment. However, repeat orders for small equipment and minor services remained relatively high.

Fives' performance was also severely hindered in several respects by the strengthening of the euro in relation to other major international currencies, including the US dollar, the yen and the pound sterling. First, as a high exporter, the Group faced much fiercer competition from Japan and the United States as their currencies weakened. Secondly, when the financial statements were consolidated and translated into euros, foreign exchange fluctuations negatively impacted all of the Group's business and performance indicators. Lastly, many of the Group's projects in emerging market economies were pushed back due to the difficulties encountered by domestic manufacturers in obtaining financing in euros.

Despite the fragile economic environment, Fives' business performed well. Sales for 2013 amounted to €1,626 million, a new historical high for the Group, including the contribution from acquisitions in the financial year. On a like-for-like basis, sales totaled €1,541 million, up slightly (2%) from 2012.

Profit from recurring operations excluding amortization and depreciation and the effect of purchase price allocation accounting entries also reached record levels at €133 million, reflecting the contribution from acquisitions in the financial year and improved profitability in the pre-acquisition business scope, despite a foreign exchange loss of €4 million. On a like-for-like basis[1], profit from recurring operations amounted to €122.3 million, up 6 % from 2012.

(1) Foreign currency translation effects are eliminated by translating into euros the 2013 results of Group companies whose functional currency is not the euro on the basis of the foreign exchange rates used in the previous reporting period.

External growth

Financial year 2013 was characterized by the purchase of the Fives Machining Systems and Fives Forest-Liné sub-groups on July 29, 2013 and the Fives OTO subgroup on September 30, 2013.

These events are described in note 5 "Consolidation scope".

5. CONSOLIDATION SCOPE

The list of companies included in the consolidation scope as at December 31, 2013 is provided in note 6.29.

5.1. Acquisition of Fives Machining Systems and Fives Forest-Liné

On July 29, 2013, the Group acquired the non-automotive business of MAG Americas (now known as Fives Machining Systems) and the Forest-Liné sub-group (now known as Fives Forest-Liné). The Group wholly owns both sub-groups.

As global leaders in large-scale sophisticated machining and composite processing solutions, Fives Machining Systems and Fives Forest-Liné operate in the aerospace, energy, mining and heavy equipment industries. With over 1,000 employees worldwide, mainly in the United States but also in France, Canada, China, and South Korea, the companies generated sales of approximately €275 million in 2013.

The companies own high added-value technology and offer strong technical and operational synergies with the Group's business, making it one of the leading global suppliers of high-performance machine tools.

As a result of the acquisition, the Group has identified a new operating segment as defined in IFRS 8. The "Aerospace and Special Machining" segment, including the companies of the Fives Machining Systems and Forest-Liné sub-groups, serves two main end markets: aerospace (civil and military) and heavy equipment for energy (oil and gas) and mining.

The acquisitions were financed by loans contracted from Fives' parent company and the Group's banks in the United States, as well as the Group's own funds.

Acquisition costs totaling €4.2 million (excluding tax) were expensed. They are included in the line item "Gain or loss on disposals and acquisition costs". Related loan transaction costs were accounted for using the effective interest rate method.

The full-year contribution of both sub-groups to Group profit from recurring operations (including purchase price allocation recognized retroactively to January 1, 2013) would have been as follows:

In thousands of euros	2013 (12 months)	Contribution to consolidated financial statements (5 months)
Sales	**277,149**	**104,214**
Cost of sales	(216,579)	(82,279)
Fair value adjustment of acquired work in progress	(296)	(296)
Gross profit	**60,274**	**21,639**
Profit from recurring operations	**12,762**	**4,591**
Amortization of intangible assets related to acquisitions	9,910	4,129
Other amortization and depreciation	2,889	1,187
Amortization and depreciation included in profit from recurring operations	**12,799**	**5,316**

The assets, liabilities and identifiable contingent liabilities of the Fives Machining Systems and Fives Forest-Liné sub-groups that meet IFRS 3 recognition criteria were recognized in the opening balance sheet at fair value at the acquisition date of July 29, 2013. In accordance with IFRS 3, the Group has twelve months to finalize the purchase price allocation. The amounts recorded in Fives' balance sheet at December 31, 2013 are final.

The main fair value adjustments concern:

- Fair value of intangible assets, including technologies, brands, customer relationships and order book, as measured by an independent expert;
- Fair value of work in progress;
- Estimated contingent liabilities.

The fair value of Fives Machining Systems and Fives Forest-Liné's technologies and brands was determined using the relief from royalty method based on discounted cash flows (DCF) net of tax, on the basis of market data and the estimated royalties rates that would be paid to use the technologies in question.

The main assumptions relate to sales volumes and corresponding margins generated by the technologies identified, the effectiveness of intellectual property protection implemented, the level of difficulty in penetrating the market, and risk of obsolescence.

The fair value of customer relationships is measured based on the forecast execution of order book and repeat business over time. It is sensitive to churn rate (customer attrition). The fair value of customer relationships was measured based on Fives Machining Systems' two main categories of customers (machines and systems).

The fair values thus determined are sensitive to these main assumptions.

5.1.1 Fives Machining Systems

The Fives Machining Systems sub-group includes the legal entities associated with Fives Giddings & Lewis and Cincinnati Machine International in the United States, Canada, China, South Korea and Hong Kong.

The consideration transferred on the acquisition date amounted to USD 191.6 million (at the July 29 exchange rate of EUR 1 = USD 1.327 USD). An additional payment of USD 0.9 million was made in August 2013, bringing the total amount to USD 192.5 million.

Purchase price allocation

The acquisition-date balance sheet items of Fives Machining Systems are presented as follows:

In thousands of US dollars	Acquisition-date fair value IFRS 3	Equivalent in euros at EUR/USD 1.327
Intangible assets	105,873	79,784
Property, plant and equipment	11,365	8,564
Financial assets	2,766	2,084
Inventories	46,943	35,375
Trade receivables	64,631	48,705
Other receivables	24,518	18,476
Cash and cash equivalents	12,734	9,596
Total assets	**268,830**	**202,585**
Provisions	28,102	21,177
Financial liabilities	29,209	22,012
Trade payables	30,208	22,764
Other payables	56,701	42,728
Total liabilities	**144,220**	**108,681**
Net assets	**124,610**	**93,904**
Consideration transferred	192,524	145,082
Goodwill	**67,913**	**51,179**

The opening balance sheet items of companies in the Fives Machining Systems sub-group were translated at the exchange rate effective on July 29 (EUR/USD = 1.327; EUR/CAD = 1.3636; EUR/HKD = 10.2938; EUR/CNY = 8.1377; EUR/KRW = 1476.78).

The consideration transferred of USD 192.5 million (excluding acquisition costs which are expensed) was allocated to identifiable assets acquired and liabilities assumed (net amount of USD 124.6 million) and residual goodwill (USD 67.9 million).

5.1.2 Fives Forest-Liné

The Fives Forest-Liné sub-group comprises the French, Canadian and Chinese subsidiaries of Fives-Forest Liné.

The consideration transferred at the acquisition date was €20.8 million.

Purchase price allocation

The acquisition-date balance sheet items of Fives Forest-Liné are presented as follows:

In thousands of euros	Acquisition-date fair value IFRS 3
Intangible assets	2,944
Plant, property and equipment	5,601
Financial assets	2,755
Inventories	2,641
Trade receivables	16,715
Other receivables	3,884
Cash and cash equivalents	11,927
Total assets	**46,468**
Provisions	6,423
Financial liabilities	1,793
Trade payables	4,699
Other payables	12,786
Total liabilities	**25,702**
Net assets	**20,766**
Consideration transferred	20,766
Goodwill	

The opening balance sheet items of companies in the Fives Machining Systems sub-group were translated at the exchange rate effective on July 29 (EUR/CAD = 1.3636; EUR/CNY = 8.1377).

The consideration transferred of €20.8 million (excluding acquisition costs which are expensed) was fully allocated to identifiable assets acquired and liabilities assumed.

5.2. Acquisition of Fives OTO

On September 30, 2013, the Group acquired full ownership of OTO Mills (now known as Fives OTO S.p.a.) and its subsidiary OTO Automation (now known as Fives OTO Systems S.r.l.).

Fives OTO is an Italian group specialized in designing ERW tube mills. As a world leader in its industry, Fives OTO supplies a wide range of equipment for manufacturing tubes (diameters from ¼ inch to the recently developed 24 inches) for a large variety of industrial applications and end market segments, including the automotive, construction, oil and gas and pharmaceutical industries.

With 250 employees, Fives OTO generated sales of approximately €90 million in 2013. Due to its effective industrial structure and broad, global customer base, Fives OTO complements Fives on many levels.

The combination of equipment provided by Fives and Fives OTO will enable the Group to offer customers a complete line of tube mills and production systems. Fives OTO's strong presence in Latin America (including Argentina, Brazil, Colombia and Mexico) has bolstered the Group's business in this high growth region.

Fives OTO has been included in the Metals operating segment.

The acquisition of Fives OTO for €61.5 million was financed by the Group's own funds and by two euro-denominated bank loans.

Acquisition costs totaling €0.9 million (excluding tax) were expensed. They are included in the line item "Gain or loss on disposals and acquisition costs". Related loan transaction costs were accounted for using the effective interest rate method.

The full-year contribution of Fives OTO to Group profit from recurring operations, would have been as follows:

In thousands of euros	2013 (12 months)	Contribution to consolidated financial statements (3 months)
Sales	**89,852**	**26,614**
Cost of sales	(54,245)	(18,954)
Gross profit	**35,607**	**7,660**
Profit from recurring operations	**10,560**	**4,010**
Amortization and depreciation included in profit from recurring operations	**1,556**	**380**

Purchase price allocation

The assets, liabilities and identifiable contingent liabilities of the Fives OTO S.p.a. and Fives OTO Systems S.r.l. sub-groups that meet IFRS 3 recognition criteria were recognized in the opening balance sheet at their provisional fair value at the acquisition date of September 30, 2013. In accordance with IFRS 3, the Group has twelve months to finalize the purchase price allocation. The amounts recorded in Fives' balance sheet at December 31, 2013 are provisional.

In thousands of euros	Provisional fair values
Intangible assets	511
Plant, property and equipment	30,211
Financial assets	6
Inventories	9,913
Trade receivables	37,785
Other receivables	9,142
Cash and cash equivalents	3,980
Total assets	**91,548**
Current provisions	2,806
Financial liabilities	5,151
Trade payables	38,916
Other payables	13,918
Total liabilities	**60,791**
Net assets	**30,757**
Consideration transferred	61,521
Goodwill	**30,764**

The main restatements made in connection with the acquisition-date balance sheet were to harmonize Fives OTO's accounting methods with those used by the Group. The fair value of identifiable assets acquired and liabilities assumed will be finalized within the twelve months following the acquisition date, based on work performed by an external valuation firm.

5.3. Pro forma financial statements

If the contribution of the newly-consolidated entities were included in Group profit from recurring operations for a 12-month period (with purchase price allocation entries retroactively to January 1, 2013), the main consolidated income statement aggregates would have been as follows:

In thousands of euros	2013	2013 (Proforma)
Sales	**1,626,213**	1,862,385
Cost of sales	(1,265,766)	(1,435,357)
Fair value adjustment of acquired work in progress	(296)	(296)
Gross profit	**360,151**	**426,733**
Profit from recurring operations	**104,415**	**119,136**
Amortization of intangible assets related to acquisitions	8,625	14,405
Other amortization	19,618	22,496
Amortization and depreciation included in profit from recurring operations	**28,243**	**36,901**
Profit from recurring operations before amortization, depreciation and impact of purchase price allocation accounting entries	**132,954**	**156,333**

5.4. Other changes in consolidation scope

Cement Process Technologies Egypt LLC and Cinetic Services Slovakia s.r.o were deconsolidated on January 1, 2013.

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

6.1. Operating segment information

The Group has identified the following operating segments:
- **Automotive/Logistics:** activity mainly serving the automobile and logistics industries;
- **Cement:** activity mainly targeting the cement and minerals industry;
- **Energy:** activity mainly serving the energy production industry (all forms including nuclear, fossil and renewable);
- **Metals:** activity mainly serving the steel, glass and aluminum industries;
- **Aerospace and precision machining:** activity mainly serving the civil and military aerospace, oil and mining industries (machine tools, heavy equipment, etc.);
- **Other:** non-operational or holding activities.

Operating segment information

	2013	2012 (restated)
Automotive/Logistics	542,837	479,871
Cement	102,291	83,979
Energy	276,296	355,179
Metals	227,848	404,797
Aerospace and special machining	78,019	
Total order intake	**1,227,291**	**1,323,826**
Automotive/Logistics	564,346	541,075
Cement	169,982	122,202
Energy	326,214	317,255
Metals	461,457	527,346
Aerospace and special machining	104,214	
Total sales	**1,626,213**	**1,507,878**
Automotive/Logistics	48,587	47,059
Cement	13,468	9,243
Energy	23,680	21,083
Metals	30,576	28,803
Aerospace and special machining (*)	4,591	
Other	(16,487)	(13,364)
Total profit from recurring operations (*)	**104,415**	**92,825**
Automotive/Logistics	5,898	6,144
Cement	1,090	1,147
Energy	8,099	7,277
Metals	7,374	7,418
Aerospace and special machining	5,316	
Other	466	461
Total amortization, depreciation and provisions (**)	**28,243**	**22,447**

(*) including a €296 thousand expense relating to the fair value adjustment of work in progress made in Fives Machining Systems' acquisition-date balance sheet (see note 5.1).
(**) included in determining profit from recurring operations.

The breakdown of assets by operating segment is as follows:

Dec. 31, 2013	Automotive/ Logistics	Cement	Energy	Metals	Aerospace & special machining	Other	Total
Goodwill	37,944	1,663	58,675	52,606	49,243		200,131
Intangible assets, property, plant and equipment	54,602	6,089	56,864	55,440	88,775	2,925	264,695
Total allocated assets	**92,546**	**7,752**	**115,539**	**108,046**	**138,018**	**2,925**	**464,826**
Other assets							991,083
Total assets							**1,455,909**

Dec. 31, 2012	Automotive/ Logistics	Cement	Energy	Metals	Aerospace & special machining	Other	Total
Goodwill	39,062	1,942	61,158	22,612			124,774
Intangible assets, property, plant and equipment	57,298	4,191	53,411	29,892		2,860	147,652
Total allocated assets	**96,360**	**6,133**	**114,569**	**52,504**		**2,860**	**272,426**
Other assets							968,546
Total assets							**1,240,972**

Changes in goodwill and fixed assets are mainly related to newly-consolidated entities in the Metals and Aerospace and special machining divisions, and foreign currency translation differences (see notes 6.8 to 6.10).

6.2. Sales

Sales comprised the following:

	2013	2012
Construction contract revenue	938,441	740,615
Services rendered	184,939	154,450
Sales of goods	502,833	612,813
Total	**1,626,213**	**1,507,878**

Sales by destination country

	2013	2012
Europe	458,243	444,964
Africa and Middle East	178,823	268,168
United States	531,235	421,355
Asia and Oceania	457,912	373,391
Total	**1,626,213**	**1,507,878**

Sales by origin country

	2013	2012
Europe	1,029,496	985,030
Africa and Middle East	47,224	87,085
United States	387,928	306,565
Asia and Oceania	161,565	129,198
Total	**1,626,213**	**1,507,878**

Information on major customers

No single Group customer accounted for more than 5% of sales during the financial year ended December 31, 2013.

6.3. Personnel expenses and headcount

Personnel expenses

	2013	2012
Personnel expenses	426,824	384,367

Headcount at December 31

By category	2013	2012
Engineers and management	2,817	2,523
Supervisory and office staff	3,086	2,435
Other employees	1,922	1,563
Total	**7,825**	**6,521**

By type of contract	2013	2012
Permanent contracts	7,074	5,763
Fixed-term contracts	612	651
Apprenticeships and internships	139	107
Total	**7,825**	**6,521**

6.4. Research and development costs

	2013	2012
Research and development expenses, gross	(28,072)	(22,711)
Research tax credits and grants received	4,372	2,038
Total	**(23,700)**	**(20,673)**

6.5. Amortization and depreciation included in profit from recurring operations

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

	2013	2012
Included in cost of sales	(12,017)	(10,795)
Included in overheads and other operating items	(7,601)	(7,068)
Amortization of intangible assets related to acquisitions	(8,625)	(4,584)
Total	**(28,243)**	**(22,447)**

6.6. Net financial income (expense)

Cost of net financial debt

	2013	2012
Financial expenses relating to:		
- bank loans and interest rate swaps	(1,021)	(664)
- finance leases	(108)	(105)
Other interest expense	(3,656)	(1,986)
Interest and related expenses	**(4,785)**	**(2,755)**
Interest and related income	**3,052**	**2,595**
Total	**(1,733)**	**(160)**

Other financial income and expense

	2013	2012 (restated)
Income from associates	188	54
Foreign exchange gains (losses)	(13,162)	(1,314)
- Foreign exchange gains (losses)	*(12,458)*	*(1,682)*
- Impact of forward points on changes in fair value of foreign exchange and swap points	*(762)*	*(133)*
- Change in fair value of derivative instruments not eligible for hedge accounting	*58*	*501*
Expenses for retirement and related benefits	(1,858)	(1,837)
Net change in financial provisions	125	(998)
Other financial items	(893)	(636)
Total	**(15,600)**	**(4,731)**

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 intercompany loans in foreign currencies granted by Fives:

- loans in US dollars to American subsidiaries in connection with the acquisitions of the North American, Bronx and Fives Machining Systems sub-groups in 2008, 2010 and 2013 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 and continued in 2013.

The loan amounts are detailed in note 6.23.

6.7. Income tax expense

Analysis of income tax expense

	2013	2012 (restated)
French companies in the consolidated tax group	(19,310)	(13,329)
French companies outside the consolidated tax group	(2,170)	(1,901)
Non-French companies	(16,054)	(18,002)
Current tax	**(37,534)**	**(33,232)**
Deferred tax	**1,406**	**(2,503)**
Total	**(36,128)**	**(35,735)**

Effective tax rate

	2013	2012 (restated)
Profit before income tax	**80,716**	**87,625**
Parent company tax rate	*34,43%*	*34,43%*
Theoretical tax expense	(27,790)	(30,169)
Effect of:		
Tax rate differences	2,694	1,665
Change in unrecognized deferred tax assets	(9,541)	(2,252)
Permanent differences and other items	1,599	(1,986)
Income tax expense	**(33,038)**	**(32,743)**
Effective tax rate	**40,93%**	**37,37%**
Effect of French value added business tax (CVAE)	(3,090)	(2,993)
Income tax expense	**(36,128)**	**(35,735)**

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, which is described in note 6.29. Since financial year 2007, they had been included in the consolidated tax group headed by FL Investco. The tax savings resulting from offsetting the tax losses of loss-making companies with the taxable profit of profit-making companies included in the calculation of consolidated tax are recognized in Novafives' financial statements.

Deferred tax

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

	Dec. 31, 2012 (restated)		Change recognized in profit and loss	Change recognized in equity	Change in consolidation scope	Translation differences and other	Dec. 31, 2013	
	Deferred tax assets	Deferred tax liabilities					Deferred tax assets	Deferred tax liabilities
Provisions for retirement benefits	14,118		(1,666)	(2,065)	3,977	701	15,064	
Goodwill [1]	601	(10,130)	(1,559)			12	1,044	(12,120)
Tax loss carryforwards								
Other temporary differences	18,347	(4,029)	4,067	(281)	5,514	(1,683)	40,038	(18,103)
Deferred tax assets (liabilities), gross	**33,066**	**(14,159)**	**842**	**(2,347)**	**9,490**	**(969)**	**56,146**	**(30,222)**
Unrecognized deferred tax assets	(4,055)		564				(3,491)	
Offsetting	(7,838)	7,838					(20,508)	20,508
Recognized deferred tax assets	**21,173**	**(6,321)**	**1,406**	**(2,347)**	**9,490**	**(969)**	**32,147**	**(9,714)**
Net deferred tax	**14,852**						**22,433**	

(1) Tax amortization of goodwill of the North American companies.

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.

6.8. Goodwill

	Dec. 31, 2012 Net	Change in consolidation scope	Translation differences	Dec. 31, 2013 Net
Automotive/Logistics	39,062		(1,118)	37,944
Cement	1,942		(279)	1,663
Energy	61,158		(2,483)	58,675
Metals	22,612	30,764	(770)	52,606
Aerospace and special machining		51,179	(1,936)	49,243
Total	**124,774**	**81,943**	**(6,586)**	**200,131**

In the financial year ended December 31, 2013, acquisitions generated goodwill of €51,179 thousand for Fives Machining Systems sub-group and €30,764 thousand for Fives OTO sub-group. The goodwill of Fives OTO had not been allocated at the reporting date.

In accordance with IAS 36, an impairment test was performed at December 31, 2013 on the CGU for each industry.

The following assumptions were used:
- 2014-2017 medium-term plan;
- terminal value growth rate: 2%;
- discount rate: 10%.

No impairment was necessary. Moreover, no impairment loss was recognized in previous reporting periods.

Sensitivity analysis

Interest rate sensitivity

The tests were performed based on the following set of assumptions:
- discount rate: 11% (or 1% increase);
- terminal value growth rate: 1% (or 1% decrease).

On this basis, no impairment loss was required.

Cash flow sensitivity

A 15% decrease in estimated future cash flows in any of the Group's five segments would not result in any impairment.

6.9. Intangible assets

	Dec. 31, 2013			Dec. 31, 2012		
	Gross	Acc. amortization/ impairment	Net	Gross	Acc. amortization/ impairment	Net
Technologies, research and development acquired	65,326	(13,166)	52,160	21,148	(9,207)	11,941
Brands acquired	14,809		14,809	5,628	(3)	5,625
Customer relationships, order book and other intangibles acquired	37,459	(10,413)	27,046	13,344	(6,580)	6,764
Concessions, patents and licenses	23,499	(18,464)	5,035	16,970	(12,278)	4,692
Other intangible assets	6,193	(3,938)	2,255	4,667	(2,979)	1,688
Total	**147,286**	**(45,981)**	**101,305**	**61,757**	**(31,047)**	**30,710**

At December 31, 2013, the analysis of changes in intangible assets was as follows:

	Gross	Accumulated amortization/ impairment	Net
Balance at Dec. 31, 2012	**61,757**	**(31,047)**	**30,710**
Acquisitions	2,029		2,029
Deconsolidations and disposals	(179)	174	(5)
Amortization/impairment		(10,827)	(10,827)
Reclassified items	(3)	3	
Change in consolidation scope	87,293	(5,390)	81,903
Translation differences	(3,611)	1,106	(2,505)
Balance at Dec. 31, 2013	**147,286**	**(45,981)**	**101,305**

At December 31, 2012, the analysis of changes in intangible assets was as follows:

	Gross	Accumulated amortization/ impairment	Net
Balance at Dec. 31, 2011	**60,610**	**(27,276)**	**33,334**
Acquisitions	2,120		2,120
Deconsolidations and disposals	(857)	857	
Amortization/impairment		(6,771)	(6,771)
Reclassified items	(2,182)	1,948	(234)
Change in consolidation scope	2,846	(129)	2,717
Translation differences	(780)	324	(456)
Balance at Dec. 31, 2012	**61,757**	**(31,047)**	**30,710**

6.10. Property, plant and equipment

	Dec. 31, 2013			Dec. 31, 2012		
	Gross	Acc. depreciation/ impairment	Net	Gross	Acc. depreciation/ impairment	Net
Land and developments	20,778	(450)	20,328	11,746	(428)	11,318
Leasehold land	1,541		1,541	1,260		1,260
Buildings	135,278	(60,767)	74,511	94,923	(48,465)	46,458
Leasehold buildings	11,758	(5,421)	6,337	9,647	(3,176)	6,471
Plant, equipment and machinery	154,548	(114,083)	40,465	123,684	(86,614)	37,070
Leasehold plant, equipment and machinery	668	(466)	202	668	(466)	202
Other assets	49,719	(37,078)	12,641	40,268	(28,565)	11,703
Assets under construction	5,712	(56)	5,656	1,373	(56)	1,317
Advances on fixed assets	1,709		1,709	1,143		1,143
Total	**381,711**	**(218,321)**	**163,390**	**284,712**	**(167,770)**	**116,942**

At December 31, 2013, the analysis of changes in property, plant and equipment was as follows:

	Gross	Accumulated depreciation / impairment	Net
Balance at Dec. 31, 2012	**284,712**	**(167,770)**	**116,942**
Acquisitions	22,214		22,214
Deconsolidations and disposals	(3,387)	2,954	(433)
Depreciation/impairment		(17,422)	(17,422)
Reclassified items	(51)	208	157
Change in consolidation scope	83,681	(39,317)	44,364
Translation differences	(5,458)	3,026	(2,432)
Balance at Dec. 31, 2013	**381,711**	**(218,321)**	**163,390**

At December 31, 2012, the analysis of changes in property, plant and equipment was as follows:

	Gross	Accumulated depreciation / impairment	Net
Balance at Dec. 31, 2011	**265,916**	**(157,623)**	**108,293**
Acquisitions	25,885		25,885
Deconsolidations and disposals	(6,448)	4,641	(1,807)
Depreciation/impairment		(15,116)	(15,116)
Reclassified items	(4)	3	(1)
Change in consolidation scope	855	(564)	291
Translation differences	(1,492)	889	(603)
Balance at Dec. 31, 2012	**284,712**	**(167,770)**	**116,942**

6.11. Current and non-current financial assets

Non-current financial assets

	Dec. 31, 2013			Dec. 31, 2012		
	Gross	Accumulated impairment	Net	Gross	Accumulated impairment	Net
Available-for-sale securities	5,373	(1,814)	3,559	4,474	(529)	3,945
Loans related to investments in associates	45	(45)		1,036	(621)	415
Other financial assets	4,551	(221)	4,330	4,190	(1,274)	2,916
Total	**9,969**	**(2,080)**	**7,889**	**9,700**	**(2,424)**	**7,276**

At December 31, 2013, the increase in the gross value of available-for-sale securities included a change in fair value of €792 thousand (€515 thousand, net of tax).

At December 31, 2013, the repayment and maturity schedule (excluding available-for-sale securities) was as follows:

	Dec. 31, 2013		
	Carrying amount	Between 1 and 5 years	More than 5 years
Loans related to investments in associates	45	45	
Other financial assets	4,551	2,364	2,187
Total	**4,596**	**2,409**	**2,187**

At December 31, 2012, the repayment and maturity schedule was as follows:

	Dec. 31, 2012		
	Carrying amount	Between 1 and 5 years	More than 5 years
Loans related to investments in associates	1,036	366	670
Other financial assets	4,190	2,288	1,902
Total	**5,226**	**2,654**	**2,572**

Current financial assets

	Dec. 31, 2013			Dec. 31, 2012		
	Gross	Accumulated impairment	Net	Gross	Accumulated impairment	Net
Derivatives	2,365		2,365	2,161		2,161
Other loans related to investments in associates	626	(59)	567	641	(379)	262
Loans	91		91	139		139
Accrued interest	10		10	6		6
Other	2,593		2,593	7		7
Total current financial assets	**5,685**	**(59)**	**5,626**	**2,954**	**(379)**	**2,575**

6.12. Inventories and work in progress

	Dec. 31, 2013			Dec. 31, 2012		
	Gross	Accumulated impairment	Net	Gross	Accumulated impairment	Net
Raw materials	64,149	(14,544)	49,605	55,717	(10,481)	45,236
Work in progress under completed-contract method	118,820	(4,817)	114,003	104,453	(1,198)	103,255
Semi-finished and finished goods	38,610	(6,716)	31,895	25,131	(6,207)	18,924
Total	**221,580**	**(26,077)**	**195,503**	**185,301**	**(17,886)**	**167,415**

6.13. Construction contracts

	Dec. 31, 2013	Dec. 31, 2012
Construction contracts in progress, assets	81,618	90,539
Construction contracts in progress, liabilities	(225,742)	(261,103)
Net	**(144,124)**	**(170,564)**

Cumulative information on construction contracts in progress was as follows:

	Dec. 31, 2013	Dec. 31, 2012
Costs incurred and profit recognized	1,602,200	1,467,887
Progress billings	(1,744,793)	(1,635,838)
Provisions for loss at completion	(1,531)	(2,613)
Net	**(144,124)**	**(170,564)**

6.14. Trade receivables

	Dec. 31, 2013			Dec. 31, 2012		
	Gross	Accumulated impairment	Net	Gross	Accumulated impairment	Net
Trade receivables	364,261	(11,235)	353,026	344,085	(9,219)	334,866
Total	**364,261**	**(11,235)**	**353,026**	**344,085**	**(9,219)**	**334,866**

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

	Opening balance	Allowances	Reversals	Translation differences	Other	Closing balance
2013	(9,219)	(3,121)	2,732	207	(1,835)	(11,235)
2012	(10,857)	(964)	1,658	42	902	(9,219)

Other changes related to the first-time consolidation of the Fives Machining Systems, Fives Forest-Liné and Fives OTO sub-groups.

At December 31, 2013 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
2013	**353,026**	276,369	43,454	14,640	18,564

At December 31, 2012 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
2012	**334,866**	263,781	37,483	13,783	19,820

Group policy for managing receivables risk is based on the following principles:
- 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 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.

6.15. Other current assets

	Dec. 31, 2013	Dec. 31, 2012
VAT and related tax receivables	19,206	20,995
Advances and progress payments	13,608	30,691
Other receivables	9,065	10,090
Prepaid expenses	11,943	10,424
Total	**53,822**	**72,200**

6.16. Cash and cash equivalents

	Dec. 31, 2013	Dec. 31, 2012
Cash equivalents	116,015	139,182
Cash	129,373	127,666
Total cash and cash equivalents	**245,388**	**266,848**

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	115,911	4					100	**116,015**
Cash	31,607	27,558	8,671	28,733	5,285	8,492	19,029	**129,373**
Total at Dec. 31, 2013	**147,518**	**27,562**	**8,671**	**28,733**	**5,285**	**8,492**	**19,129**	**245,388**
Foreign exchange swaps	(43,621)	21,930	14,763	2,391	4,539			
Total at Dec. 31, 2013 (before swaps)	**103,896**	**49,492**	**23,434**	**31,123**	**9,823**	**8,492**	**19,129**	**245,388**

At December 31, 2012, the breakdown of cash and cash equivalents was as follows:

	Euro	USD	GBP	CNY	JPY	CAD	Other	Total
Cash equivalents	127,747	10,493					943	**139,183**
Cash	46,366	11,866	14,188	20,143	4,522	9,822	20,758	**127,665**
Total at Dec. 31, 2012	**174,113**	**22,359**	**14,188**	**20,143**	**4,522**	**9,822**	**21,701**	**266,848**
Foreign exchange swaps	(65,407)	34,322	11,195		19,890			
Total at Dec. 31, 2012 (before swaps)	**108,706**	**56,681**	**25,383**	**20,143**	**24,412**		**21,701**	**266,848**

Cash and cash equivalents are mainly held in OECD member countries and are available for use by the Group. The Group benefited from Yuan internationalization incentives offered by the Chinese government in July 2013 to set up credit facilities totaling CNY 100 million (€12 million using the exchange rate effective at the reporting date) between Fives and its Chinese subsidiaries. At December 31, 2013, the outstanding principal amounted to CNY 20 million (€2.4 million using the exchange rate effective at the reporting date).

6.17. Statement of cash flows

Cash and cash equivalents, net

	Dec. 31, 2013	Dec. 31, 2012
Cash equivalents	116,015	139,182
Cash	129,373	127,666
Total cash and cash equivalents	**245,388**	**266,848**
Bank overdrafts	(2,984)	(1,285)
Total	**242,404**	**265,563**

Changes in WCR

			Changes	
	Dec. 31, 2013	Dec. 31, 2012	Operating activities	Other *
Inventories and work in progress	(195,503)	(167,415)	16,163	(44,251)
Construction contracts in progress, assets	(81,618)	(90,539)	28,070	(19,149)
Trade receivables	(353,026)	(334,866)	50,593	(68,753)
Other current/non-current assets included in working capital	(53,970)	(72,754)	32,584	(13,800)
Construction contracts in progress, liabilities	225,742	261,103	(70,671)	35,310
Trade and related payables	263,625	251,497	(18,695)	30,823
Other current/non-current liabilities included in working capital	228,165	223,618	(38,132)	42,679
Working capital requirements before current provisions	**33,416**	**70,644**	**(88)**	**(37,140)**
Current provisions	112,028	94,045	1,374	16,609
Working capital requirements	**145,443**	**164,689**	**1,286**	**(20,532)**

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

6.18. Shareholders' equity

Financial capital management policy

The Group implements a stringent, prudent financial capital management policy to ensure satisfactory returns for shareholders.

When contracting the €16 million bank loan to finance the acquisition of the OTO sub-group, the Group agreed to maintain its debt/equity ratio below a certain threshold in Fives' individual financial statements.

Share capital

Share capital at December 31, 2013 and also at December 31, 2012, was divided into 2,185,612 shares with a par value of €47. The shares were fully paid either in cash or in kind. Share capital amounted to €102,723,764.

Shareholding structure

The majority shareholder of Fives is FL Investco, which held 99.99% of Fives' share capital at December 31, 2013 and also at December 31, 2012. FL Investco is controlled by Novafives.

Dividend payments

The Group did not distribute any dividends in 2013.

6.19. Current and non-current provisions

	Dec. 31, 2012 (restated)	Allowances	Utilization	Unutilized reversals	Translation differences	Other*	Dec. 31, 2013
Warranties	49,835	35,311	(9,442)	(24,262)	(1,874)	8,722	**58,290**
Contract litigation	11,499	1,823	(679)	(5,241)	(40)	505	**7,867**
Future losses on contracts	1,633	952	(1,757)	(564)	(3)	1,201	**1,462**
Completed contract expenses	22,682	20,814	(8,602)	(8,070)	(216)	660	**27,268**
Other contingency and expense provisions	8,396	9,077	(4,045)	(3,940)	(666)	8,319	**17,141**
Total current provisions	**94,045**	**67,977**	**(24,526)**	**(42,076)**	**(2,800)**	**19,408**	**112,028**
Retirement benefits	51,728	7,128	(6,056)	(3,559)	(1,217)	1,741	**49,765**
Other post-employment benefits	3,419	459	(315)	(83)	(138)	1,936	**5,278**
Other provisions - non-current portion	914	1,097	(163)	(31)		1,822	**3,639**
Total non-current provisions	**56,061**	**8,684**	**(6,534)**	**(3,673)**	**(1,355)**	**5,499**	**58,682**

* resulting mainly from changes in consolidation scope.

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).

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.

Non-current provisions

Non-current provisions mainly comprise provisions for restructuring, provisions for employee benefits 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 retirement benefits;
- Supplementary retirement plans; the British, American, German and French pension funds have been closed to further accrual (Cinetic Landis Ltd. since November 30, 2013) and the vested rights thereunder were frozen as of the respective closure dates.

Actuarial assumptions

Dec. 31, 2013	France	United Kingdom	United States of America	Japan	Germany	India
Discount rate	3.1%	4.4 - 4.5%	3.9%	0.3%	3.1%	8 - 9.21%
Expected return on plan assets	NA	4.4 - 4.5%	NA	NA	NA	NA
Salary increase rate	2.0 - 2.5%	NA	NA	2%	NA	5%

Dec. 31, 2012	France	United Kingdom	United States of America	Japan	Germany	India
Discount rate	2.9%	4.1%	NA	0.3%	2.9%	8.35%
Expected return on plan assets	NA	5.25 - 6.89%	NA	2.5%	NA	NA
Salary increase rate	2.0 - 2.5%	NA	NA	3%	NA	5%

The present value of future obligations (defined benefit obligation) amounted to €97,805 thousand at December 31, 2013. Given the fair value of all plan assets, the net obligation at December 31, 2013 totaled €49,765 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, the amortization of past service costs, and gains or losses on plan curtailments or settlements. In total, expenses and changes in provisions for retirement benefit obligations resulted in a net expense of €3,569 thousand, of which €1,711 thousand were included in determining profit from recurring operations, and €1,858 thousand were recognized in financial expense.

Net actuarial gains and losses generated during the financial year and recognized directly in items of other comprehensive income amounted to €8,816 thousand, excluding tax.

Other post-employment benefits include the Italian contractual retirement benefits (TFR), French long-service awards and a benefit granted to employees of a Japanese company.

	Retirement benefits	Supplementary 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	22,384		65,662	3,213	761	422	92,442
Current service cost	1,472		2,838	36	58	49	4,453
Interest cost	672	127	2,620	78		25	3,522
Employee contributions paid			782				782
Plan curtailments/settlements			(3,559)				(3,559)
Newly consolidated	1,792	8,765					10,557
Benefits paid	(2,190)	(199)	(1,162)	(265)		(70)	(3,886)
Actuarial (gain) loss	(1,860)	(176)	(2,344)	(122)		(46)	(4,550)
Foreign exchange gains and losses		(326)	(1,402)		(169)	(60)	(1,957)
Present value of obligation at December 31, 2013	**22,270**	**8,191**	**63,434**	**2,940**	**649**	**322**	**97,805**
CHANGE IN FAIR VALUE OF PLAN ASSETS							
Fair value of plan assets at January 1			40,461			253	40,714
Net return on plan assets			5,905			26	5,931
Employer contributions paid			3,379			19	3,398
Employee contributions paid			782				782
Plan curtailments/settlements							
Newly consolidated							
Benefits paid			(1,162)			(65)	(1,227)
Foreign exchange gains and losses			(1,520)			(38)	(1,558)
Fair value of plan assets at December 31, 2013			**47,845**			**195**	**48,040**
COMPONENTS OF AMOUNTS RECOGNIZED IN THE FINANCIAL STATEMENTS							
Net obligation (obligation less plan assets)	22,270	8,191	15,589	2,940	649	126	49,765
Net provision recognized in the balance sheet at December 31, 2013	**22,270**	**8,191**	**15,589**	**2,940**	**649**	**126**	**49,765**
COMPONENTS OF NET EXPENSE RECOGNIZED FOR FINANCIAL YEAR 2013							
Current service cost	1,472		2,872	36	58	49	4,487
Interest cost	672	127	2,620	78		26	3,522
Expected return on plan assets			(1,638)			(26)	(1,664)
Past service costs			783				783
(Gains) losses related to plan curtailments/settlements			(3,559)				(3,559)
Net expense recognized in the income statement for financial year 2013	**2,144**	**127**	**1,077**	**114**	**58**	**49**	**3,569**
CHANGE IN PROVISIONS FOR RETIREMENT AND OTHER BENEFITS							
Provisions recognized in the balance sheet at January 1, restated	22,384		25,200	3,213	761	170	51,728
Employer contributions paid			(3,379)			(19)	(3,398)
Net expense recognized	2,144	127	1,077	114	58	49	3,569
Benefits paid directly by the employer	(2,190)	(199)		(265)		(5)	(2,659)
Newly consolidated	1,792	8,765					10,557
Net actuarial (gains) and losses	(1,860)	(176)	(6,611)	(122)		(46)	(8,816)
Foreign exchange gains and losses		(326)	(699)		(169)	(24)	(1,218)
Provisions recognized in the balance sheet at December 31, 2013	**22,270**	**8,191**	**15,589**	**2,940**	**649**	**127**	**49,765**

In 2012, the breakdown of changes was as follows:

	Retirement benefits	Supplementary retirement obligations				Total
	France	United Kingdom	Eurozone	Japan	India	
CHANGE IN PRESENT VALUE OF OBLIGATION						
Present value of obligation at January 1	18,110	56,961	5,347	876	134	81,428
Current service cost	1,129	2,326	17	86	44	3,602
Interest cost	763	2,717	122		25	3,627
Employee contributions paid		819				819
Plan amendments						
Plan curtailments/settlements	(186)				(16)	(202)
Newly consolidated	128		(1)		236	363
Benefits paid	(1,358)	(4,067)	(235)		(17)	(5,677)
Actuarial (gain) loss	3,798	6,273	492	(99)	49	10,513
Foreign exchange gains and losses		633	(2,529)	(102)	(33)	(2,031)
Present value of obligation at December 31, 2012	**22,384**	**65,662**	**3,213**	**761**	**422**	**92,442**
CHANGE IN FAIR VALUE OF PLAN ASSETS						
Fair value of plan assets at January 1		36,588			68	36,656
Net return on plan assets		4,014			17	4,031
Employer contributions paid		3,213			31	3,244
Employee contributions paid		819				819
Plan curtailments/settlements						
Newly consolidated					151	151
Benefits paid		(4,352)				(4,352)
Foreign exchange gains and losses		180			(14)	166
Fair value of plan assets at December 31, 2012		**40,462**			**253**	**40,715**
COMPONENTS OF AMOUNTS RECOGNIZED IN THE FINANCIAL STATEMENTS						
Net obligation (obligation less plan assets)	22,384	25,200	3,213	761	170	51,727
Unrecognized past service costs	(2,723)					(2,723)
Net provision recognized in the balance sheet at December 31, 2012	**19,661**	**25,200**	**3,213**	**761**	**170**	**49,005**
COMPONENTS OF NET EXPENSE RECOGNIZED FOR FINANCIAL YEAR 2012						
Current service cost	1,129	2,326	17	86	44	3,602
Interest cost	763	2,717	122		25	3,627
Expected return on plan assets		(2,382)			(17)	(2,400)
Amortization of past service costs	152					152
(Gains) losses related to plan curtailments/settlements	(186)				(16)	(202)
Net expense recognized in the income statement for financial year 2012	**1,858**	**2,661**	**139**	**86**	**36**	**4,780**
CHANGE IN PROVISIONS FOR RETIREMENT AND OTHER BENEFITS						
Provisions recognized in the balance sheet at January 1	15,235	20,374	2,818	3,405	65	41,897
Employer contributions paid		(3,213)			(31)	(3,244)
Net expense recognized	1,858	2,661	139	86	36	4,780
Benefits paid directly by the employer	(1,358)	285	(235)		(17)	(1,325)
Newly consolidated	128		(1)		85	212
Net actuarial (gains) and losses	3,798	4,641	492	(99)	49	8,881
Foreign exchange gains and losses		452		(2,631)	(17)	(2,197)
Provisions recognized in the balance sheet at December 31, 2012	**19,661**	**25,200**	**3,213**	**761**	**170**	**49,005**
Impact of revised IAS 19	2,723					2,723
Provisions recognized in the balance sheet at December 31, 2012, restated	**22,384**	**25,200**	**3,213**	**761**	**170**	**51,728**

Plan assets investment types

	2013		2012	
	Amount	%	Amount	%
Shares	17,396	36.21,%	24,422	59.98,%
Bonds and other debt securities	17,015	35.42,%	1,150	2.83,%
Real estate investments	2,690	5.60,%	4,409	10.83,%
Money market investments	5,752	11.97,%	1,200	2.95,%
Diversified funds	5,187	10.80,%	9,534	23.42,%
Fair value of invested plan assets	**48,040**	**100.00,%**	**40,715**	**100.00,%**

Present value of obligation

	Dec. 31, 2013	Dec. 31, 2012 (restated)
Defined benefit obligation	97,805	92,442
Fair value of invested plan assets	(48,040)	(40,715)
Present value of obligation	**49,765**	**51,728**

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:

	2013		2012	
	In thousands of euros	DBO as a %	In thousands of euros	DBO as a %
France	735	3.30,%	653	2.91,%
United States of America	141	1.73%	N/A	N/A
United Kingdom	3,257	5.13,%	3,392	5.17,%
Eurozone	70	2.39,%	78	2.42,%
Japan	5	0.77,%	5	0.66,%
India	7	2.18,%	6	1.42,%

6.20. Current and non-current financial liabilities

	Dec. 31, 2013			Dec. 31, 2012		
	Non-current	Current	Total	Non-current	Current	Total
Bank loans	57,369	15,427	72,796			
Finance leases	5,535	845	6,380	5,775	633	6,408
Other financial liabilities	106,824	47,493	154,317	25,209	51,930	77,139
Accrued interest		2,371	2,371		299	299
Derivative instruments, liabilities		2,618	2,618		2,824	2,824
Bank overdrafts		2,984	2,984		1,286	1,286
Total financial liabilities	**169,727**	**71,738**	**241,466**	**30,984**	**56,972**	**87,956**

Bank loans and other financial liabilities

Bank loans and borrowings

On May 30, 2013, Fives North American Combustion Inc. contracted a USD 35 million loan from its main bank. The full amount of the loan is denominated in US dollars and bears floating-rate interest. The margin is set according to Fives North American Combustion's degree of leverage at the end of each calendar quarter. The bank loan is amortized based on a straight-line quarterly repayment schedule from October 31, 2013 to May 31, 2018. In connection with the acquisition of the OTO sub-group, on August 28, 2013 Fives contracted a €16 million loan from one of its main banks. The loan was entirely drawn down on September 25, 2013. The loan bears interest at a variable rate, with no adjustment of the credit margin possible. The bank loan is amortized quarterly based on a repayment schedule from June 30, 2014 to June 30, 2017. On September 27, 2013, Fives Italy contracted a €20 million loan from a top-ranking Italian bank. The loan bears interest at a variable rate. No adjustment of the credit margin is possible. The loan is amortized based on a semi-annual repayment schedule from May 31, 2014 to September 30, 2016.

The loan contracts contain early repayment clauses. At the reporting date, the associated clauses did not apply.

Other financial liabilities

Other financial liabilities mainly include loans contracted from the parent company FL Investco (€144.5 million at December 31, 2013), €130 million of which in connection with the acquisition of the Fives Machining Systems sub-group. The €130 million liability will be amortized over four years, based on a repayment schedule from July 31, 2014 to July 20, 2017.

Breakdown of loans and borrowings per rate

	Dec. 31, 2013			Dec. 31, 2012		
	Fixed rate	Floating rate	Total	Fixed rate	Floating rate	Total
Bank loans		72,796	72,796			
Finance leases	632	5,748	6,380		6,408	6,408
Other financial liabilities	8,118	146,199	154,317	46,950	30,189	77,139
Accrued interest	2,371		2,371	299		299
Total loans and borrowings	**11,121**	**224,743**	**235,864**	**47,249**	**36,597**	**83,846**

Breakdown of loans and borrowings per currency

	Dec. 31, 2013			Dec. 31, 2012		
	Euros	USD	Total	Euros	USD	Total
Bank loans	41,239	31,557	72,796			
Finance leases	6,328	52	6,380	6,408		6,408
Other financial liabilities	154,246	71	154,317	74,107	3,032	77,139
Accrued interest	2,298	73	2,371	269	30	299
Total loans and borrowings	**204,111**	**31,753**	**235,864**	**80,784**	**3,062**	**83,846**

The US dollar-denominated loans and borrowings comprise the medium-term loan contracted by Fives North American Combustion and Fives Machining Systems' revolving credit facility.

6.21. Other current and non-current liabilities

Other non-current liabilities

	Dec. 31, 2013	Dec. 31, 2012
Other liabilities	1,201	1,369
Prepaid income	682	669
Total	**1,883**	**2,038**

Other current liabilities

	Dec. 31, 2013	Dec. 31, 2012
Tax and social security payables	110,002	95,398
Amounts due on acquisitions of fixed assets	4,582	1,524
Advances received on contracts	69,658	87,028
Other liabilities	39,783	30,006
Prepaid income	6,860	9,149
Total	**230,885**	**223,105**

6.22. Leases

Finance leases

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

	Dec. 31, 2013			Dec. 31, 2012		
	Gross	Accumulated depreciation/ impairment	Net	Gross	Accumulated depreciation/ impairment	Net
Leasehold land	1,541		1,541	1,260		1,260
Leasehold buildings	11,758	(5,421)	6,337	9,647	(3,176)	6,471
Leasehold plant, equipment and machinery	668	(466)	202	668	(466)	202
Total leaseholds	**13,967**	**(5,887)**	**8,080**	**11,575**	**(3,642)**	**7,933**

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

	Dec. 31, 2013	Dec. 31, 2012
Less than one year	844	678
Between one and five years	4,034	3,944
More than five years	1,502	1,786
Value of future minimum lease payments	**6,380**	**6,408**

Operating leases

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

	Dec. 31, 2013	Dec. 31, 2012
Less than one year	13,031	11,091
Between one and five years	26,398	28,439
More than five years	5,833	8,400
Value of future minimum lease payments	**45,262**	**47,930**

6.23. 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 comprised the following:

	Dec. 31, 2013		Dec. 31, 2012	
	Assets	Liabilities	Assets	Liabilities
Interest rate derivative instruments				
Cash flow hedging derivative instruments				70
Derivative instruments not eligible for hedge accounting				
Foreign exchange derivative instruments				
Fair value hedging derivative instruments	2,113	2,618	2,161	2,754
Derivative instruments not eligible for hedge accounting	252			

Interest rate risk

Cash and cash equivalents amounted to €245.4 million, which was higher than the floating rate debt of €224.7 million.

The floating rate debt recorded on Fives' balance sheet comprises the loan contracted from FL Investco to finance the acquisition of Fives Machining Systems, and the various tranches of bank loans contracted for acquisitions.

The majority of cash and cash equivalents have been invested at floating rates (such as Eonia-indexed money market funds). The fixed-rate instruments comprise short-term deposits or certificates of deposit with a maximum three-month maturity.
The interest rate risk on these loans is offset by the yield on cash invested at floating rates.
As FL Investco is not an external counterparty, and interest rates are historically low, the Group has not set up interest rate hedging for this loan.

A similar position was adopted for locally-contracted bank loans, since the cost of a fixed-rate hedging outweighed 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, after interest rate hedging instruments;
– cash flows relating to floating rate investments.

The sensitivity analysis of 2014 earnings (12 months) to interest rate risk was based on the following assumptions:
– The amount of loans and borrowings at December 31, 2013 will decrease reflecting the contractual repayments due on all bank loans and to FL Investco at and including January 31, 2015; the Euribor reference rate is set at December 31, 2013 and applies to the quarterly and semi-annual interest rate resets.
– Cash and cash equivalents, per currency and exchange rate will remain constant year-on-year compared with December 31, 2013.

Given the reference interest rate (six-month Euribor of 0.39% at December 31, 2013), to perform the sensitivity analysis the rate was increased by 1% for the upward trend analysis and decreased to zero for the downward trend analysis.

Based on these assumptions, sensitivity to a 1% increase in the reference interest rate or decrease to zero was limited at €0.2 million.

	Sensitivity analysis effect	
	+ 1%	zero rate
Floating rate debt	1,615	(548)
Derivative instruments used for cash flow hedging		
Floating rate investments	(1,390)	313
Derivative instruments not eligible for hedge accounting		
Effect on profit	**225**	**(235)**

Currency risk

Loans and borrowings denominated in foreign currencies
Loans and borrowings are mainly issued in the functional currency of each company. Therefore, there is no material foreign exchange risk relating to foreign currency denominated loans.

In addition, the Group financed the acquisition of the companies in the United States in euros, its reference currency. The associated payments are refinanced by long-term intercompany loans denominated in USD, contracted by the operating companies acquired.

The nominal amount exposed to risk amounted to USD 290.3 million at December 31, 2013.

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. The latter contracted a loan from Fives to repurchase the assets. The nominal amount exposed to risk amounted to GBP 64.0 million at December 31, 2013. The annual interest payment and repayment of principal (total of GBP 7.5 million) due on June 30, 2014 was hedged in January 2014.

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, GBP/USD and USD/CAD.

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 futures and/or by entering into insurance contracts with the French export credit insurance company (Compagnie française d'assurance pour le commerce extérieur – COFACE) for its 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, 2013 of USD and GBP loans, estimated nominal amount and interest for 2014

The nominal amount of acquisition loans denominated in USD, after hedging, totaled USD 290.3 million at December 31, 2013 or €210.5 million after translation using the exchange rate effective at the reporting date. Total exposure in terms of principal and annual interest was USD 299.9 million in 2014 or €217.5 million after translation using the exchange rate effective at December 31, 2013.

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 2014:

	ER-10bp	ER	ER+10bp
USD loans			
Exchange rate at Dec. 31	1.2791	1.3791	1.4791
Net debt after hedging (EUR)	234,465	217,464	202,761
Effect on profit for 2014	**17,001**	**-**	**(14,702)**
GBP loans			
Exchange rate at Dec. 31	0.7337	0.8337	0.9337
Net debt after hedging (EUR)	81,121	71,391	63,745
Effect on profit for 2014	9,730	-	(7,646)
Total effect on profit for 2014	**26,731**	**-**	**(22,348)**

Exposure at December 31, 2013 of USD and GBP loans, estimated cash flows for 2014

Expected cash flows relating to these loans for 2014 (interest payments and repayment of principal), net of hedges, amounts to USD 17.9 million or €13.0 million after translation using the exchange rate effective at December 31, 2013. A 10 basis point increase or decrease in the EUR/USD and EUR/GBP exchange rates would have the following impact on cash flows for the year:

	ER-10bp	ER	ER+10bp
USD loans			
Exchange rate at Dec. 31	1.2791	1.3791	1.4791
2014 cash flows after hedging	13,999	12,984	12,106
Effect on 2014 profit impacting cash flows	**1,014**	**-**	**(878)**

The annual interest payment and repayment of principal due (total of GBP 7.5 million) on June 30, 2014 was hedged in January 2014. There is no EUR/GBP exchange risk on cash flows for 2014.

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 hedged rates.

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

Liquidity risk

Fives closely monitors liquidity risk for the Group and each of its subsidiaries by the regular implementation of 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 remaining contractual maturities of the associated financial liabilities. Future floating interest rate 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.

	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	73,700	15,471	15,706	19,070	9,928	12,793	731
Other loans and borrowings	155,715	47,450	35,618	35,392	35,328	400	1,528
Finance leases	6,380	844	1,084	2,357	308	284	1,502
Total gross non-current financial liabilities	**235,795**	**63,764**	**52,408**	**56,819**	**45,564**	**13,477**	**3,761**
Transaction costs	(2,302)	(191)	(1,302)	(262)	(63)	(484)	
Total non-current financial liabilities	**233,493**	**63,573**	**51,106**	**56,557**	**45,501**	**12,993**	**3,761**
Interest on non-current financial liabilities		6,273	4,563	2,908	1,235	152	20

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 recognized in the balance sheet, such as cash and cash equivalents and trade receivables, which amounted to €245.4 million and €353 million respectively at December 31, 2013.

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. Its counterparties generally have high credit ratings and sufficient financial capacity to meet their contractual obligations.

In certain circumstances the Group uses insurance to cover 90% of counterparty risk on contracts.

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, 2013, all cash and cash equivalents were invested through the top-ranking commercial banks that finance the Group's activities.

6.24. Value of financial assets and liabilities, by category

The valuation methods used are described in the accounting policies. The Group did not identify any differences between the carrying amount and market value of the balance sheet items, for all 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.

6.25. Off-balance sheet commitments

Bonds, guarantees and others

	Dec. 31, 2013	Dec. 31, 2012
Commitments given	251,143	245,685
Commitments received	49,442	58,259

Bonds, guarantees and others relate to commitments given or received in the context of securing cash flows and performance on commercial contracts in progress.

6.26. 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 2013, the remuneration paid by Fives and its subsidiaries to the fourteen members of the Group's Executive Committee amounted to €3 482 thousand.

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

6.27. Statutory audit fees

Total fees charged by the statutory auditors of Fives and its subsidiaries for financial years 2013 and 2012, as presented in the consolidated financial statements, amounted to:

	2013			2012		
	Statutory audit	Other work	Total	Statutory audit	Other work	Total
Deloitte and associates	638	164	**802**	533	77	610
EY	669	735	**1,405**	687	31	718
Grant Thornton	406	229	**635**	329	54	382
Total	**1,714**	**1,129**	**2,842**	**1,549**	**162**	**1,710**

6.28. Post-balance sheet events

On January 29, 2014, the Group purchased ITAS, an Italian engineering firm specialized in the design and manufacture of combustion plants, for €12 million. This has enabled the Group to extend its product and service offering to combustion systems primarily for environmental applications and the oil and gas industry. In 2013, ITAS generated sales of almost €30 million. The event had no impact on the financial statements at December 31, 2013.

No events occurred between the reporting date and the approval date that could have a significant impact on the financial statements at December 31, 2013.

6.29. Consolidated companies as at December 31, 2013

Consolidated companies	Location	Consolidation method	Percentage of controlling interest	Percentage of ownership interest
Fives	Paris, France	FC	Parent company	
Fives UK Holding Ltd.	United Kingdom	FC	100.00	100.00
Fives Italy S.r.l.	Italy	FC	100.00	99.99
Fives Inc.	United States	FC	100.00	99.99
Fives Engineering (Shanghai) Co., Ltd.	China	FC	100.00	99.99
AUTOMOTIVE/LOGISTICS				
Fives Cinetic *	Paris, France	FC	99.99	99.99
Cinetic Assembly *	Montévrain, France	FC	99.99	99.99
Cinetic Automation *	Héricourt, France	FC	99.96	99.96
Cinetic Automation Corp.	United States	FC	100.00	99.99
Cinetic Decker Filling K.K.	Japan	FC	100.00	99.99
Cinetic DyAG Corp.	United States	FC	100.00	99.99
Cinetic Filling *	Le Bignon, France	FC	99.99	99.99
Cinetic Giustina S.r.l.	Italy	FC	100.00	99.99
Cinetic Landis Corp.	United States	FC	100.00	99.99
Cinetic Landis Ltd.	United Kingdom	FC	100.00	99.99
Cinetic Machining *	Saint-Laurent-les-Tours, France	FC	99.99	99.99
Cinetic Service *	Montévrain, France	FC	100.00	99.99
Cinetic Conveying Iberica	Spain	FC	100.00	99.99
Cinetic Sorting Corp.	United States	FC	100.00	99.99
Cinetic Sorting K.K.	Japan	FC	100.00	99.99
Cinetic Sorting S.p.a.	Italy	FC	100.00	99.99
Cinetic Transitique *	Grigny, France	FC	99.98	99.98
CEMENT				
Fives FCB *	Villeneuve-d'Ascq, France	FC	99.99	99.99
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	67.00	57.07
Fives Pillard (Tianjin) International Trading Co., Ltd.	China	FC	100.00	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 *	Villeneuve-d'Ascq, France	FC	99.99	99.99
Fives Cail KCP Ltd.	India	EM	50.00	40.00
Fives Fletcher Ltd.	United Kingdom	FC	100.00	99.99
Fives Lille do Brasil Ltda.	Brazil	FC	100.00	99.99
Fletcher Smith Inc.	United States	FC	100.00	99.99
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	99.99

Consolidated companies	Location	Consolidation method	Percentage of controlling interest	Percentage of ownership interest
Fives North American Combustion Canada, Inc.	Canada	FC	100.00	99.99
North American Construction Services, Ltd.	United States	FC	100.00	99.99
Fives Cryo *	Golbey, France	FC	99.80	99.80
Fives Cryo (Suzhou) Co., Ltd.	China	FC	100.00	99.80
Fives Cryomec A.G.	Switzerland	FC	100.00	99.80
Fives Nordon *	Nancy, France	FC	99.99	99.99
METALS				
F.L. Métal *	Seclin, France	FC	99.99	99.99
Fives DMS *	Seclin, France	FC	99.99	99.99
Fives Industries *	Seclin, France	FC	99.99	99.99
F.L. Industries Inc.	United States	FC	100.00	99.99
Fives Bronx, Inc.	United States	FC	100.00	99.99
Fives Bronx Ltd.	United Kingdom	FC	100.00	99.99
Fives OTO S.p.a.	Italy	FC	100.00	99.99
Fives OTO Systems S.r.l.	Italy	FC	100.00	99.99
Fives Stein *	Maisons-Alfort, France	FC	99.99	99.99
Fives Celes *	Lautenbach, France	FC	99.99	99.99
Fives Stein Belgium	Belgium	FC	100.00	99.99
Fives Stein Bilbao S.A.	Spain	FC	100.00	99.99
Fives Stein Inc.	United States	FC	100.00	99.99
Fives Stein India Projects Private Ltd.	India	FC	100.00	99.99
Fives Stein (Shanghai) Industrial Furnace Co., Ltd.	China	FC	100.00	99.99
Fives Stein Ltd.	United Kingdom	FC	100.00	99.99
Fives Stein Manufacturing *	Bar-Le-Duc, France	FC	100.00	99.99
Stein Heurtey Australia PTY Ltd.	Australia	FC	100.00	99.99
Solios Environnement *	Saint-Germain-en-Laye, France	FC	99.99	99.99
FI 2006 *	Paris, France	FC	100.00	100.00
Fives India Engineering & Projects Pvt. Ltd.	India	FC	100.00	100.00
PSA 2000 *	Saint-Germain-en-Laye, France	FC	100.00	99.99
PSA 2000 Saudi Arabia Ltd.	Saudi Arabia	FC	100.00	99.99
Solios Services Gulf SPC	Bahrain	FC	100.00	99.99
Solios Carbone *	Givors, France	FC	99.99	99.99
Solios Environment Corp.	United States	FC	100.00	99.99
Solios Environnement Inc.	Canada	FC	100.00	99.99
Solios Services Southern Africa (Proprietary) Ltd.	South Africa	FC	100.00	99.99
Solios Chemical *	Mulhouse, France	FC	99.99	99.99
Solios Thermal Ltd.	United Kingdom	FC	100.00	100.00

Consolidated companies	Location	Consolidation method	Percentage of controlling interest	Percentage of ownership interest
AEROSPACE AND MACHINING				
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 Canada Inc.	Canada	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
G & L USA, LLC	United States	FC	100.00	100.00
Fives Forest-Liné	Albert, France	FC	100.00	100.00
Forest-Liné Capdenac	Capdenac Gare, France	FC	100.00	100.00
Liné Machines Outils Inc.	Canada	FC	100.00	100.00
Forest-Line Industries Machine Tool (Beijing) Co., Ltd.	China	FC	100.00	100.00
Forest-Line Machine Inc.	United States	FC	100.00	100.00
GIE Forest-Liné	Capdenac Gare, France	FC	100.00	100.00
4192567 Canada Inc.	Canada	FC	100.00	100.00
Sogelire Inc.	Canada	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, 2013

ERNST & YOUNG ET AUTRES
1-2 place des Saisons - 92400 Courbevoie - Paris-La Défense 1
S.A.S. à capital variable
Statutory Auditors
Member of the Compagnie Régional 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 Régional 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 31 December 2013, 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 31 December 2013 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.

While this dœs not call into question the opinion expressed above, we draw your attention to note 3 of the financial statements, which examine the impact of the first application by your company of standard IAS 19 (revised) with regard to employee benefits.

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 6.8 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 6.8 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 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 16, 2014
The Statutory auditors

ERNST & YOUNG ET AUTRES
Marc Stoessel

DELOITTE & ASSOCIÉS
Pascal Colin

DRAFT RESOLUTIONS (extract)

First resolution

The General Meeting,

- having heard the reports of the Executive Board and Supervisory Board reports, as well as the Statutory Auditors' general report;
- and after reviewing the company financial statements;

approves the company's financial statements for the year ended December 31, 2013 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 €138,543.02.

The General Meeting also approves the overall amount of certain non-tax-deductible charges totaling €50,721.

Second resolution

The General Meeting, acting on a proposal from the Executive Board, resolves to allocate the period's profit of €138,543.02 as follow:

– 5% to the legal reserve	€6,927.15
– the balance to retained earnings	€131,615.87
Total	€138,543.02

The General Meeting notes that the dividends paid in respect of the previous three years were as follow:

Year	Number of shares at €47	Dividend per share	Total dividend paid
2010	2,185,612	/	/
2011	2,185,612	€45.00[1]	€98,352,540.00
2012	2,185,612	€18.30[2]	€39,996,699.60

(1) extraordinary dividend decided by the combined general meeting held on December 15, 2011

(2) extraordinary dividend decided by the ordinary general meeting held on December 20, 2012

Pursuant to Article 243a of the French General Tax Code, it is stated that distributions in terms of the financial years ended 31 December 2011 and 31 December 2012 were eligible for the 40% allowance enjoyed by individual shareholders domiciled in France for tax purposes, as provided in Article 158-3 2° of the French General Tax Code.

Third resolution

The General Meeting,

- having heard the reports of the Executive Board and the Supervisory Board as well as the Statutory Auditors' report on the consolidated financial statements for the year ended December 31, 2013;
- and after reviewing the consolidated financial statements;

approves the consolidated financial statements for the year ended December 31, 2013 as presented to the meeting and the transactions reflected in such financial statements or described in the reports, showing net profit, Group share of €43,444 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 agreements 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, 2013, and the members of the Supervisory Board in respect of their appointments and duties.

Sixth resolution

The General Meeting ratifies the motion passed by the Supervisory Board on 25 June 2013 to appoint Mr Jacques Lefevre, residing at 18 rue Pauline Borghèse, 92200 Neuilly-sur-Seine, as a member of the Supervisory Board in place of Mrs Alexandra Goltsova, for the duration of the remaining mandate of the latter, i.e. until the end of the Annual Ordinary General Meeting held to approve the accounts for the 2017 financial year.

Seventh 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 2019 financial year:

- Mr Antonio Marcegaglia, born 12 December 1963 in Mantua (Italy), residing in Gazoldo Degli Ippoliti (MN), Italy.

Fives

French limited company (Société Anonyme)
with Executive Board and Supervisory Board
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