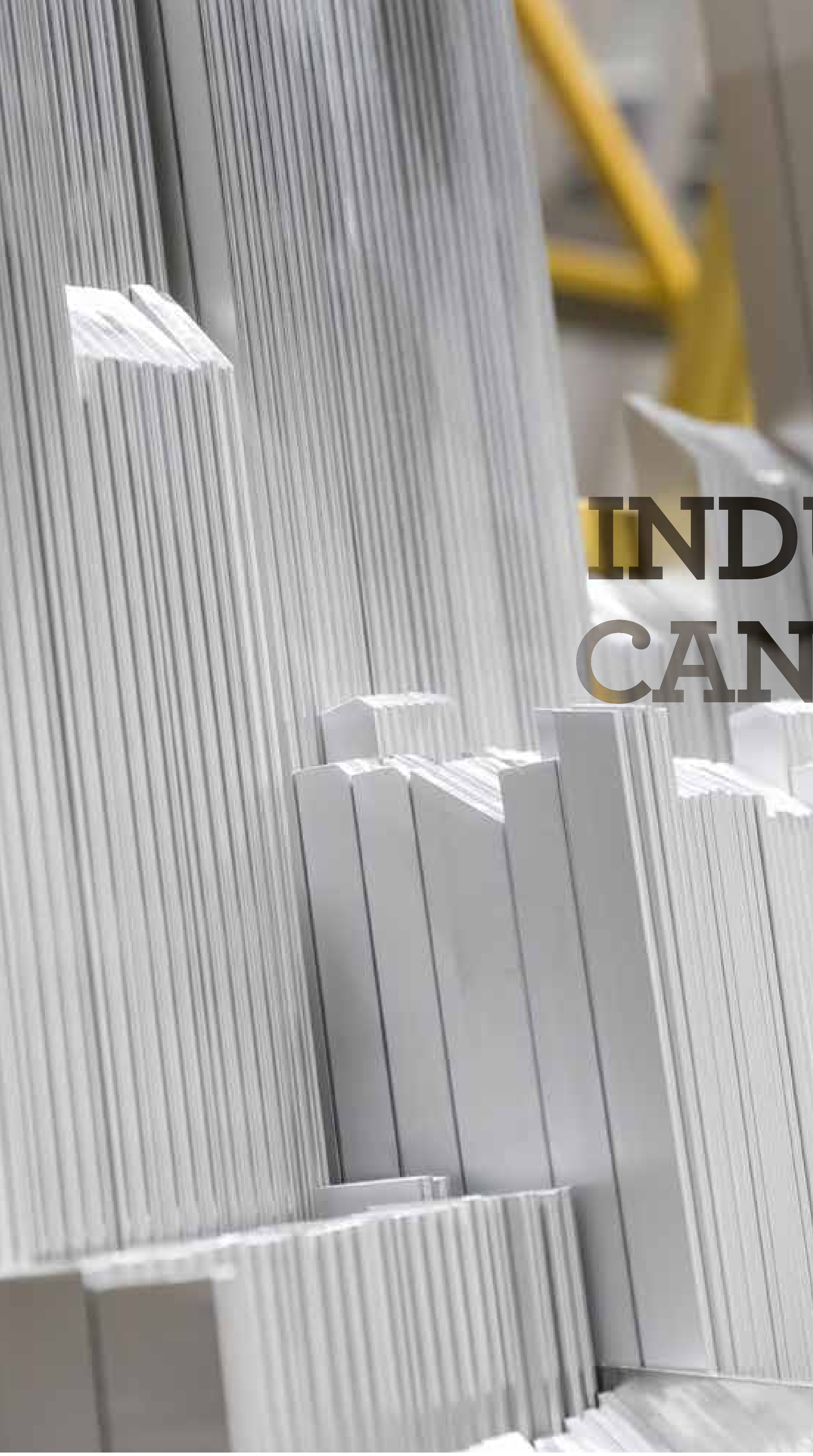


INDUSTRY CAN DO IT

2020
FINANCIAL REPORT
#2019 Financial year

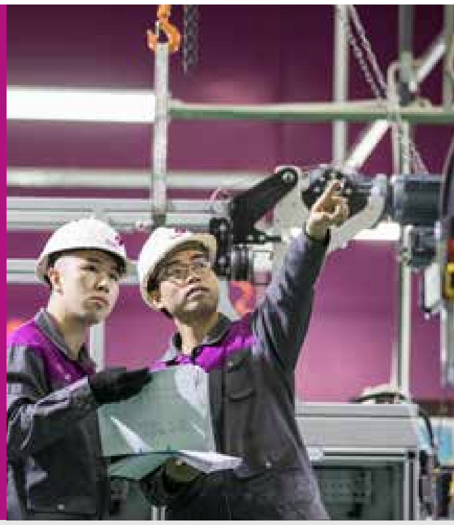
INDUSTRY CAN DO IT

An industrial engineering group, Fives designs and manufactures machines, process equipment and production lines for the world's biggest industrial groups.

Expertise in three major Activities and transversal competencies

Order intake **by Activity**

HIGH PRECISION MACHINES	19%
PROCESS TECHNOLOGIES	41%
SMART AUTOMATION SOLUTIONS	32%
OTHERS	8%



Order intake **by geographical area**

THE AMERICAS	26%
EUROPE	45%
AFRICA MIDDLE EAST	8%
ASIA OCEANIA	21%

€1,999M sales

€1,841M order intake

More than **8,400** employees in about 30 countries

€120M EBITDA

€1,402M backlog

€402M shareholder's equity

DESIGN
MANUFACTURE
INSTALLATION
SERVICE
MAINTENANCE

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3.39 **lost-time accident** frequency rate

30 **R&D and test centers**

1,952 **patents in force** in 609 patent families

46 **new inventions patented** in 2019

69% of sites are certified **ISO 9001**

79% of industrial sites are certified **ISO 14001**

MANAGEMENT REPORT

TO THE ORDINARY GENERAL MEETING ON APRIL 14, 2020

1. FIVES GROUP ACTIVITY IN 2019

1.1. Business overview and activity

In a global economic environment that is more volatile than ever before, the Group's commercial activity in 2019 followed several trend reversals. Following on from a positive year in 2018 and based on economic growth forecasts which were still high (the IMF's estimate, now at 2.9%, was forecasted at around 3.5% for 2019 vs. 3.6% in 2018), the first months were very promising. The Group recorded a strong increase in orders for equipment and small systems in almost all segments (except for aluminium, cement and the High Precision Machines Activity).

The summer marked an end to this period, in the wake of trade and geopolitical tensions and the growing hesitation in the financial markets. This situation was reflected in the fall in the PMI (Purchasing Managers Index) manufacturing index, which, globally, dropped below the symbolic threshold of 50 in May, its lowest level in over six years. In this context, orders placed with the Group slowed significantly, while many decisions regarding capacity investments were postponed by clients.

The positive developments in the trade negotiations between the United States and China, the agreements reached regarding Brexit, and the return to accommodative monetary policies, finally offered a few rays of sunshine at the end of the year and revived business momentum.

In this economic environment, that was both less well-oriented than 2018 and particularly erratic, the order intake for 2019 was €1,841 million. While orders were down from 2018 (€2,003 million), due to the decrease in large projects, they nonetheless broke records in equipment, small systems and services.

1.2. New organization to support the Group's transformation

To boost the synergies that could be created between the Group's various entities, the organization was simplified on July 1st. There are now three major Activities, which group together all previous Divisions and business units.

- **Smart Automation Solutions:** the "Smart automation solutions for e-commerce, courier, distribution and manufacturing" Activity covers the scope of the former Logistics Division and the former Automation business unit, previously part of the Automotive Division.
- **High Precision Machines:** the "High precision machines for advanced manufacturing" Activity covers all the Group's machine tool activities, i.e. the former Grinding and Filling business units (previously part of the Automotive Division), and the former Metal Cutting | Composites business unit (previously part of the Aerospace and Industry Division).
- **Process Technologies:** the "High performance and sustainable technologies for process industries" Activity covers all Group activities for the aluminium, cement, steel and energy sectors (previously spread across three Divisions: Metal, Cement and Energy).
- Transversal activities (mainly Fives Maintenance), Fives Nordon and the holding activities are grouped together, for presentational purposes, under the heading "Transversal activities and other activities".

1.3. Commercial environment by market

Smart Automation Solutions

The Activity designs, manufactures and installs high-speed sorting systems and high added value handling and automation solutions for the e-commerce, distribution and general industry sectors.

In the e-commerce segment, the increase in volumes of goods transported and the associated handling and throughput management constraints are supporting demand. The main players on the market (express courier services, national postal operators, e-commerce companies) have continued with the programs to automate their sorting centers in Europe, Japan and North America.

In the distribution segment, companies from the food and beverage and apparel industries are automating their storage warehouses, as are large retailers, which are also investing in order fulfilment solutions. Currently, the Group's business is still essentially focused on the French market and, to a lesser extent, the European market, but there are many opportunities for growth.

In the general industry segment, the year was characterized by major investments in the automotive industry in Europe. To be able to extend their ranges of hybrid engine vehicles, manufacturers have revamped many of their assembly and production lines.

Order intake for the Smart Automation Solutions Activity was €581.3 million in 2019. The difference of €42.1 million compared with 2018 (€623.4 million) is due to the fact that unlike last year (as well as in 2017) when an order worth over €100 million was recorded, no projects of this scale came into force in 2019; largest contracts generally did not exceed €30 million. Excluding large one-off projects, the market's growth trends are thus reflected in the Group's commercial activity.

High Precision Machines

The Activity specializes in manufacturing high-precision machine-tools for the automotive, aerospace and general industry sectors.

Demand shrank considerable on the automotive market, which was affected on the one hand by continuing low levels of investments in the United States and now in China and, on the other hand, by the continued strategic discussions regarding electric engines, which have accelerated the drop in the demand for combustion engines mechanical part grinding machines.

In the aerospace sector, Boeing's investment freeze, following financial difficulties caused by the 737-Max crisis, has led to a sudden halt in the growth observed in the first months of the year on the North American market. Commercial activity has remained limited in Europe, while the ramp-up expected in China is slow to materialize. Already relatively morose in 2018, this market has not progressed in 2019.

Lastly, the activity slowed from the second half of the year on the general industry market, in line with the decline in manufacturing investment in the United States and Europe.

Order intake for the High Precision Machines Activity was €352.0 million in 2019, a significant drop (€71.7 million) compared with 2018 (€423.7 million), mainly on the automotive market and to a lesser extent in general industry.

Process Technologies

Specializing in the development of industrial processes, the Activity designs, manufactures and installs equipment and complete production lines for the aluminium, cement, steel and energy sectors.

In the primary aluminium sector, the weak growth in demand outside China, in combination with the ramp-up of recently commissioned smelters (in the Middle East in particular), do not justify the launch of new capacity projects. In addition, the fall in LME prices, which were between $1,700 and $1,800 per ton for most of the year, is delaying productivity investment decisions. In this context, the commercial activity was mainly focused on services, as the major players limited their budgets to essential expenses for the running of their plants.

In the cement sector, which is globally saturated, two major geographic dynamics stand out, both unfavorable. In Europe and America, where growth in demand is low, very few opportunities are emerging as legacy international players continue to streamline their portfolios and cut costs. In the rest of the world where demographic growth and infrastructure requirements are high (Asia and Africa in particular), the market, which is dominated by major Chinese cement manufacturers, still pays little heed to environmental and energy issues. Decisions are thus made at prohibitive low-price levels.

In the steel sector, the positive trends observed since 2017 have persisted, despite structural overcapacity. In China, there is still strong demand for high added-value steel, notably for the automotive industry, whether high-resistance light steel (sheet metal) or silicon steel (electric engines). In the United States, the introduction of high customs duties on imports has revitalized the market. Local producers, which have become competitive, are not afraid to launch new projects. Finally, in Europe, where investment is primarily focused on seeking productivity gains, the quality of the Group's technologies has allowed it to focus on the modernization projects being contemplated.

In the energy sector, commercial activity has stabilized in the segments addressing the oil industry's end market, in a context where prices have not dropped below $60 per barrel since the end of January. In addition, the Group has succeeded on some large natural gas processing and liquification projects. In the high-performance industrial combustion systems segment, the trends have also remained in line with 2018, with no major changes in our customers' environmental and energy efficiency requirements. Lastly, the commercial activity shrank considerably in the sugar sector, where the entire industry is affected by the low prices.

Order intake for the Process Technologies Activity was €761.4 million in 2019, a decline of €77.3 million on 2018 (€838.7 million). This change

ORDER INTAKE BY GEOGRAPHICAL AREA

€ millions	2017	2018	2019
Americas	635.6	593.6	476.4
Asia and Oceania	345.2	533.1	382.7
Europe	785.6	749.8	836.2
The Middle East & Africa	350.6	126.3	145.4
Total	**2,117.0**	**2,002.8**	**1,840.7**
Contribution from mature economies	67%	66%	67%
Contribution from emerging countries	33%	34%	33%
Of which China	*6%*	*12%*	*11%*
Of which Others	*27%*	*22%*	*22%*

ORDER INTAKE BY ACTIVITY

€ millions	2017	2018	2019
Smart Automation Solutions	555.7	623.4	581.3
High Precision Machines	406.5	423.7	352.0
Process Technologies	968.6	838.7	761.4
Transversal activities and other activities	186.2	117.0	146.0
Total	**2,117.0**	**2,002.8**	**1,840.7**

reflects the almost record lows in aluminium and cement, which are only partially offset by growth in steel, while energy (except for sugar) remains stable.

Transversal activities and other activities

This heading covers Fives' activities in industrial maintenance and nuclear pipes, mainly in France.

In the industrial maintenance segment, business continues to grow year on year, mainly with customers in aerospace, logistics and transport sectors.

In the nuclear pipes segment, the level of orders for additional work on the Flamanville EPR has remained stable as the works continue. Commercial activity was up in the nuclear maintenance segment, as well as in industry (gas and chemical essentially).

In total, the order intake for transversal activities and other activities was €146.0 million, up €29.0 million compared with 2018 (€117.0 million).

2. FINANCIAL PERFORMANCE

2.1. Accounting policies

The Group's consolidated financial statements were prepared in accordance with the IFRS standards.

The scope of consolidation is the same as for the previous financial year. The rise of the main currencies used by the Group (in particular the dollar and the yen) against the euro had a positive impact on sales (+ €40 million) and EBITDA (+ €3 million) in the 2019 financial year.

2.2. Group Results in 2019

Sales

Sales for 2019 amounted to €1,999 million, which is a €48 million increase on 2018 (€1,951 million), mainly owing to the currency effect (€40 million). At constant exchange rates, sales increased in the Smart Automation Solutions Activity, and decreased slightly in all other Activities.

Gross profit

The 2019 gross profit was 19.3%, up by 0.4 points compared with 2018.

General expenses

General expenses amounted to €302 million in 2019, €5 million less than 2018 (€307 million), despite a negative currency effect of €5 million. At constant exchange rates, they fell by €10 million (- 3%), which can be broken down into an increase in the Smart Automation Solutions Activity, which structured itself to support its growth, and a 5% fall in the rest of the scope.

Other operating income and expenses

Other operating income and expenses, including employee profit-sharing and incentive schemes, amounted to -€12 million in 2019 and are stable compared with 2018 (-€11 million).

EBITDA

The Group's EBITDA for 2019 was €120 million (6.0% of sales), up by €26 million (1.2 points) versus 2018 (€94 million), including a €3 million currency effect. At constant exchange rates, it grew 24%.

Profit from recurring operations (EBIT)

Profit from recurring operations for 2019 was €56 million. Like the EBITDA, it rose significantly (+ €29 million) compared with 2018 (€27 million).

Operating profit

The Group's operating profit for 2019 was €38 million, an increase of €20 million compared to 2018 (€18 million).

It includes a non-recurring operating loss of -€18 million, down €9 million versus 2018 (-€9 million), corresponding to:

– A restructuring expense of €18 million, for the various cost reduction plans implemented this year, including two employment protection plans ("PSE") in France (in the aluminium - Process Technologies Activity - and general industry - High Precision Machines Activity - segments) and a decrease in headcount in the United States and the United Kingdom (in activities serving the automotive market). For the record, an expense of €6 million was recorded in 2018.

SUMMARY OF CONSOLIDATED FIGURES

€ millions	2018	2019
Sales	**1,950.5**	**1,998.9**
Gross profit	367.7	386.3
General expenses	(306.9)	(302.3)
Other operating income and expenses (including employee profit-sharing and bonus schemes)	(11.4)	(12.0)
Profit from recurring operations (EBIT)	**27.3**	**56.0**
EBITDA	**94.0**	**120.3**
Operating profit	**17.9**	**38.0**
Net financial result	(3.0)	(11.0)
Profit before tax	**14.9**	**27.0**
Income tax expense	(18.5)	(26.0)
Share of profit (loss) of associates	(16.2)	(23.6)
Net profit (loss)	**(19.9)**	**(22.6)**
Net profit (loss), Group Share	(20.5)	(22.8)

SALES BY ACTIVITY

€ millions	2018	2019
Smart Automation Solutions	530.2	582.7
High Precision Machines	417.7	414.1
Process Technologies	850.1	859.5
Transversal activities and other activities	152.5	142.6
Total	**1,950.5**	**1,998.9**

SALES BY GEOGRAPHICAL AREA

€ millions	2018	2019
Americas	586.5	585.9
Asia and Oceania	371.1	447.8
Europe	706.4	797.4
The Middle East & Africa	286.5	167.8
Total	**1,950.5**	**1,998.9**
Contribution from mature economies	64%	68%
Contribution from emerging countries	36%	32%
Of which China	*9%*	*10%*
Of which Others	*27%*	*22%*

- Exceptional asset depreciations (in the segments having implemented PSEs) at €3 million. As a reminder, an expense of €3 million was also recorded in 2018 for the disposal of a workshop in the steel segment.
- Income from disposals at €4 million (vs. a -€2 million expense in 2018).

Net financial result

Net financial result includes the cost of net financial debt, foreign exchange gains or losses (including forward points on foreign exchange derivative hedging and change in fair value of derivative instruments not eligible to hedge accounting), financial expenses relating to defined-benefit pension plans (interest cost of the obligation net of expected return on fund assets) and French long-service awards ("IDR"), as well as income from associates. It was in the red by €11 million, compared to a €3 million loss in 2018.

	2018	2019
Cost of net financial debt	(8.2)	(11.0)
Other financial items	5.2	0
- of which foreign exchange gains or losses	*7.5*	*1.7*
- of which others	*(2.3)*	*(1.7)*
Net financial result	**(3.0)**	**(11.0)**

The cost of net financial debt amounted to €11 million, an increase of €3 million compared to the previous financial year (€8 million) due, on the one hand, to a full year of interest on an €80 million loan taken out in the second half of 2018 with the European Investment Bank (EIB) to fund the Group's research and development and, on the other hand, to drawing more on short-term facilities.

The other elements of the net financial result are neutral. However, they are down €5 million compared with 2018, due to the decrease in foreign exchange gains (gain of €2 million in 2019, versus gain of €7 million in 2018). The foreign exchange gains or losses are mainly due to the effects of changes in the euro-dollar and euro-pound sterling parities on the unhedged balance (due to long maturity) of loans in dollars and pounds sterling granted by Fives to its American and British subsidiaries. As the rise in the closing price (December 31) of the dollar between 2019 and 2018 was lower than between 2018 and 2017, the exchange gain in 2019 is lower than in 2018.

Income tax

The total tax expense for the 2019 financial year was €26 million and can be broken down as follows:

	2018	2019
Current tax	(17.1)	(24.0)
Deferred tax	4.5	3.4
Tax expense excluding CVAE and IRAP	**(12.6)**	**(20.6)**
CVAE / IRAP	(5.8)	(5.4)
Tax expense	**(18.5)**	**(26.0)**

It increased by €8 million compared with 2018 (€18 million), due to the growth in EBITDA and the profit from recurring operations.

Share of profit (loss) of associates

This line mainly corresponds to the share of the net result of the AddUp sub-group (joint venture owned 50% by Fives and 50% by Michelin), consolidated based on the equity method, which develops and sells industrial machines and workshops using additive metal manufacturing technology (more commonly known as 3D metal printing).

Despite growth in its sales in 2019, AddUp has continued to invest heavily to structure itself and support its R&D programs. Its contribution to the Group's 2019 net result is therefore a loss of €24 million, compared to a loss of €16 million in 2018.

Investment in this activity will continue over the next few years, although at a slower pace, before it reaches its break-even point.

Net profit (loss)

Net profit in 2019 was therefore a loss of €23 million, compared to a loss of €20 million in 2018. The improvement in EBITDA was absorbed by the increase in restructuring expenses, financial expenses, tax expenses and the annual loss of the AddUp sub-group.

3. OUTLOOK FOR 2020

The Group ended 2019 with a backlog of €1,402 million, down €142 million from 2018 (€1,544 million). However, the gross margin rate in this order book is up by nearly one point, owing to the successful achievement of ongoing projects (while at the start of the financial year some projects whose margins were degraded in 2018 remained) and a more favorable mix (fewer large contracts, which have lower margins).

In addition, the decrease in the backlog is concentrated in the Process Technologies and High Precision Machines Activities, whose break-even points have been lowered through company restructuration actions since end 2017.

The Group was therefore expecting increased profitability in 2020, as well as positive trends on the Smart Automation Solution Activity's markets, despite the continuing low point in the aluminium and cement segments (Process Technologies Activity), and the consequences of the 737-Max crisis at Boeing, whose investment plans have completely ceased, which is heavily affecting the entire aerospace industry (segment served by the High Precision Machines Activity).

However, in the first quarter of 2020, the Covid-19 health crisis struck. While it is still too early to precisely measure its impacts on the Group's activity, its extent will modify the major trends in the global economy.

BACKLOG BY ACTIVITY

€ millions	31.12.17	31.12.18	31.12.19
Order book at Dec. 31	1,476.6	1,543.8	1,402.1
Smart Automation Solutions	397.5	499.7	504.7
High Precision Machines	235.2	246.2	190.3
Process Technologies	715.9	706.2	611.9
Transversal activities and other activities	128.0	91.7	95.2
Total	**1,476.6**	**1,543.8**	**1,402.1**

BACKLOG BY GEOGRAPHICAL AREA

€ millions	31.12.17	31.12.18	31.12.19
Americas	355.8	374.5	275.7
Asia and Oceania	281.2	445.2	387.3
Europe	537.0	581.4	618.4
The Middle East & Africa	302.6	142.7	120.7
Total	**1,476.6**	**1,543.8**	**1,402.1**
Contribution from mature economies	59%	62%	61%
Contribution from emerging countries	41%	38%	39%
Of which China	*9%*	*13%*	*14%*
Of which Others	*32%*	*25%*	*25%*

NON-FINANCIAL INDICATORS

As a designer of machines, process equipment and production lines for the world's largest industrial groups, Fives is at the core of many of the sustainable development issues faced by industry. To meet these sustainability and industrial performance challenges, Fives designs innovative products that combine energy efficiency, emissions reduction and machine safety.

To better address the demands of our clients and, more widely, of all our stakeholders on these issues, indicators have been developed to steer and monitor the Group's performance levels in the social, environmental, innovation and ethical fields. The reporting system in place makes it possible to measure the progress of the actions carried out within the Group and to report on changes on a regular basis. The HR (social indicators) and Innovation reports are scoped in line with the financial consolidation process. Health, Safety, Ethics and Environmental data, on the other hand, are based on workforce and activity criteria which may lead to differences in scope.

SOCIAL INDICATORS

	2017	2018	2019	The Americas	France	Europe excl. France	Asia and Africa*
Employees	8,666	8,658	**8,427**	1,789	4,217	1,285	1,136
Workforce at year-end from acquisitions completed in the year	0	0	**0**	0	0	0	0
Workforce at year-end of companies entering the consolidated scope	228	0	**0**	0	0	0	0
Number of new hires (all types of contracts)	976	1,140	**950**	274	408	122	146
Workforce by gender							
Percentage of men	85%	84%	**84%**	87%	84%	84%	80%
Percentage of women	15%	16%	**16%**	13%	16%	16%	20%
Share of women in management - total	14%	16%	**17%**				
Share of women among CEOs	1%	1%	**3%**				
Share of women on Management Committees	14%	14%	**15%**				
Share of women managers who report directly to a Management Committee member	15%	17%	**18%**				
Number of nationalities	70	70	**65**				
Employees by category							
Under 20	0%	0%	**0%**	1%	0%	0%	0%
From 20 to 29	13%	14%	**12%**	13%	12%	11%	13%
From 30 to 39	27%	27%	**28%**	20%	28%	23%	44%
From 40 to 49	25%	25%	**26%**	19%	28%	29%	26%
From 50 to 59	26%	26%	**25%**	27%	27%	29%	13%
60 and more	8%	8%	**9%**	20%	5%	8%	4%
Employees by length of service							
Under 5 years	38%	42%	**42%**	45%	40%	39%	52%
5 to 10 years	23%	21%	**19%**	16%	19%	20%	22%
11 to 15 years	10%	11%	**12%**	8%	14%	13%	13%
16 to 20 years	8%	8%	**7%**	4%	9%	6%	4%
21 to 25 years	5%	5%	**6%**	6%	6%	9%	4%
26 to 30 years	6%	5%	**5%**	5%	5%	5%	2%
31 to 35 years	3%	3%	**4%**	6%	3%	5%	1%
36 to 40 years	4%	3%	**3%**	4%	3%	2%	1%
41 years and more	2%	2%	**2%**	6%	1%	1%	1%

*Including the Middle East and Australia

	2017	2018	2019
Employees by region			
Americas	21%	22%	21%
France	52%	50%	50%
Europe (excluding France)	15%	15%	15%
Asia and Africa (including the Middle East and Australia)	12%	13%	14%
Employees by Activity (new organization defined in 2019)			
Smart Automation Solutions			18%
High Precision Machines			21%
Process Technologies			41%
Holding			2%
Others			18%
Skills and mobility management			
% of employees reviewed by the CEDRE* career management committee	50%	63%	67%
% of employees receiving regular appraisal interview	64%	77%	76%
% of employees having attended at least one training course	77%	74%	70%
Number of employees shared between the companies	129	85	154
Number of people who underwent a starter interview**	528	618	559

*CEDRE: Career management committee (Human resources evaluation and development committee)
**Starter interviews: Assimilation reports completed 6 to 18 months after new hires arrive

The Group workforce reached 8,427 employees at end 2019. The workforce has stabilized after two years of higher recruitment, mainly in the Smart Automation Solutions Activity.

The proportion of women is steady at 16%. 2019 is marked by the appointment of two women as subsidiary CEOs. The total proportion of women in management position also increased compared to the previous year. In early 2020, the Group began implementing the Women@Fives program to promote the representation of women at all levels of the organization and to strengthen Fives more attractive to female applicants.

The roll-out in 2019 of the latest Recruitment and Training modules made Fives&Me, the HR management system, central to all HR processes. Employees now have all the keys to their career path within the Group. The training offer includes numerous e-learning programs and gives employees access to more business training while also saving time and optimizing the costs associated with professional training.

The transfer of employees between entities increased in 2019 with 154 staffer contracts (up 80%). This scheme not only allows skills sharing between Group entities, but also facilitates recruitment thanks to these in-house resources. Finally, it enables the entities to retain qualified employees in periods of underload. 16 entities provided know-how and business knowledge to 26 other entities.

INNOVATION INDICATORS

	2017	2018	2019
R&D expenditure in millions of Euros	34.9	34.1	**33.6**
Breakdown of R&D expenditure			
Costs of patents and trademarks	9%	8%	**8%**
Standard design and formalization of know-how	9%	8%	**7%**
Continuous improvement of products and processes	23%	25%	**25%**
Development of new products and processes	44%	43%	**46%**
Research and radical innovation activities	15%	17%	**14%**
Patents and trademarks			
Number of patents and patents applications in force	2,160	2,113	**1 952**
Number of patent families in force	624	645	**609**
Number of first patents applications (new patented inventions)	44	45	**46**
Number of first patents applications relating to equipment energy and environmental performance	7	7	**8**
% of these patents relating to equipment energy and environmental performance	13%	16%	**17%**
Number of "product" trademarks registered or being registered	134	132	**137**
Number of R&D and test centers			
Number of research and test centers[1] *France: 17, Americas: 6, Europe (excl. France): 5, Asia: 2*	29	30	**30**

[1] Including all subsidiaries conducting their own R&D product testing in dedicated locations.

The level of the Group's Research & Development effort was comparable with previous years, despite the growing proportion of developments in the digital sector, which are inherently less cost-intensive than in the area of machine development.

The distribution of investment spending between research, new product development and the improvement of the existing range is more or less unchanged in relation to previous years, reflecting effective management of the project portfolio.

The total number of patent application requests remained at the same level as in previous years, although with a signification increase in requests outside China; in 2019 China accounted for 6 requests, down from 15 in 2018. An effort has been made to trim portfolios during reviews, especially in the Aluminium Activity (Process Technologies Activity), to retain only strategic patents, bringing the total number to some 2,000.

In 2019, the Group began restructuring its R&D and innovation functions to take advantage of the new organizational structure built around three major Activities, and to integrate digital seamlessly into development programs. R&D and digital managers have gradually been appointed for each Division, with the aim of capitalizing fully on synergies within Divisions and promoting brainstorming on cross-functional issues.

INTRODUCTION TO THE DATA BY SITE AND TO THE STATISTICS ON HEALTH & SAFETY / ETHICS / ENVIRONMENT

Corporate Social Responsibility (CSR) reporting covered all sites with an average workforce of 10 or more in 2019, as well as all sites with an industrial activity.
The changes in scope were linked to the decision to isolate entities that have distinct operational activities, for easier oversight, and the incorporation of a mexican entity into the CSR reporting scope.

CSR CROSS-SECTIONAL INDICATORS

	2017	2018	**2019**	The Americas	France	Europe excl. France	Asia and Africa*
Number of subsidiaries included in the scope of the CSR report	68	72	**74**	20	19	15	20
Subsidiaries acquired in n-1 that entered the CSR scope in n	2	2	**0**				
Subsidiaries integrated into the CSR scope	2	2	**2**				
Total number of sites	100	105	**108**	22	41	20	25
Industrial sites	44	44	**43**	12	17	8	6
Offices	29	31	**31**	5	10	6	10
Combined sites, test centers and regional facilities	27	30	**34**	5	14	6	9
Management system							
Number of sites with ISO 9001 certification	71	71	**74**	13	31	16	14
Number of sites with pending ISO 9001 certification	1	1	**2**	0	0	0	2
Health, Safety and Environment community							
Number of Group HSE representatives	67	75	**80**				
Number of Group HSE auditors	21	25	**16**				
Number of Group HSE visits and audits conducted	13	6	**50**[1]				

* Including the Middle East and Australia
[1] From 2019 visits are included in this indicator

ETHICS INDICATORS

Business ethics trainings	**2019**	The Americas	France	Europe excl. France	Asia and Africa*
People trained in the face-to-face training	**207**	0	139	8	60
People trained in e-learning	**225**	225	0	0	0

*Including the Middle East and Australia

In 2019, the Group Head of Compliance implemented and managed the Group compliance system, focusing in particular on combating corruption, compliance with competition law, ethics, whistleblowing, customs and dual-use supervision.

An e-learning and face-to-face training courses have been provided for employees regarded as most exposed: 432 staff were trained in 2019, notably during company executive committee meetings.

HEALTH & SAFETY INDICATORS

	2017	2018	2019
Number of industrial sites	44	44	**43**
Number of sites with safety certification*	29	28	**29**
Number of sites engaged in safety certification	6	2	**1**
Percentage of industrial sites with safety certification	34%	32%	**33%**
Percentage of subsidiaries with a written and distributed Health & Safety Policy	87%	88%	**88%**
Number of FTE[1] Health and Safety in the Group	68.6	69.4	**71.4**
Number of severe accidents**	3	1	**4**
Number of which were fatal	0	0(1[2])	**1**
Number of lost-time accidents (≥ 1 day)	59	55	**54**
Percentage of lost-time accidents occurring on client/sub-contractor sites	15%	29%[3]	**30%**
Percentage of lost-time accidents occurring in workshops	80%	65%[3]	**59%**
Percentage of lost-time accidents occurring in offices	3%	7%	**7%**
Percentage of lost-time accidents occurring on business trips	9%	0%	**4%**
Lost-time accident frequency rate (Number of lost-time accidents (≥ 1 day) x 1,000,000 / Number of hours worked)	3.74	3.30[3]	**3.39**
Severity rate (Number of lost-time accidents (≥ 1 day) x 1,000 / Number of hours worked)	0.151	0.122	**0.200**

[1] FTE: Full-Time Equivalent
[2] One fatal accident involving a subcontractor in Algeria
[3] Correction of 2018 data: 29% of lost-time accidents occurred at sub-contractor client sites not 30%. And 65% of lost-time accidents occurred in workshops not 63%. The frequency rate was 3.30 not 3.41
* OHSAS 18001 or French MASE ("Manuel d'Amélioration Sécurité des Entreprises") certification (Corporate Safety Improvement Manual), French safety management system
** Severe accidents: accidents which could have severe reversible or irreversible consequences, or which could cause death (monitored since January 2015)

The Group's safety performance for Fives staff and temporary workers has been improving for several years.

In 2019 this trend reversed: the lost-time accident frequency rate rose slightly from 3.30 to 3.39, and the severity rate increased to 0.20 from 0.12 in 2018. The number of severe accidents increased, and Fives regrets that one fatal accident occurred involving an American employee working on a client site.

More generally, there has been an upward trend in the number of accidents on client/sub-contractor sites since 2017. This can be explained in part by the growth in the number of work operations on client sites.

The Group has therefore decided to strengthen its risk prevention actions prior to all our teams' operations.

The percentage of lost-time accidents in our workshops fell from 65% in 2017 to 59% in 2019. Specific actions are taken regularly in workshops to make significant progress, at both field and management and executive level. Our Group Safety Golden Rules, in force since 2016, continue to bear fruit.

The Group is continuing to implement its Safety program, increasing support for its companies, rolling out tailored action plans, sharing best practices and developing new tools and methods. These different actions should enable us to return to better results.

ENVIRONMENTAL INDICATORS

	2017	2018	2019	The Americas	France	Europe excl. France	Asia and Africa*
Number of sites with ISO 14001 certification (all types of sites)	46	46	**47**	12	18	11	6
ISO 14001 certification for industrial sites							
Number of industrial sites	44	44	**43**	12	17	8	6
Number of industrial sites with ISO 14001 certification	35	33	**34**	10	13	8	3
Number of sites with ISO 14001 certification in progress	1	1	**3**	1	1	0	1
% of industrial sites with ISO 14001 certification	80%	75%	**79%**	83%	76%	100%	50%
ISO 14001 certification for other types of sites (offices, combined sites, test centers, regional facilities)							
Number of non-industrial sites with ISO 14001 certification	11	13	**13**	2	5	3	3
% of non-industrial sites certified	20%	21%	**20%**	20%	21%	25%	16%
Environmental management system							
% of sites that have written and distributed an Environment policy	72%	65%	**67%**	59%	66%	85%	60%
Number of FTE** Environment staff in the Group	20.7	22.9	**25.2**	4.2	9.9	5.6	5.6
Energy consumption in GWh							
Electricity consumption in GWh	65.8	66.0	**63.8**	25.8	22.3	6.9	8.8
Natural gas and heating oil consumption in GWh	66.2	64.7	**62.7**	31.2	19.1	11.2	1.2
Total energy consumption in GWh	132.0	130.6	**126.4**	57.0	41.4	18.0	9.9
Energy consumption in €000							
Electricity consumption in €000	6,000	6,115	**6,625**	2,291	2,235	1,008	1,091
Natural gas and heating oil consumption in €000	2,059	1,805	**1,970**	507	925	488	49
Total energy consumption in €000	8,059	7,920	**8,595**	2,798	3,160	1,497	1,140
Total Energy consumption kWh per hour worked (employees + temporary workers)	8.3	7.8	**7.9**	15.7	5.4	7.8	4.1
Water consumption							
Water consumption (industrial sites) in m^3	94,823	89,014	**99,204**	27,883	33,134	21,096	17,091
Water consumption (industrial sites) in €000	252	247	**300**	145	95	47	12

* Including the Middle East and Australia
** FTE: Full-Time Equivalent

Further progress was made in the ISO 14001 certification process in 2019: 79% of the Group's industrial sites are now certified, and certification is under way for three new sites.

New sites were added to the CSR reporting scope this year, taking the total number to 108. The added sites include two with significant consumption levels: a new workshop for Fives Celes in France, and the new Fives ITAS research center dedicated to combustion (Fives European Combustion Center) in Italy.

Despite this larger scope, the Group's energy consumption fell 3% in 2019. This can be explained mainly by reduced number of worked hours (by Fives staff and temporary workers) minus 4% in 2019.

While energy consumption is down, the Group's energy bill actually increased 9% in relation to 2018 because of rising energy prices, especially in Europe.

At the start of 2019, Fives set itself the target of cutting its energy consumption per hour worked by 10% in 2022 compared with 2018. The roadmap laid out to hit this target emphasizes support for industrial sites, which account for 91% of the Group's energy consumption. In 2020, special attention will be paid to two geographical regions: America, which is particularly energy-intensive (57 GWh across 22 sites at a cost of €2.8M), and Europe, which has the highest energy costs (59 GWh across 61 sites at a total cost of €4.7M).

CORPORATE GOVERNANCE

Fives, a Simplified Joint Stock Company (Société par Actions Simplifiée or SAS) since December 20, 2018, is chaired by Frédéric Sanchez, supported by a Deputy Chief Executive Officer, Martin Duverne, under the control of a Supervisory Committee.

SENIOR MANAGEMENT

Senior Management is represented by a Chairman & Chief Executive Officer assisted by a Deputy Chief Executive Officer.

The Chairman & Chief Executive Officer represents Fives with third parties, and has the broadest possible powers to act on behalf of Fives in any circumstance within the remit of the corporate purpose, excluding the powers expressly granted by law and the articles of association to the shareholders and Supervisory Committee.

The Deputy Chief Executive Officer assists the Chairman & Chief Executive Officer. He has the same powers with regards to third parties as the Chairman & Chief Executive Officer, and he is bound by the same limitations of powers as the latter.

Composition of Senior Management

Frédéric Sanchez, 60 years old, Chairman & Chief Executive Officer.
Appointed to this role on December 20, 2018, for an unlimited term.

Martin Duverne, 63 years old, Deputy Chief Executive Officer.
Appointed to this role on December 20, 2018, for an unlimited term.

THE SUPERVISORY COMMITTEE

The Supervisory Committee is a statutory body of Fives. Its main duties are as follows:

- It acknowledges the quarterly report prepared by the Chairman & Chief Executive Officer concerning the proper functioning of the Fives Group.
- It checks and verifies Fives' annual corporate financial statements and consolidated financial statements which are presented to it by the Chairman & Chief Executive Officer, and where applicable, the Deputy Chief Executive Officer, within four (4) months after the end of the financial year. If it so wishes, it presents its observations on the Chairman & Chief Executive Officer's management report and the annual corporate financial statements and consolidated financial statements to the shareholders.
- It rules on requests for prior approval regarding decisions and operations which it receives.
- It can decide to create specific committees responsible for looking into issues submitted by itself or the Chairman & Chief Executive Officer for their opinion. In this context, an Audit Committee was created.
- It may also, as part of its powers, examine any issue of interest to Fives and its Subsidiaries, at any moment conduct verifications and controls that it deems useful and may also request, within a reasonable time limit, any documents that it believes will help it to fulfill its mission.

It meets at least four times a year.

Composition of the Supervisory Committee

Philippe Reichstul, 71 years old, Chairman and member of the Supervisory Committee.
Appointed on December 20, 2018, his term of office will expire at the end of the General Meeting called to approve the 2020 financial statements.

François Dufresne, 59 years old, member of the Supervisory Committee.
Appointed on December 20, 2018, his term of office will expire at the end of the General Meeting called to approve the 2020 financial statements.

Dominique Gaillard, 60 years old, member of the Supervisory Committee.
Appointed on December 20, 2018, his term of office will expire at the end of the General Meeting called to approve the 2020 financial statements.

Pierre Heinrichs, 41 years old, member of the Supervisory Committee.
Appointed on December 20, 2018, his term of office expired during the General Meeting held on January 23, 2020.

Heyoung H Lee Bouygues, 48 years old, member of the Supervisory Committee.
Appointed on December 20, 2018, her term of office will expire at the end of the General Meeting called to approve the 2020 financial statements.

Antonio Marcegaglia, 56 years old, member of the Supervisory Committee.
Appointed on December 20, 2018, his term of office will expire at the end of the General Meeting called to approve the 2020 financial statements.

Jean-Georges Malcor, 63 years old, member of the Supervisory Committee.
Appointed on December 20, 2018, his term of office will expire at the end of the General Meeting called to approve the 2020 financial statements.

Laurence Parisot, 61 years old, member of the Supervisory Committee.
Appointed on December 20, 2018, her term of office will expire at the end of the General Meeting called to approve the 2020 financial statements.

Jean-Dominique Senard, 67 years old, member of the Supervisory Committee.
Appointed on Friday, May 24, 2019, his term of office will expire at the end of the General Meeting called to approve the 2021 financial statements.

The Fives managing bodies are assisted with their decision-making by operational bodies, including an Senior Executive Committee supported by an Executive Committee, and Country Coordination and Steering Committees.

SENIOR EXECUTIVE COMMITTEE

Reporting to the Chairman & Chief Executive Officer of Fives, the Senior Executive Committee:

- rules on the Group's cross-business policies and defines its priorities;
- manages operational and organizational matters common to the Divisions;
- makes budget-related decisions;
- and considers the Group's structural and strategic changes.

It also manages unforeseen events with a potentially significant impact on the Group's operations, as well as crises or emergency situations.

It meets at least once every six weeks.

Composition of the Senior Executive Committee

Frédéric Sanchez, 60 years old, Chairman & Chief Executive Officer
Martin Duverne, 63 years old, Deputy Chief Executive Officer
Denis Mercier, 60 years old, Deputy General Manager of Fives
Suresh Abye, 41 years old, Chief Financial Officer
Raphaël Constantin, 50 years old, Deputy General Manager, Head of the High Precision Machines Division
Alain Cordonnier, 59 years old, Deputy General Manager, Head of the Cement & Minerals Division
Guillaume Mehlman, 55 years old, Deputy General Manager, Head of the Steel & Glass Division
Céline Morcrette, 41 years old, Head of Human Resources
Luigi Russo, 46 years old, Deputy General Manager, Head of the Smart Automation Solutions Division
Michelle Shan, 54 years old, Country Director - China
Frédéric Thrum, 48 years old, Deputy General Manager, Head of the Energy Division

THE EXECUTIVE COMMITTEE

The priority for the Executive Committee is to implement decisions made by the Senior Executive Committee and to assess the relevance and effectiveness of cross-business policies on the basis of feedback about their application. It exchanges information and shares experience between its members, further strengthening the cross-business effectiveness of the Group's actions.

It meets at least four times a year.

Composition of the Executive Committee

The Executive Committee is made up of members of the Senior Executive Committee:
Frédéric Sanchez, 60 years old, Chairman & Chief Executive Officer
Martin Duverne, 63 years old, Deputy Chief Executive Officer
Denis Mercier, 60 years old, Deputy General Manager of Fives
Suresh Abye, 41 years old, Chief Financial Officer
Raphaël Constantin, 50 years old, Deputy General Manager, Head of the High Precision Machines Division
Alain Cordonnier, 59 years old, Deputy General Manager, Head of the Cement & Minerals Division
Guillaume Mehlman, 55 years old, Deputy General Manager, Head of the Steel & Glass Division
Céline Morcrette, 41 years old, Head of Human Resources
Luigi Russo, 46 years old, Deputy General Manager, Head of the Smart Automation Solutions Division
Michelle Shan, 54 years old, Country Director - China
Frédéric Thrum, 48 years old, Deputy General Manager, Head of the Energy Division

And the following people:
Hervé Boillot, 50 years old, Head of Mergers & Acquisitions, Strategy
Daniel Brunelli-Brondex, 59 years old, Country Director - India
Jean-Marie Caroff, 58 years old, Head of International Development
Sébastien Gauguier, 44 years old, Head of the Aluminium Division
Arnaud Lecœur, 49 years old, General Counsel
Frédéric Renaud, 67 years old, Country Director - Italy
Thierry Valot, 52 years old, Head of Innovation & Digital

THE COUNTRY COORDINATION AND STEERING COMMITTEES

These committees are responsible, by geographic area, for the implementation of the cross-business policies set by the Senior Executive Committee, and adapting them where appropriate to the specifics of each country, while encouraging synergies between subsidiaries in the same country that may belong to different Business Units.

These committees are also vectors for exchanges of best practice and information (about the Group, the country, etc.) between subsidiaries in a given geographic area. They are also responsible for drawing senior management's attention to specific country issues.

They bring together the Chief Executive Officers of the subsidiaries in the relevant country, as well as local operational directors, according to the issue to be addressed. They are chaired by the Country Directors. These meetings are always attended by a member of the Senior Executive Committee.

They meet three or four times a year.

THE COUNTRY DIRECTOR

All Group Companies operating in the same country (or region) form part of a matrix structure reporting to a Country Director, whose tasks include:

- supporting the Group's business activity in the Country which they supervise;
- chairing the corresponding Country Coordination and Steering Committee (where appropriate);
- acting as the initial point of contact for Fives' central functional department and, as such, coordinating the support provided by the latter to the subsidiaries in the country;
- coordinating the community of local functional department representatives, in collaboration with the Fives functional departments, taking local issues into consideration;
- ensuring that Fives' instructions and directives are understood and followed and, where applicable, informing Fives of any application issues;
- supporting Fives in the process of integrating newly acquired subsidiaries;
- managing Fives' relationships with local stakeholders, and coordinating the relationship between these stakeholders and national Group companies;
- proposing potential local synergies.

THE AUDIT COMMITTEE

This committee was created by the Supervisory Committee.

Its general role is to assist the Supervisory Committee to monitor issues relating to the preparation and verification of financial and accounting information, and more specifically:

- the process of preparing financial information;
- the effectiveness of the internal control and risk management systems;
- the verification of corporate and consolidated financial statements by the statutory auditors.

It meets at least four times a year.

Composition of the Audit Committee

Dominique Gaillard, Chairman of the Audit Committee.
François Dufresne, member of the Audit Committee.
Pierre Heinrichs, member of the Audit Committee.
Heyoung H Lee Bouygues, member of the Audit Committee.

INTERNAL CONTROL

The internal control procedures applied within the Group are intended:

- to ensure that management actions and the conduct of transactions reflect the Group's fundamental values and comply with applicable laws and regulations, the guidelines issued by the Group's governing bodies, and internal standards and rules;
- to ensure that the accounting, financial and management information gives a fair and accurate picture of the Group's activities and position.

Concerning the prevention and management of risks, the Group's organization is based on:

- the quality, personal involvement and accountability of management teams at each Group company;
- coordination by Division and, where applicable, by Business Unit;
- the implementation, as part of concerted action by all Group companies and the Divisions they report to, of Directives. These Directives are a major risk management tool and provide the basis for the internal limitations set by the Boards of Directors (or equivalent bodies) of Group companies on the powers of their Chief Executive Officers (or equivalent position).

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

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

With regard to the preparation and processing of accounting and financial information, internal control is based on:

- implementation of 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 Statutory Auditors are:

– **Ernst & Young et Autres**, represented by Pierre Jouanne, reappointed on June 28, 2018.
– **Deloitte & Associés**, represented by Pascal Colin, reappointed on June 28, 2018.

Their terms of office will expire at the end of the General Meeting called to approve the 2023 financial statements.

As part of their legal assignment, the Statutory Auditors carry out a limited review of the half-yearly consolidated financial statements and a complete audit of the annual corporate and consolidated financial statements. The corporate and consolidated financial statements have, to date, been approved without qualifications.

FINANCIAL AND LEGAL INFORMATION

FINANCIAL INFORMATION

Share capital

On December 31, 2019, 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 2019 the share capital was not subject to any changes.

Share ownership

Fives' main shareholder at December 31, 2019 was Novafives, which held 99.99 % of the share capital.

Stock options and allocation of bonus shares

The company had not put in place any stock option plans or allocation of bonus shares as at December 31, 2019.

Dividends / Distribution of reserves

No dividends were paid in 2017, 2018 and 2019.

LEGAL INFORMATION

Company name and registered office

Fives, 3 rue Drouot, 75009 Paris.

Legal form

Simplified joint stock company (Société par Actions Simplifiée) since December 20, 2018.

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

Paris Trade Register no. 542 023 841.

Financial year

January 1 to December 31.

Purpose (summary of Article 2 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, æronautics, logistics, etc.) and, in this context, all activities relating to the design, development 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.

Appropriation of income (summary of Article 27 of the Memorandum and Articles of Association)

A sum corresponding to at least five percent (5%) of the annual profit, less any deferred losses, shall be allocated to the legal reserve. This allocation is no longer mandatory when the legal reserve reaches a tenth of the share capital; it becomes mandatory once more if, for whatever reason, the legal reserve falls below this amount.

The balance, plus retained earnings, if any, forms the distributable earnings.

This profit is available to the shareholders who have the sole authority to decide how to allocate it. As such, the shareholders may appropriate all or some of this profit to transfer it to all of the general and specific reserves, carry it forward, or distribute it among the shareholders, in compliance with articles L. 232-11 et seq. of the French Commercial Code. The balance, if any, is allocated to the sole shareholder or, if there is more than one shareholder, is shared by decision of the shareholders subject to the quorum and majority requirements stipulated in Article 23 of the Memorandum and Articles of Association, in proportion to the number of shares held by each of them.

In addition, the shareholders, in accordance with the conditions stipulated in Article 23 of the Memorandum and Articles of Association and in accordance with articles L. 232-11 et seq. of the French Commercial Code, may decide to distribute sums deducted from the reserves available to the company, specifically indicating the reserve items from which the sums are to be deducted. However, the dividends are deducted as a priority from the profits of the current fiscal year.

After the financial statement approval process, losses, if any, are recorded in the balance sheet in a separate account and carried forward, to offset against future profits until exhausted.

Each shareholder's share of the profit and their contribution to the losses is proportional to their portion of the share capital.

Conditions governing General Meetings (summary of Articles 21, 22 and 23 of the Memorandum and Articles of Association)

A shareholder consultation may be conducted at the initiative of the Chairman of the company, one of the Deputy CEOs, if appointed, the Supervisory Committee or one or more shareholders holding (individually or together) over 50% of the Company's share capital.

Collective decisions result from (i) a general meeting, (ii) a written consultation or (iii) a private agreement expressing the consent of all the shareholders. However, a shareholders' meeting is mandatory for the annual financial statements approval process.

The meeting is chaired by the Chairman; failing that, the members shall elect a chair for the meeting. The meeting chair appoints the secretary for the meeting who may be a shareholder or a third party.

The shareholders' decisions, whether they are a private agreement, resulting from a written consultation or a general meeting, are recorded in the minutes noted in a numbered and initialed register, kept in compliance with the procedures specified in articles R. 225-22 and R. 225-49 of the French Commercial Code (by reference to article R. 225-106 of the French Commercial Code).

Each shareholder may participate in all collective decisions whatever they are, in person or through the representative of his choice, and has as many votes as he has shares, without limits.

Unless unanimity is required, the shareholders' decisions are only valid if the shareholders present or represented hold over half of the company's voting shares.

The shareholders' collective decisions are decided unanimously when required by law; the other collective decisions are adopted by a simple majority of the votes of shareholders who are present or represented.

Legal documents

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

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

In thousands of euros	Notes	2019	2018
Sales	6.2	**1,998,890**	**1,950,511**
Cost of sales		(1,612,555)	(1,582,799)
Gross profit		**386,335**	**367,712**
Selling expenses		(112,327)	(115,469)
Administrative expenses		(166,542)	(167,600)
Research and development expenses	6.4	(23,461)	(23,833)
Employee profit sharing and bonus schemes		(3,974)	(2,725)
Other operating income and expenses	6.5	(8,001)	(8,659)
Amortization of intangible assets related to acquisitions	6.6	(16,060)	(22,109)
Profit from recurring operations		**55,970**	**27,317**
Restructuring costs	6.7	(18,464)	(5,617)
Impairment of fixed assets		(3,333)	(1,528)
Gain (loss) on disposals and acquisition costs	6.8	3,853	(2,246)
Operating profit		**38,026**	**17,926**
Cost of net financial debt	6.9	(11,058)	(8,228)
Other financial income and expense	6.9	67	5,179
Net financial income (expense)		**(10,991)**	**(3,049)**
Profit (loss) before income tax		**27,035**	**14,877**
Income tax expense	6.10	(26,046)	(18,534)
Share of profit (loss) of associates	6.11	(23,582)	(16,243)
Profit (loss) for the year		**(22,593)**	**(19,900)**
Attributable to owners of the Group		(22,817)	(20,483)
Attributable to non-controlling interests		224	583

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In thousands of euros	Notes	2019	2018
Profit (loss) for the year		**(22,593)**	**(19,900)**
Foreign currency translation differences		3,929	4,651
Total Items subsequently recycled through profit and loss		**3,929**	**4,651**
Actuarial gains (losses)	6.21	(9,877)	(924)
Deferred tax on actuarial gains and losses		1,666	448
Net change in fair value of financial assets		144	(881)
Deferred tax on net change in fair value of financial assets		(3)	278
Share of net profit or loss of associates			(63)
Total Items that may not be recycled through profit and loss		**(8,070)**	**(1,142)**
Total comprehensive income		**(26,734)**	**(16,391)**
Attributable to:			
- Owners of the Group		(26,793)	(17,235)
- Non-controlling interests		59	844

CONSOLIDATED BALANCE SHEET

ASSETS

In thousands of euros	Notes	Dec. 31, 2019	Dec. 31, 2018
Goodwill	6.12	253,165	249,251
Intangible assets	6.13	68,090	84,539
Property, plant and equipment	6.14	219,194	216,770
Non-current financial assets	6.15	52,001	60,678
Deferred tax assets		43,715	36,006
Non-current assets		**636,165**	**647,244**
Inventories and work in progress	6.16	178,946	192,145
Contract assets	6.17	221,546	155,007
Trade receivables	6.18	373,271	406,719
Other current assets	6.19	127,411	110,527
Current financial assets	6.15	5,784	5,024
Current tax assets		2,148	5,557
Cash and cash equivalents	6.20	110,528	148,006
Current assets		**1,019,634**	**1,022,985**
Held-for-sale assets		0	37
Total assets		**1,655,799**	**1,670,266**

SHAREHOLDERS' EQUITY AND LIABILITIES

In thousands of euros	Notes	Dec. 31, 2019	Dec. 31, 2018
Share capital		102,724	102,724
Share premium and reserves		296,446	313,420
Foreign currency translation reserve		24,235	20,164
Profit (loss) attributable to owners of the Group		(22,817)	(20,483)
Shareholders' equity attributable to owners of the Group		**400,588**	**415,825**
Non-controlling interests		1,705	9,626
Shareholders' equity	6.22	**402,293**	**425,451**
Non-current provisions	6.23	67,953	59,555
Non-current financial debt	6.24	114,722	117,775
Other non-current liabilities	6.25	12,084	13,264
Deferred tax liabilities		11,080	7,822
Non-current liabilities		**205,839**	**198,416**
Current provisions	6.23	76,874	73,718
Current financial debt	6.24	105,389	90,986
Contract liabilities	6.17	216,357	328,307
Trade and related payables		466,353	375,737
Current tax liabilities		10,115	7,440
Other current liabilities	6.25	172,579	170,211
Current liabilities		**1,047,667**	**1,046,399**
Total shareholders' equity and liabilities		**1,655,799**	**1,670,266**

CONSOLIDATED CASH FLOW STATEMENT

In thousands of euros	Notes	2019	2018
Cash and cash equivalents at January 1		**146,927**	**127,461**
Operating activities			
Profit (loss) for the year		**(22,593)**	**(19,900)**
Adjustments for:			
Change in non-current provisions		(198)	(3,948)
Amortization, depreciation and impairment		64,455	65,726
Net loss (gain) on disposals of assets and acquisition costs		(3,748)	3,355
Profit of equity-accounted associates		23,582	16,243
Other non-cash income and expense items		2,735	(3,607)
Income tax expense		26,045	18,534
Cost of net financial debt		11,058	8,228
Operating cash flow before change in working capital and income tax		101,336	84,631
Change in working capital	*6.21*	(57,632)	30,181
Income tax paid		(20,511)	(17,605)
Net cash provided by operating activities		**23,193**	**97,207**
Investing activities			
Acquisitions of property, plant and equipment and intangible assets		(27,470)	(27,893)
Disposals of property, plant and equipment and intangible assets		9,916	1,906
Change in financial assets		(16,234)	(51,045)
Acquisitions of subsidiaries after deduction of acquired cash		(6,124)	(4,558)
Net cash used in investing activities		**(39,912)**	**(81,590)**
Financing activities			
Dividends paid to owners of non-controlling interests		(514)	(730)
Net increase in borrowings		(14,114)	15,722
Net interest paid		(10,636)	(7,600)
Net interest received		1,487	1,063
Net cash provided by / (used in) financing activities		**(23,776)**	**8,454**
Effect of exchange rate fluctuations		2,836	(4,605)
Net increase in cash and cash equivalents		**(37,659)**	**19,466**
Cash and cash equivalents at December 31	*6.21*	**109,268**	**146,927**

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	Financial assets - fair value reserve	Equity attributable to the owners of the Group	Non-controlling interests	Total equity
Shareholders' equity at January 1, 2018	**102,724**	**325,950**	**(11,386)**	**15,086**	**1,570**	**433,944**	**9,607**	**443,551**
Profit (loss) for the year		(20,483)				(20,483)	583	(19,900)
Other comprehensive income			(567)	4,418	(603)	3,248	261	3,509
Profit (loss) and other comprehensive income		**(20,483)**	**(567)**	**4,418**	**(603)**	**(17,235)**	**844**	**(16,391)**
Dividends paid							(730)	(730)
Change in consolidation scope		(2,384)	(35)	661		(1,758)	(95)	(1,853)
Share-based payment		2,561				2,561		2,561
Change in carrying amount of obligation to purchase non-controlling interests		(1,683)				(1,683)		(1,683)
Other changes		(4)				(4)		(4)
Shareholders' equity at December 31, 2018	**102,724**	**303,957**	**(11,988)**	**20,165**	**967**	**415,825**	**9,626**	**425,451**

In thousands of euros	Share capital	Premiums, retained earnings and reserves	Actuarial gains (losses) on pensions	Foreign currency translation reserve	Financial assets - fair value reserve	Equity attributable to the owners of the Group	Non-controlling interests	Total equity
Shareholders' equity at January 1, 2019	**102,724**	**303,957**	**(11,988)**	**20,165**	**967**	**415,825**	**9,626**	**425,451**
Profit (loss) for the year		(22,817)				(22,817)	224	(22,593)
Other comprehensive income			(8,073)	3,956	141	(3,976)	(165)	(4,141)
Profit (loss) and other comprehensive income		**(22,817)**	**(8,073)**	**3,956**	**141**	**(26,793)**	**59**	**(26,734)**
Dividends paid							(514)	(514)
Change in consolidation scope		158		115		273	(316)	(43)
Share-based payment		3,256				3,256		3,256
Change in carrying amount of obligation to purchase non-controlling interests		8,058				8,058	(7,151)	907
Other changes		32	(63)			(31)	1	(30)
Shareholders' equity at December 31, 2019	**102,724**	**292,644**	**(20,124)**	**24,236**	**1,108**	**400,588**	**1,705**	**402,293**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL PRESENTATION

Fives (hereinafter Fives or "the Company") is a private limited liability company (*Société par Actions Simplifiée*) incorporated in France and subject to all French legislation governing commercial companies, in particular the legal provisions of the French Commercial Code. The registered office is located at 3 rue Drouot, 75009 Paris, France.

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

The 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 Chairman, who approved them on March 27, 2020. They will be final when approved by the shareholders at their General Meeting on April 14, 2020.

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

2. ACCOUNTING POLICIES

2.1. Statement of compliance

The consolidated financial statements of Fives for the reporting period ended December 31, 2019 have been prepared in accordance with the international standards issued by the International Accounting Standards Board (IASB) and adopted by the European Union at December 31, 2019. The international standards comprise International Accounting Standards (IAS), International Financial Reporting Standards (IFRS) and SIC and IFRIC interpretations.

The following standards are mandatory for the Group for financial years beginning on or after January 1, 2019:

- IFRS 16 "Leases", which replaces IAS 17 "Leases". Although IFRS 16 is mandatory for financial years beginning on or after January 1, 2019, the Group elected to apply it early, as of January 1, 2018.
- Amendment to IFRS 9 "Financial Instruments" for financial years beginning on or after January 1, 2019. This amendment clarifies the classification and recognition of financial instruments that have prepayment features with negative compensation.
- Amendment to IAS 28 "Long-term interests in Associates and Joint Ventures" for financial years beginning on or after January 1, 2019. The amendment clarifies that a company applies IFRS 9, including the provisions on impairment, to long-term interests in an associate or joint venture.
- Amendments to IAS 19 "Employee benefits" for financial years beginning on or after January 1, 2019. This amendment applies to defined benefit plan amendments, curtailments or settlements. It requires entities to use the updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after such an event.
- IFRIC 23 "Uncertainty over Income Tax Treatments" clarifies the method for recognizing and measuring uncertainties in income taxes, assuming that the tax authority will examine all the uncertainties reported based on all information available.
- Annual improvements – 2015-2017 cycle (amendments to IFRS 3, IFRS 11, IAS 21 and IAS 23)

The following standards and interpretations are not yet mandatory or have not yet been approved by the European Union. The Group has elected to not apply them early:

- Amendments to References to the Conceptual Framework in IFRS Standards.
- Definition of a Business (Amendments to IFRS 3).
- Definition of Material (Amendments to IAS 1 and IAS 8).

The Group is currently assessing these changes, but dœs not expect any significant 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://data.europa.eu/eli/reg/2008/1126/2018-01-01

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 financial assets and liabilities stated at fair value (excluding trade payables and receivables, and other held-to-maturity financial assets).

2.3. Presentation of financial statements

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

2.4. Consolidation methods

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

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

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

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

2.5. Significant estimates and judgments

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

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

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

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

Recognition of revenue and profit from performance obligations under the percentage-of-completion method and related provisions

The Group recognizes several performance obligations based on the percentage-of-completion method.

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

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

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

Estimates of provisions for litigation

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

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

Impairment of non-financial assets

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

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

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

Deferred tax assets

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

Employee benefits

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

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

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

2.6. Foreign currency transactions

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

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

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

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

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

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

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

2.8. Segment information

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

The Chairman 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, which was modified in 2019, is presented in note 6.1.

2.9. Business combinations and goodwill

In accordance with IFRS 3, business combinations are accounted for using the acquisition method.
Under this method, upon the initial consolidation of an entity over which the Group has acquired exclusive control:
- the identifiable assets acquired and liabilities assumed are measured at their fair value at the acquisition date (except for deferred tax assets and liabilities and assets and liabilities relating to employee benefits, which are measured and recognized in accordance with IAS 12 "Income Taxes" and IAS 19 "Employee benefits", respectively);
- non-controlling interests are measured either at fair value (full goodwill) or at the proportionate share of the acquiree's identifiable net assets (partial goodwill). The accounting policy choice is made on a transaction-by-transaction basis.

At the first consolidation date, goodwill is measured as the difference between:
- the fair value of the consideration transferred;
- the proportionate share in the net amount of identifiable assets acquired and liabilities assumed at the acquisition date, measured at fair value.

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

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

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

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

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

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

2.10. Research and development costs

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

Expenditure on development activities is only capitalized if the following criteria required by IAS 38 are met:
- the product or process has been clearly identified and the associated costs can be measured reliably;
- the product is technically feasible;
- the resources required to complete development are available;
- there is a market for the product, or the product will be used internally;
- the product will generate future economic benefits for the Group either through its sale or internal use.

In 2019, as very few development projects under way met all the conditions, the related development costs capitalized in the reporting period were not material.

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

2.11. Intangible assets

Separately acquired intangible assets are recognized at their acquisition cost.

Software and IT licenses are amortized on a straight-line basis over their expected useful lives (generally between one and 10 years).

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

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

2.12. Property, plant and equipment

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

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

2.13. Finance leases

Items of property, plant and equipment held under finance leases of over 12 months are recorded on the balance sheet under "Property, plant and equipment" and a right-of-use asset is recognized. The carrying amount of the right-of-use asset is equal to the carrying amount of the lease liability plus the initial direct costs and the costs of rehabilitation that are not dependent on use. The lease liability is equal to the sum of the lease payments discounted using the interest rate implicit in the lease (if it can be readily determined) or the lessee's incremental borrowing rate.

The lease liability may be remeasured in the event of changes to the following:
- Lease term;
- Whether or not the lessee is reasonably certain to exercise an option;
- Future lease payments resulting from a change in an index or rate used to determine those payments.

Interest expense for the period in recognized under "Cost of net financial debt".

Right-of-use assets are depreciated on a straight-line basis over the minimum lease term, taking into account the acquisition, renewal or cancellation options that the lessee is practically certain to exercise given the characteristics of the asset and market conditions.

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

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

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

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

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

Value in use for the Group corresponds to the value of the expected future economic benefits arising from the use of the groups of CGUs. It is measured by discounting the expected future cash flows of each group of CGUs.

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

Details of the assumptions used are provided in note 6.12..

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

2.15. Financial assets (excluding derivative instruments)

Initial measurement

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

Classification and measurement at the reporting date

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

Category	Measurement	Recognition of change in value
Loans and receivables	Amortized cost	N/A
Held-to-maturity financial assets	Amortized cost	N/A
Financial assets held for trading	Fair value	Income statement
Other financial assets	Fair value	Shareholders' equity (or Income statement)

Loans, receivables and held-to-maturity financial assets

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

Financial assets held for trading

This category of assets includes:
- Assets held for trading, which were purchased 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.

Other financial assets

Equity investments that are not held for trading are measured at fair value, with the Group irrevocably opting to measure them either through profit or loss or equity (without the possibility of subsequently recycling them through profit or loss in the event of disposal).

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

2.16. Financial liabilities (excluding derivative instruments)

Loans and borrowings

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

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

Compound financial instruments

The measurement of debt or equity components is performed on the basis of analyses of the intrinsic nature of each security issued.

When the analyses result in the separation of the equity and liability components, the liability component is initially recognized at the fair value that the liability would have without the option to convert or redeem the instrument as equity. The equity component is initially recognized as the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the liability. Directly-attributable transaction expenses are allocated to the liability and equity components proportionally to their initial carrying amount.

After initial recognition, the liability component of the compound instrument is measured at amortized cost using the effective interest rate method. The equity component of the compound financial instrument is not remeasured after initial recognition.

Earn-out clauses

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

Commitments to purchase non-controlling interests

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

2.17. Derivative instruments

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

Foreign exchange risk is hedged by currency forward sales and purchases, and by insurance contracted with the French export credit insurance company Bpifrance Assurance Export (formerly Compagnie française d'assurance pour le commerce extérieur – COFACE) for French subsidiaries.

To cover its exposure to interest rate risk, the Group primarily uses swaps that change floating rate debt to fixed rate debt.

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

Derivative instruments eligible for hedge accounting

The Group uses the criteria set forth in IFRS 9 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 prospectively.

The majority of derivatives used by Fives qualify as hedging instruments.

Fair value hedges

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

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

Cash flow hedges

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

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

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

Derivative instruments not eligible for hedge accounting

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

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

2.18. Order book

The Group uses the term “order book” to refer to all remaining performance obligations resulting from implemented contracts. No exception is made for short-term contracts.

A contract is added to the order book as soon as its terms (purpose, amount, timing) are known and the contract becomes enforceable for both parties. The transaction price included in the order book is the most probable amount of consideration the Group expects to receive less any variable consideration that is not reasonably certain.

At December 31, 2019, the Group’s order book mainly contained orders of less than 15 months.

2.19. Revenue

The Group identifies the performance obligations contained in each contract. A contract contains several performance obligations if those obligations are separately identifiable (may be purchased separately) and distinct within the context of the contract (in the Group’s case: subject to distinct deliveries).

For each performance obligation, revenue is recognized on a percentage-of-completion basis if one of the following three criteria is met:

- The customer receives the benefits provided by the Group’s performance (for example, maintenance services) as the service is performed;
- The customer owns and controls the asset for which the Group has a performance obligation (for instance, equipment upgrades);
- The Group’s performance obligation dœs not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date (contract to create specific equipment).

In each of the above cases, the transfer of control takes place over time, as the service is rendered.

If none of the criteria is met, the client will only obtain control at a point in time, generally upon completion of the performance obligation.

The main types of performance obligation within the Group are as follows:

- Provision of turnkey production assemblies or sub-assemblies: percentage-of-completion revenue recognition;
- Production of key process equipment: revenue recognition using the percentage-of-completion or completed-contract method, depending on alternative use and contract conditions;
- Industrial services: spare parts, maintenance, training, machine upgrades, and removals/relocations. Revenue recognition is either based on the percentage-of-completion or completed-contract method.

The Group recognizes most of its revenue using the percentage-of-completion method as its solutions are highly customized. In general, identifying performance obligations and determining their sales price do not require significant judgment.

Revenue and cost recognition

- For performance obligations under the completed-contract method, the Group recognizes revenue upon transfer of control. With regard to standard production equipment, control is generally transferred upon transfer of the risks and rewards of ownership.

- For performance obligations under the percentage-of-completion method, the Group determines the stage of completion applicable to each contract by measuring the costs incurred to date over estimated costs at completion. The latter are reassessed at each reporting date. 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.

Late performance penalties are recognized as a reduction in revenue.

Losses at completion are recognized for their full amount if they are probable.

2.20. Contract assets and liabilities

For each contract recognized on a percentage-of-completion basis, the Group determines the accumulated amount of costs incurred at the reporting date, plus profit recognized less progress billings and any losses at completion recognized.

If the amount is positive, it is recorded as an asset under "Contract assets". If it is negative, it is recorded as a liability under "Contract liabilities".

Advances and progress payments for ongoing contracts recognized on a completed-contract basis are recorded as liabilities under "Contract liabilities".

When estimated total contract costs exceed the expected sales price, a loss at completion is recognized, initially as a reduction in contract assets and subsequently as a provision.

2.21. Inventories and work in progress (excluding contract assets and liabilities)

Inventories and work in progress (excluding contract assets and liabilities) are measured at their acquisition cost using the weighted average cost method, or production cost.

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

2.22. 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.

2.23. 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 "Contract assets" or "Contract liabilities".

Upon contract completion, the obligations are recognized as separate line items under "Current provisions".

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

If the time value of money is significant, the provisions are measured at their present value.

Known litigation and claims that could affect the Group's companies were examined at the reporting date. The provisions judged necessary were recognized to cover the associated risks, on the advice of legal counsel.

The provisions are described in note 6.23.

2.24. Retirement benefits

In accordance with local law and practices, the Group participates in retirement plans in the countries in which it operates. For basic retirement plans and other defined contribution plans, the Group expenses the contributions payable when they are due and dœs not recognize any provisions, as its commitments do not extend beyond the contributions paid.

For defined benefit plans, the provisions are determined in the following manner:

- The actuarial valuation method used is the Projected Unit Credit Method, which assumes that each period of service gives rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. The calculations include assumptions regarding mortality, employee turnover and salary increase rates, as appropriate;
- Actuarial gains or losses net of deferred tax are recognized immediately in other comprehensive income, with an offsetting entry in shareholders' equity, in accordance with IAS 19 "Employee Benefits".

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

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

2.25. 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.

2.26. Share-based payments

Certain Group employees are entitled to share-based payments. The Group determines whether to opt for a cash or equity settlement for each share-based payment transaction.

In equity-settled transactions, the services giving rise to share-based payments are recognized under personnel expenses (in the line item "Other operating income and expenses") at the fair value of the equity instruments at grant date, with an offsetting entry in consolidated reserves over the equity instruments' vesting period. Unvested share-based payment transactions are not recognized.

In cash-settled transactions, the services giving rise to share-based payments are recognized under personnel expenses (in the line item "Other operating income and expenses") at the financial instruments' fair value at the reporting date, with an offsetting entry in liabilities

("Other liabilities" / "Other non-current liabilities") over the vesting period. Unvested financial instruments are not recognized.

The quantitative impacts for financial year 2019 are described in note 6.5.

2.27. Income taxe

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

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

Treatment of tax credits relating to research and intellectual property

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

Deferred taxes

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

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

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

3. SIGNIFICANT EVENTS OF THE PERIOD

Given the highly unstable and less favorable global economic climate than 2018, order intake in 2019 amounted to €1,841 million. While lower than 2018 (€2,003 million) due to the decrease in the number of major projects, order intake levels reached a record high for equipment, light systems and services.

The Group's operating profit increased markedly. This reflected sustained profit margins from ongoing projects, after operating difficulties in 2018, and initiatives to plug money drains in the Group's various activities by reducing structural costs.

4. YEAR-ON-YEAR COMPARABILITY

4.1. Change in operating segments

In 2019, the Group revised its operating segments to improve visibility of end markets and reflect its managerial organization.

For comparability, the figures presented in this document for 2018 have been adjusted to reflect the change.

The new operating segments and related information are presented in note 6.1.

5. CONSOLIDATION SCOPE

The list of companies included in the consolidation scope at December 31, 2019 is provided in 6.32.

5.1.Repurchase of non-controlling interests in Fives Lund

On August 5, 2019, the Group repurchased the non-controlling interests in Fives Lund, increasing the Group's percentage interest from 75% to 100%.

5.2. Deconsolidation

The fully or partially liquidated companies ECL Shanghai Co. Ltd., Fives Stein Belgium, Fives Fletcher Ltd. and Fletcher Smith Inc. were deconsolidated in 2019.

On January 1, 2019, Fives Syleps Robotics SAS merged with Fives Syleps and all its assets and liabilities were transferred to the latter *(transmission universelle de patrimoine)*.

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

6.1. Operating segment information

At management's initiative, the Group simplified its organizational structure in 2019 to maximize synergies, foster agility and speed up decision-making processes.

The decision was taken to structure the business around three main Activities: **Smart Automation Solutions, High Precision Machines and Process Technologies.**

The Group's new operating segments are as follows:

Smart Automation Solutions: "Smart automation solutions for e-commerce, courier, distribution and manufacturing" specializes in the design, supply and installation of high added value sorting, handling and automation solutions for the e-commerce, courier, distribution and manufacturing markets.

High Precision Machines: "High precision machines for advanced manufacturing" specializes in the supply of high precision machine-tools for the automotive, aerospace and manufacturing markets.

Process Technologies: "High performance and sustainable technologies for process industries" specializes in the design and supply of high performance and sustainable technologies for process industries, including process equipment and complete production lines for the aluminium, cement, steel and energy sectors.

Other: includes, for reporting purposes, Fives' industrial maintenance and piping solutions for nuclear power plants, mainly in France, as well as holding activities.

Segment information

	2019	2018**
Smart Automation Solutions	581,242	623,426
High Precision Machines	351,996	423,723
Process Technologies	761,394	838,662
Other	146,033	117,029
Total order intake	**1,840,665**	**2,002,840**
Smart Automation Solutions	504,666	499,735
High Precision Machines	190,330	246,189
Process Technologies	611,835	706,184
Other	95,228	91,752
Total order book	**1,402,059**	**1,543,860**
Smart Automation Solutions	582,657	530,202
High Precision Machines	414,070	417,713
Process Technologies	859,561	850,080
Other	142,602	152,516
Total sales	**1,998,890**	**1,950,511**
Smart Automation Solutions	38,216	23,064
High Precision Machines	6,017	7,636
Process Technologies	11,622	6,171
Other	115	(9,554)
Total profit from recurring operations	**55,970**	**27,317**
Smart Automation Solutions	48,573	31,471
High Precision Machines	26,541	28,498
Process Technologies	33,626	33,014
Other	11,530	1,045
EBITDA (*)	**120,270**	**94,028**

* EBITDA is defined as profit from recurring operations excluding amortization and depreciation (see note 6.6) and equity-settled share-based payment transactions (see note 6.5)
** 2018 data has been restated to reflect the new presentation for segment information.

The breakdown of assets by operating segment is as follows:

Dec. 31, 2019	Smart Automation Solutions	High Precision Machines	Process Technologies	Other	Total
Goodwill	24,913	110,371	117,881		253,165
Intangible assets, property, plant and equipment	51,375	87,832	115,497	32,581	287,285
Total allocated assets	**76,288**	**198,203**	**233,378**	**32,581**	**540,450**
Other assets					1,115,350
Total assets					**1,655,799**

Dec. 31, 2018**	Smart Automation Solutions	High Precision Machines	Process Technologies	Other	Total
Goodwill	24,824	108,105	116,322		249,251
Intangible assets, property, plant and equipment	48,092	96,500	119,379	37,338	301,309
Total allocated assets	**72,916**	**204,605**	**235,701**	**37,338**	**550,560**
Other assets					1,119,706
Total assets					**1,670,266**

**2018 data has been restated to reflect the new presentation for segment information.

6.2. Sales

Sales comprised the following:

	2019	2018
Revenue recognized based on the percentage-of-completion method	1,549,012	1,512,922
Revenue recognized based on the completed-contract method	449,877	437,589
Total	**1,998,890**	**1,950,511**

Sales by geographical destination

	2019	2018
Europe	797,417	706,433
Africa and Middle East	167,747	286,509
Americas	585,936	586,510
Asia and Oceania	447,790	371,059
Total	**1,998,890**	**1,950,511**

Sales by geographical origin

	2019	2018
Europe	1,155,134	1,186,574
Africa and Middle East	38,021	31,043
Americas	534,137	515,041
Asia and Oceania	271,598	217,853
Total	**1,998,890**	**1,950,511**

Information on major customers

No single Group customer accounted for more than 5% of consolidated sales in the last two reporting periods.

6.3. Personnel expenses and headcount

Personnel expenses

	2019	2018
Personnel expenses	616,159	612,878
Total headcount at reporting date	8,427	8,658

Headcount at December 31

By category	2019	2018
Engineers and management	3,831	3,905
Supervisory and office staff	2,954	3,038
Other employees	1,642	1,715
Total	**8,427**	**8,658**

By type of contrat	2019	2018
Permanent contracts	7,797	8,087
Fixed-term contracts	409	318
Apprenticeships	221	253
Total	**8,427**	**8,658**

6.4. Research and development costs

	2019	2018
Research and development expenses, gross	(33,554)	(34,116)
Research tax credits and grants received	10,092	10,283
Total	**(23,462)**	**(23,833)**

6.5. Other operating income and expense

	2019	2018
Share-based payment transactions		
- equity-settled share-based payment transactions	(3,173)	(2,514)
- cash-settled share-based payment transactions	(1,301)	(300)
Other	(3,527)	(5,845)
Total	**(8,001)**	**(8,659)**

In 2018, the Group granted its employees a long-term incentive plan based on parent company shares. The plan provides free and performance shares for French employees and a matching plan for foreign employees.

6.6. Amortization and depreciation included in profit from recurring operations

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

	2019	2018
Included in cost of sales	(17,412)	(17,092)
Included in overheads and other operating items	(27,655)	(24,997)
Amortization of intangible assets related to acquisitions	(16,060)	(22,109)
Total	**(61,127)**	**(64,198)**

Amortization and depreciation allowances arising from the adoption of IFRS 16 amounted to €16.3 million at December 31, 2019. They were included in overheads.

6.7. Restructuring costs

This line item includes the costs incurred as a result of the Group's redundancy plans in the reporting period, including two in France (aluminium business in the Process Technologies segment and manufacturing in the High Precision Machines segment) and downsizing measures in the United States and the United Kingdom (automotive-related business activities).

6.8. Gain or loss on disposals and acquisition costs

	2019	2018
Gain (loss) on disposals	3,931	(1,930)
of which: sale of Fives Stein Manufacturing		(3,245)
current disposals	3,931	1,315
Acquisition costs	(78)	(316)
Total	**3,853**	**(2,246)**

The line item "Gain (loss) on disposals" mainly related to the disposal of unused real estate assets.

6.9. Net financial income and expense

Cost of net financial debt

	2019	2018
Financial expenses relating to:		
- bank loans	(8,813)	(5,364)
- finance leases and lease liabilities	(2,833)	(2,155)
Other interest expense	(638)	(806)
Deferred transaction costs	(315)	(1,040)
Interest and related expenses	**(12,599)**	**(9,365)**
Interest and related income	**1,540**	**1,138**
Total	**(11,059)**	**(8,228)**

The line item “Financial expenses relating to lease liabilities” reflects all leases restated in accordance with IFRS 16.

Other financial income and expense

	2019	2018
Income from associates	842	187
Foreign exchange gains (losses)	1,644	7,453
- Foreign exchange gains (losses)	*6,377*	*7,695*
- Impact of forward points on changes in fair value of foreign exchange derivatives	*(4,733)*	*(242)*
Expenses for retirement and related benefits	(1,074)	(1,022)
Net financial provisions	(580)	(103)
Accretion expense	(136)	(568)
Other financial items	(628)	(767)
Total	**68**	**5,179**

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

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

Details of the loans are provided in note 6.26 in the paragraph on “Currency risk”.

Accretion expense arises from remeasuring liabilities relating to the purchase of non-controlling interests.

6.10. Current and deferred tax

Analysis of income tax expense

	2019	2018
French value-added business tax (CVAE) and Italian production tax (IRAP)	(5,427)	(5,774)
Current tax	(23,979)	(17,146)
Subtotal current tax	**(29,406)**	**(22,920)**
Deferred tax	**3,360**	**4,387**
Total	**(26,046)**	**(18,534)**

Effective tax rate

	2019	2018
Profit before income tax	**27,035**	**14,877**
Parent company tax rate	*28.00%*	*28.00%*
Theoretical tax expense	(7,570)	(4,166)
Effect of:		
French value-added business tax (CVAE) and Italian production tax (IRAP)	(5,427)	(4,126)
Tax rate differences	(298)	(1,709)
Changes in unrecognized deferred tax assets and unrecognized losses	(11,380)	(9,574)
Change in French tax rate and tax base		(2,153)
Permanent differences and other items	(1,372)	3,194
Income tax expense	**(26,046)**	**(18,534)**

Consolidated tax groups

Until December 31, 2018, Novafives, the parent company of Fives, was the head company of the tax group, which included all the French subsidiaries subject to corporate income tax that are directly or indirectly more than 95%-owned. Since January 1, 2019, Fives and its subsidiaries are part of the consolidated tax group formed by Fives Orsay. The tax savings resulting from offsetting the taxable profit of profit-making companies with the taxable losses of loss-making companies are recorded in Fives Orsay's financial statements as of 2019.

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

Deferred tax

The offsetting methods used are described in note 2.27.

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

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

	Dec. 31, 2018						Dec. 31, 2019	
	Deferred tax assets	Deferred tax liabilities	Change recognized in income statement	Change recognized in equity	Scope	Transl-ation differences and other	Deferred tax assets	Deferred tax liabilities
Provisions for retirement benefits	11,037		(763)	1,765	69	961	13,069	
Tax loss carryforwards	24,406		7,390		67	385	32,248	
Revaluations (1)	5,239	(24,902)	2,128	21	(2,109)	(144)	4,304	(24,070)
Other temporary differences	21,954	(7,026)	26	(123)	(238)	373	20,681	(5,711)
Deferred tax assets (liabilities), gross	**62,637**	**(31,929)**	**8,781**	**1,663**	**(2,211)**	**1,575**	**70,302**	**(29,781)**
Deferred tax asset limit	(2,523)		(5,421)		95	(37)	(7,886)	
Offsetting	(24,107)	24,107					(18,701)	18,701
Deferred tax assets (liabilities), recognized	**36,006**	**(7,822)**	**3,360**	**1,663**	**(2,116)**	**1,538**	**43,715**	**(11,080)**
Net deferred tax	**28,184**						**32,635**	

(1) Mainly relating to remeasurements in connection with the purchase price allocation of FL Investco in 2013 and the tax amortization of goodwill in the United States

6.11. Share of profit or loss of associates

In 2016, Fives and Michelin created AddUp, a joint venture aimed at developing and marketing machines and industrial production lines worldwide, using metal additive manufacturing technology, known as metal 3D printing. Fives and Michelin each hold a 50% stake. The company is accounted for using the equity method. The start of operations required significant capital expenditure, which will continue (although to a lesser extent) over the next few years until the company breaks even. Consequently, as in 2018, the company's contribution to Group profit for 2019 was negative. It is presented under "Share of profit (loss) of associates".

6.12. Goodwill

	Dec. 31, 2018 Net	Change in consolidation scope	Transfer	Translation differences and other	Dec. 31, 2019 Net
Smart Automation Solutions	24,824			89	24,913
High Precision Machines	108,105			2,266	110,371
Process Technologies	116,322			1,559	117,881
Other					
Total	**249,251**			**3,914**	**253,165**

In line with the adjustment presented in note 6.1, the Group reallocated goodwill based on the fair value of the reorganized CGUs.
In compliance with IAS 36, an impairment test was performed at December 31, 2019 on each operating segment CGU.
The following assumptions were used:
- 2020-2023 medium-term plan;
- Terminal value growth rate: 2% (identical to assumptions used in 2018 test);
- Discount rate: 8.7% (compared with 10% used in 2018 test).

The test did not result in the recognition of impairment at December 31, 2019.

Sensitivity analysis

Smart Automation Solutions CGU:
- Discount rate sensitivity: a 1% increase in the discount rate would not change the conclusions of the analysis;
- Long-term growth rate sensitivity: a 1% increase in the long-term growth rate would not change the conclusions of the analysis;
- Long-term cash flow sensitivity: a 10% decrease in long-term cash flow would not reduce the fair value of the CGUs to below their carrying amount.

High Precision Machines CGU:
- Discount rate sensitivity: a 1% increase in the discount rate would not change the conclusions of the analysis;
- Long-term growth rate sensitivity: a 1% increase in the long-term growth rate would not change the conclusions of the analysis;
- Long-term cash flow sensitivity: a 10% decrease in long-term cash flow would not reduce the fair value of the CGUs to below their carrying amount.

Process Technologies CGU:
- Discount rate sensitivity: a 1% increase in the discount rate would not change the conclusions of the analysis;
- Long-term growth rate sensitivity: a 1% increase in the long-term growth rate would not change the conclusions of the analysis;
- Long-term cash flow sensitivity: a 10% decrease in long-term cash flow would not reduce the fair value of the CGUs to below their carrying amount.

Other CGUs:
- Discount rate sensitivity: a 1% increase in the discount rate would not change the conclusions of the analysis;
- Long-term growth rate sensitivity: a 1% increase in the long-term growth rate would not change the conclusions of the analysis;
- Long-term cash flow sensitivity: a 10% decrease in long-term cash flow would not reduce the fair value of the CGUs to below their carrying amount.

6.13. Intangible assets

The analysis of changes in intangible assets was as follows:

	Dec. 31, 2019			Dec. 31, 2018		
	Gross	Accum. amort. / Impairment	Net	Gross	Accum. amort. / Impairment	Net
Technologies and R&D acquired	108,897	(71,329)	37,568	107,938	(61,679)	46,259
Brands acquired	25,682	(25,182)	500	25,530	(23,843)	1,687
Customer relationships, order book and other intangibles acquired	72,196	(65,072)	7,124	71,157	(57,878)	13,280
Concessions, patents and licenses	50,949	(36,616)	14,333	47,910	(33,762)	14,148
Other intangible assets	21,920	(13,355)	8,565	21,824	(12,658)	9,166
Total	**279,644**	**(211,554)**	**68,090**	**274,361**	**(189,821)**	**84,539**

At December 31, 2019, the analysis of changes in intangible assets was as follows:

	Gross	Accumulated amortization / Impairment	Net
Balance at December 31, 2018	**274,361**	**(189,821)**	**84,539**
Acquisitions	6,327		6,327
Deconsolidations and disposals	(4,292)	4,443	150
Amortization / Impairment		(23,799)	(23,799)
Reclassified items	175	(2)	173
Change in consolidation scope	(23)		(23)
Translation differences	3,097	(2,375)	723
Balance at December 31, 2019	**279,645**	**(211,554)**	**68,090**

At December 31, 2018, the analysis of changes in intangible assets was as follows:

	Gross	Accumulated amortization / Impairment	Net
Balance at December 31, 2017	**261,167**	**(157,986)**	**103,181**
Acquisitions	7,349		7,349
Deconsolidations and disposals	(855)	827	(28)
Amortization / Impairment		(27,273)	(27,273)
Reclassified items	(121)	(290)	(411)
Change in consolidation scope	(135)	83	(52)
Translation differences	6,955	(5,182)	1,773
Balance at December 31, 2018	**274,361**	**(189,821)**	**84,539**

6.14. Property, plant and equipment

The analysis of changes in property, plant and equipment was as follows:

	Dec. 31, 2019			Dec. 31, 2018		
	Gross	Accumulated depreciation / Impairment	Net	Gross	Accumulated depreciation / Impairment	Net
Land and developments	26,755	(233)	26,521	27,658	(225)	27,433
Buildings	155,274	(85,280)	69,994	156,815	(82,741)	74,074
Plant, equipment and machinery	200,398	(151,405)	48,994	188,949	(141,603)	47,347
Other assets	65,205	(46,253)	18,952	62,190	(43,873)	18,317
Right-of-use assets (leases)	78,565	(29,554)	49,011	63,271	(17,849)	45,422
Assets under construction	5,163		5,163	3,918		3,918
Advances on fixed assets	559		559	260		260
Total	**531,919**	**(312,725)**	**219,194**	**503,061**	**(286,291)**	**216,770**

At December 31, 2019, the analysis of changes in property, plant and equipment was as follows:

	Gross	Accumulated depreciation / Impairment	Net
Balance at December 31, 2018	**503,061**	**(286,291)**	**216,770**
New right-of-use assets	23,343		23,343
Acquisitions	21,295		21,295
Deconsolidations and disposals	(22,504)	18,259	(4,245)
Depreciation / Impairment		(40,693)	(40,693)
Reclassified items	1,240	(923)	317
Change in consolidation scope			
Translation differences	5,484	(3,077)	2,407
Balance at December 31, 2019	**531,919**	**(312,725)**	**219,194**

The line item "Depreciation / Impairment" includes the depreciation of right-of-use assets under lease contracts for €16.3 million, following the application of IFRS 16.

At December 31, 2018, the analysis of changes in property, plant and equipment was as follows:

	Gross	Accumulated depreciation / Impairment	Net
Balance at December 31, 2017	**438,748**	**(259,471)**	**179,277**
Impact of IFRS 16 at January 1, 2018	46,530		46,530
New right-of-use assets	9,473		9,473
Acquisitions	19,860		19,860
Deconsolidations and disposals	(10,459)	9,919	(540)
Depreciation / Impairment		(38,648)	(38,648)
Reclassified items	1,229	(821)	408
Change in consolidation scope	(7,199)	5,566	(1,633)
Translation differences	4,878	(2,835)	2,043
Balance at December 31, 2018	**503,061**	**(286,291)**	**216,770**

6.15. Current and non-current financial assets

The change in carrying amount of current and non-current financial assets was as follows:

	Dec. 31, 2019			Dec. 31, 2018		
	Current	Non current	Total	Current	Non current	Total
Financial assets measured at amortized cost						
Loans related to investments in associates	472	32,646	**33,118**	286	46,059	**46,345**
Other financial assets	2,754	3,556	**6,310**	1,838	3,429	**5,267**
Financial assets measured at fair value through other comprehensive income						
Other long-term investments		9,368	**9,368**		8,570	**8,570**
Financial assets measured at fair value through profit and loss						
Other financial assets	1,199	1,407	**2,606**	1,225	1,045	**2,270**
Derivatives	1,359		**1,359**	1,675		**1,675**
Equity-accounted associates		5,023	**5,023**		1,575	**1,575**
Financial assets	**5,784**	**52,001**	**57,785**	**5,024**	**60,678**	**65,702**

AddUp (see note 6.11) accounted for €30.2 million of loans related to investments in associates.

The change in gross value of other long-term investments includes a €144 thousand decrease in fair value at December 31, 2019 (€141 thousand net of tax).

At December 31, 2019, the repayment and maturity schedule for non-current financial assets (excluding other long-term investments and equity-accounted associates) was as follows:

	Dec. 31, 2019		
	Carrying amount	Between 1 and 5 years	More than 5 years
Loans related to investments in associates	32,646	32,646	
Other financial assets	4,963	2,770	2,193
Total	**37,609**	**35,416**	**2,193**

6.16. Inventories and work in progress

The change in carrying amount of inventories and work in progress was as follows:

	Dec. 31, 2019			Dec. 31, 2018		
	Gross	Impairment	Net	Gross	Impairment	Net
Raw materials	89,515	(13,006)	76,509	75,358	(11,619)	63,739
Work in progress under completed-contract method	71,053	(2,543)	68,511	94,095	(2,015)	92,080
Intermediate and finished goods	42,594	(8,669)	33,925	45,956	(9,630)	36,326
Total	**203,163**	**(24,217)**	**178,946**	**215,410**	**(23,265)**	**192,145**

6.17. Contract assets and liabilities

The change in carrying amount of contract assets and liabilities was as follows:

	Dec. 31, 2019	Dec. 31, 2018
Contracts recognized on a percentage-of-completion basis		
Contract assets	221,546	155,007
Contract liabilities	(169,789)	(275,554)
Net	**51,757**	**(120,546)**
Contracts recognized on a completed-contract basis		
Contract liabilities	(46,568)	(52,753)

6.18. Trade receivables

Gross and net trade receivables were as follows:

	Dec. 31, 2019			Dec. 31, 2018		
	Gross	Impairment	Net	Gross	Impairment	Net
Total trade receivables	380,590	(7,319)	373,271	413,850	(7,131)	406,719
Total	**380,590**	**(7,319)**	**373,271**	**413,850**	**(7,131)**	**406,719**

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

	Opening balance	Allowances	Reversals	Translation differences	Other*	Closing balance
2019	(7,131)	(1,457)	905	(56)	420	(7,319)
2018	(7,105)	(1,912)	1,642	(65)	308	(7,131)

* Mainly resulting from changes in consolidation scope

At December 31, 2019, 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
2019	373,271	266,234	58,982	22,795	25,260
2018	406,719	291,976	61,256	29,749	23,738

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

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

6.19. Other current assets

The change in carrying amount of other current assets was as follows:

	31.12.19	31.12.18
Tax receivables	69,652	68,628
Advances and progress payments	31,159	20,301
Other receivables	17,303	12,442
Prepaid expenses	9,297	9,156
Total	**127,411**	**110,527**

6.20. Cash and cash equivalents

	31.12.19	31.12.18
Cash equivalents	4,297	6,531
Cash	106,231	141,475
Total cash and cash equivalents	**110,528**	**148,006**

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	141						4,156	4,297
Cash	28,393	14,635	1,274	31,517	8,945	13,993	7,474	106,231
Total at Dec. 31, 2019	**28,534**	**14,635**	**1,274**	**31,517**	**8,945**	**13,993**	**11,630**	**110,528**
Foreign exchange swaps	(47,352)	(7,917)	(5,882)		61,151			
Total at Dec. 31, 2019 (before swaps)	**(18,818)**	**6,718**	**(4,608)**	**31,517**	**70,096**	**13,993**	**11,630**	**110,528**

At December 31, 2018, the breakdown of cash and cash equivalents was as follows:

	Euro	USD	GBP	CNY	JPY	CAD	Other	Total
Cash equivalents	130	3,403					2,998	6,531
Cash	77,189	9,136	1,484	18,171	26,064	1,381	8,050	141,475
Total at Dec. 31, 2018	**77,319**	**12,539**	**1,484**	**18,171**	**26,064**	**1,381**	**11,048**	**148,006**
Foreign exchange swaps	(41,081)	(17,527)		2,098	48,498	7,545	467	
Total at Dec. 31, 2018 (before swaps)	**36,238**	**(4,988)**	**1,484**	**20,269**	**74,562**	**8,926**	**11,515**	**148,006**

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

6.21. Statement of cash flows

Cash net of bank overdrafts

	Dec. 31, 2019	Dec. 31, 2018
Cash equivalents	4,297	6,531
Cash	106,231	141,475
Total cash and cash equivalents	**110,528**	**148,006**
Bank overdrafts	(1,260)	(1,079)
Total	**109,268**	**146,927**

Working capital requirements and current provisions

			Changes	
	Dec. 31, 2019	**Dec. 31, 2018**	Due to business activity	Other*
Inventories and work in progress	(178,946)	(192,145)	15,516	(2,317)
Contract assets	(221,546)	(155,007)	(64,466)	(2,073)
Trade receivables	(373,271)	(406,719)	38,421	(4,973)
Other current/non-current assets incl. in working capital	(127,922)	(110,836)	(22,650)	5,564
Contract liabilities	216,357	328,307	(117,244)	5,294
Trade and related payables	466,353	375,737	86,855	3,761
Other current/non-current liabilities incl. in working capital	182,516	175,840	6,919	(243)
Working capital requirements before current provisions	**(36,458)**	**15,177**	**(56,649)**	**5,013**
Current provisions	76,874	73,718	(983)	4,139
Working capital requirements	**40,416**	**88,895**	**(57,632)**	**9,152**

* Resulting mainly from the application of IFRS 16, IFRS 9 adjustments to the underlying and currency translation effects.

6.22. Shareholders' equity

Financial capital management policy

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

Share capital

At December 31, 2019, Fives' share capital was divided into 2,185,612 shares with a par value of €47. The shares are fully paid either in cash or in kind. Share capital amounts to €102,723,764.

Dividend payments

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

6.23. Current and non-current provisions

	Dec. 31, 2018	Allowance	Utilization	Unutilized reversals	Translation difference	Other	**Dec. 31, 2019**
Warranties	35,386	22,646	(12,788)	(13,829)	416	2,138	**33,969**
Contract litigation	4,205	1,647	(1,558)	(707)	25	(475)	**3,137**
Future losses on contracts	1,930	588	(876)	(498)	25		**1,169**
Completed contract expenses	24,660	19,812	(12,984)	(5,378)	190	(1,001)	**25,299**
Other provisions - current portion	7,537	14,726	(6,977)	(1,798)	72	(260)	**13,300**
Total current provisions	**73,718**	**59,419**	**(35,183)**	**(22,210)**	**728**	**402**	**76,874**
Retirement benefits	49,235	4,601	(6,275)	(240)	1,034	9,835	**58,190**
Other post-employment benefits	6,138	611	(1,025)	(127)	20	(3)	**5,614**
Other provisions - non-current portion	4,183	2,676	(217)	(204)	7	(2,293)	**4,152**
Total non-current provisions	**59,555**	**7,888**	**(7,517)**	**(571)**	**1,060**	**7,538**	**67,953**

Current provisions

Current provisions are mainly for warranties, future losses on contracts accounted for using the completed-contract method, and completed contract litigation.

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

Point for attention regarding Fives Nordon:
Fives Nordon, a Group subsidiary, is currently working for Framatome on the Flamanville EPR reactor project as part of an ad-hoc group of companies with equally shared financial responsibilities (groupement momentané d'entreprises solidaires or "GMES"). In December 2018, the GMES received a complaint from its client, Framatome, requesting that it cover the costs of correcting welding defects identified on the main secondary circuit at the Flamanville EPR. The GMES sent a response to Framatome at the beginning of March 2019. As Fives Nordon believes the claim to be unsubstantiated, it had not recognized any provisions for this purpose in its financial statements for the year ended December 31, 2018.
Framatome's claim was closed at end-September 2019, with no material effect on the Group's consolidated financial statements for the year ended December 31, 2019, confirming the accounting treatment adopted at December 31, 2018.

Non-current provisions

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

The provision for retirement obligations reflects the Group's defined benefit plans currently in place, which include:
- French and Japanese retirement benefits;
- supplementary retirement plans; the British, American, German and French pension funds have been closed to further accrual and the vested rights thereunder were frozen as of the respective closure dates.

Actuarial assumptions

Dec. 31, 2019	France	United Kingdom	United States of America	Japan	Germany	India
Discount rate	1.0%	2.1%	2.8%	0.3%	0.8%	7.3 - 7.7%
Expected return on plan assets	NA	2.1%	NA	NA	NA	7.3 - 7.5%
Salary increase rate	1.7%	NA	NA	2%	NA	5 - 8.5%

Dec. 31, 2018	France	United Kingdom	United States of America	Japan	Germany	India
Discount rate	1.7%	2.9 - 3%	3.9%	0.3%	1.8%	7.3 - 7.7%
Expected return on plan assets	NA	2.9 - 3%	NA	NA	NA	7.3 - 7.5%
Salary increase rate	1.7%	NA	NA	2%	NA	5 - 8.5%

The present value of future obligations (defined benefit obligations) amounted to €109,262 thousand at December 31, 2019. Given the fair value of all plan assets, the net obligation at December 31, 2019 totaled €58,190 thousand.

The net expense recognized for the reporting period reflects the current service cost, the interest cost of the obligation less the expected return on plan assets and the amortization of past service costs. In total, expenses and changes in provisions for retirement benefit obligations resulted in a net expense of €2,970 thousand, of which €1,895 thousand were recognized in profit from recurring operations, and €1,075 thousand in financial expense.

Net actuarial gains and losses generated during the reporting period and recognized directly in items of other comprehensive income amounted to €9,877 thousand, excluding tax, resulting in an overall decrease in the discount rate compared with December 31, 2018.

	Retirement benefit obligations		Complementary retirement obligations				Total
	France	USA	United Kingdom	Eurozone	Japan	India	
CHANGE IN PRESENT VALUE OF OBLIGATION							
Present value of obligation at Jan. 1, 2019	24,382	6,924	55,501	2,934	1,504	598	91,844
Current service cost	1,591		325	15	196	87	2,215
Interest cost	404	263	1,663	38		19	2,387
Employee contributions paid							
Plan amendments							
Plan curtailments / settlements	(282)		(325)	(3)			(610)
Newly consolidated / Deconsolidations	2						2
Benefits paid	(1,595)	(716)	(2,069)	(87)	(131)		(4,598)
Actuarial (gain) loss	2,778	(125)	11,710	283		(3)	14,643
Foreign exchange gains and losses and other	(5)	135	3,203		48	(1)	3,380
Present value of obligation at Dec. 31, 2019	**27,275**	**6,481**	**70,009**	**3,180**	**1,617**	**700**	**109,262**
CHANGE IN FAIR VALUE OF PLAN ASSETS							
Fair value of plan assets at Jan. 1, 2019			42,104			505	42,609
Net return on plan assets			6,049			33	6,082
Employer contributions paid			2,398			15	2,413
Employee contributions paid						15	15
Plan curtailments / settlements			(325)				(325)
Newly consolidated / Deconsolidations							
Benefits paid			(2,069)				(2,069)
Foreign exchange gains and losses and other			2,351			(4)	2,347
Fair value of plan assets at Dec. 31, 2019			**50,509**			**564**	**51,072**
FAIR VALUE OF PLAN ASSETS AT DEC. 31, 2019							
Net obligation (obligation less plan assets)	27,275	6,481	19,500	3,180	1,617	136	58,190
Net provision recognized in the balance sheet at Dec. 31, 2019	**27,275**	**6,481**	**19,500**	**3,180**	**1,617**	**136**	**58,190**
COMPONENTS OF NET EXPENSE RECOGNIZED FOR FINANCIAL YEAR 2019							
Current service cost	1,591		325	15	196	87	2,215
Interest cost	404	263	1,663	38		19	2,387
Expected return on plan assets			(1,282)			(30)	(1,313)
(Gain) loss on plan curtailments / settlements	(282)			(3)			(285)
Net expense recognized in the income statement for FY 2019	**1,713**	**263**	**706**	**50**	**196**	**76**	**3,004**
CHANGE IN PROVISIONS FOR RETIREMENT AND OTHER							
Provisions recognized in the balance sheet at Jan. 1	24,382	6,924	13,397	2,934	1,504	93	49,234
Employer contributions paid			(2,398)			(28)	(2,426)
Net expense recognized	1,713	263	706	50	196	76	3,004
Benefits paid directly by the employer	(1,595)	(716)		(87)	(131)		(2,529)
Newly consolidated / Deconsolidations	2						2
Net actuarial (gains) and losses	2,778	(125)	6,944	283		(2)	9,877
Foreign exchange gains and losses	(5)	135	852		48	(1)	1,029
Provisions recognized in the balance sheet at Dec. 31, 2019	**27,275**	**6,481**	**19,500**	**3,180**	**1,617**	**137**	**58,190**

	Retirement obligations at Dec. 31, 2018						Total
	France	USA	United Kingdom	Eurozone	Japan	India	
CHANGE IN PRESENT VALUE OF OBLIGATION							
Present value of obligation at Jan. 1, 2018 (restated)	25,102	7,158	59,841	4,352	1,410	563	98,427
Current service cost	1,603		242	18	202	36	2,102
Interest cost	367	223	1,563	86		4	2,242
Employee contributions paid							
Plan amendments							
Plan curtailments / settlements	(361)		(242)				(603)
Newly consolidated	(577)					(0)	(577)
Benefits paid	(2,307)	(682)	(2,604)	(1,541)	(209)		(7,343)
Actuarial (gain) loss	560	(96)	(2,853)	17		12	(2,360)
Foreign exchange gains and losses and other	(5)	322	(446)	2	100	(17)	(43)
Present value of obligation at Dec. 31, 2018	**24,382**	**6,924**	**55,501**	**2,934**	**1,504**	**598**	**91,844**
CHANGE IN FAIR VALUE OF PLAN ASSETS							
Fair value of plan assets at Jan. 1			45,724	747		454	46,925
Net return on plan assets			(2,029)	(47)		12	(2,064)
Employer contributions paid			1,593			17	1,610
Employee contributions paid							
Plan curtailments / settlements			(242)			37	(205)
Newly consolidated							
Benefits paid			(2,604)	(700)			(3,304)
Foreign exchange gains and losses and other			(337)			(15)	(352)
Fair value of plan assets at Dec. 31, 2018			**42,104**			**505**	**42,609**
COMPONENTS OF AMOUNTS RECOGNIZED IN THE FINANCIAL STATEMENTS							
Net obligation (obligation less plan assets)	24,382	6,924	13,397	2,934	1,504	93	49,235
Net provision recognized in the balance sheet at Dec. 31, 2018	**24,382**	**6,924**	**13,397**	**2,934**	**1,504**	**93**	**49,235**
COMPONENTS OF NET EXPENSE RECOGNIZED FOR FINANCIAL YEAR 2018							
Current service cost	1,603		242	18	202	36	2,102
Interest cost	367	223	1,563	86		4	2,242
Expected return on plan assets			(1,208)			(12)	(1,220)
(Gain) loss on plan curtailments / settlements	(361)					(37)	(398)
Net expense recognized in the income statement for 2018	**1,609**	**223**	**597**	**104**	**202**	**(9)**	**2,726**
CHANGE IN PROVISIONS FOR RETIREMENT AND OTHER							
Provisions recognized in the balance sheet at Jan. 1	25,102	7,158	14,117	3,605	1,410	109	51,502
Employer contributions paid			(1,593)			(17)	(1,610)
Net expense recognized	1,609	223	597	104	202	(9)	2,726
Benefits paid directly by the employer	(2,307)	(682)		(841)	(209)		(4,039)
Newly consolidated	(577)						(577)
Net actuarial (gains) and losses	560	(96)	384	64		12	924
Foreign exchange gains and losses	(5)	322	(109)	2	100	(2)	309
Provisions recognized in the balance sheet at Dec. 31, 2018	**24,382**	**6,924**	**13,397**	**2,934**	**1,504**	**93**	**49,235**

Plan assets by investment type

	2019		2018	
	Amount	%	Amount	%
Shares	40,603	80%	34,017	79%
Bonds and other debt securities	8,534	17%	6,723	16%
Money market investments	1,358	3%	1,544	4%
Diversified funds	577	1%	325	1%
Fair value of invested plan assets	**51,072**	**100%**	**42,609**	**100%**

Present value of obligation

	Dec. 31, 2019	Dec. 31, 2018
Defined benefit obligation	109,262	91,844
Fair value of invested plan assets	(51,072)	(42,609)
Present value of obligation	**58,190**	**49,235**

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:

	2019		2018	
	In thousands of euros	DBO as a %	In thousands of euros	DBO as a %
France	938	3.50%	808	3.31%
USA	539	8.32%	114	1.65%
United Kingdom	3,932	5.62%	3,032	5.16%
Germany	136	4.29%	133	4.52%
Japan	1	0.06%	1	0.07%
India	1	0.11%	7	0.56%

6.24. Current and non-current financial debt

	Dec. 31, 2019			Dec. 31, 2018		
	Non-current	Current	Total	Non-current	Current	Total
Bank loans	80,751	61,773	142,524	87,945	37,912	125,857
Deferred transaction costs	(1,408)		(1,408)	(1,629)		(1,629)
Finance leases	35,379	13,581	48,960	31,459	12,538	43,997
Other bank loans and borrowings		22,446	22,446		11,337	11,337
Accrued interest		975	975		603	603
Derivative instruments, liabilities		2,920	2,920		2,864	2,864
Other financial debt		2,434	2,434		24,653	24,653
Bank overdrafts		1,260	1,260		1,078	1,078
Total financial debt	**114,722**	**105,389**	**220,111**	**117,775**	**90,986**	**208,761**

At December 31, 2019, the line item “Bank loans” included:

- A loan drawdown under preferential conditions taken out in June 2018 with the European Investment Bank, recognized at an estimated fair value of €68.5 million.
  The loan agreement provides for an aggregate amount of €80 million and relates to the Group’s Research and Development (R&D) initiatives within the European Union. It bears fixed-rate interest over 10 years and is repayable after a three-year grace period.
  In accordance with IAS 20, the difference between the principal amount of the loan and its fair value is recognized as a grant for the Group’s R&D expenses and is allocated over financial years 2018-2021.
- The revolving credit line for €46.5 million, presented under current financial debt.

Other financial debt relates to loans in connection with the cash pooling agreement with the parent company, Novafives.

Change in financial debt, by type

	Dec. 31, 2019	Dec. 31, 2018	Changes included in financing flows	Other changes	Breakdown of other changes: Change in accounting method	Scope	Translation	IFRS 9 measurement effect	New finance leases	Capitalization of interest at the effective interest rate (EIR)	Interest expense
Bank loans	142,524	125,857	14,156	2,511			810			374	
Deferred transaction costs	(1,408)	(1,629)	(94)	315							315
Finance leases	48,960	43,997	(17,107)	22,070	(2,899)	1,508	284		23,087		91
Other bank loans and borrowings	22,446	11,337	11,108	1							1
Other financial liabilities	2,434	24,653	(22,177)	(42)			45			(374)	287
Accrued interest	975	603	(10,636)	11,008			1				11,007
Derivative instruments, liabilities	2,920	2,864		55			57	(2)			
Bank overdrafts	1,260	1,078									
Total financial debt	**220,111**	**208,761**	**(24,750)**	**35,918**	**(2,899)**	**1,508**	**1,197**	**(2)**	**23,087**		**13,028**

Breakdown in fixed and floating rate financial liabilities (before hedging)

	Dec. 31, 2019			Dec. 31, 2018		
	Fixed rate	Floating rate	Total	Fixed rate	Floating rate	Total
Bank loans	79,936	62,588	142,524	75,076	50,781	125,857
Deferred transaction costs	(1,408)		(1,408)	(1,629)		(1,629)
Finance leases	48,959		48,960	42,495	1,502	43,997
Other bank loans and borrowings		22,446	22,446		11,337	11,337
Other financial debt		2,434	2,434		24,653	24,653
Accrued interest	975		975	603		603
Total financial debt	**128,462**	**87,468**	**215,931**	**116,545**	**88,273**	**204,818**

Breakdown of financial liabilities by currency

	Dec. 31, 2019					Dec. 31, 2018				
	Euros	USD	GBP	Other	Total	Euros	USD	GBP	Other	Total
Bank loans	116,742	15,417		10,365	142,524	71,506	40,752	6,708	6,891	125,857
Deferred transaction costs	(1,333)	(75)			(1,408)	(1,610)	(21)			(1,631)
Finance leases	30,248	9,658	1,032	8,022	48,960	33,993	4,681	754	4,569	43,997
Other financial debt	2,434				2,434	24,653				24,653
Other bank loans and borrowings	22,446				22,446	11,337				11,337
Accrued interest	795	148		32	975	409	186		9	604
Total financial debt	**171,332**	**25,148**	**1,032**	**18,419**	**215,931**	**140,288**	**45,598**	**7,462**	**11,469**	**204,818**

6.25. Other current and non-current liabilities

Other non-current liabilities

Other non-current liabilities comprised the following:

	Dec. 31, 2019	Dec. 31, 2018
Payroll-related payables	4,113	2,255
Other liabilities	555	657
Prepaid income	7,416	10,352
Total	**12,084**	**13,264**

Other current liabilities

Other current liabilities comprised the following:

	Dec. 31, 2019	Dec. 31, 2018
Tax and social security payables	124,836	130,146
Amounts due on acquisitions of fixed assets	1,170	830
Amounts due on acquisitions of equity interests		6,132
Estimated earnout liability		596
Other liabilities	46,573	32,507
Total	**172,579**	**170,211**

6.26. Financial risk management

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

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

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

	Dec. 31, 2019		Dec. 31, 2018	
	Assets	Liabilities	Assets	Liabilities
Foreign exchange derivative instruments				
Fair value hedging derivative instruments	1,359	2,920	1,675	2,864
Derivative instruments not eligible for hedge accounting				

There were no interest rate hedging derivatives at December 31, 2019 or at December 31, 2018.

Liquidity risk

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

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

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

The future cash flows presented below have not been discounted.

	Balance sheet carrying amount	< 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	> 5 years
Non-derivative financial instruments							
Bank loans	164,970	91,320	3,406	11,918	11,918	11,914	34,494
Other financial debt	2,434	2,434					
Finance leases	48,960	13,907	9,809	6,682	5,527	4,452	8,582
Total gross non-current financial liabilities	**216,364**	**107,661**	**13,215**	**18,600**	**17,445**	**16,366**	**43,076**
Deferred transaction costs	(1,408)	(340)	(263)	(263)	(263)	(252)	(27)
Total non-current financial liabilities	**214,956**	**107,321**	**12,952**	**18,337**	**17,182**	**16,114**	**43,049**
Interest on non-current financial liabilities		3,745	3,531	2,751	2,331	1,911	3,476

The analysis excludes financial assets such as cash and cash equivalents and trade receivables, which amounted to €110.5 million and €373.3 million respectively at December 31, 2019. The Group also has a revolving credit line of €115 million at its disposal until December 2024. The credit line can be drawn down freely within a limit of €50 million, above which it is subject to a quarterly leverage ratio test, which was not triggered in 2019. At December 31, 2019, €46.5 million of the credit line had been drawn down.

Interest rate risk

The three tranches drawn down on the €80 million loan taken out with the European Investment Bank in June 2018 bear fixed-rate interest.

The Company's floating-rate debt of €87.5 million was lower than cash of €111 million at year end.

The floating rate debt on Fives' balance sheet comprises various tranches of external bank loans and the outstanding debt owed to Novafives under cash pooling arrangements.

The majority of cash and cash equivalents have been invested at floating rates (such as Eonia-indexed money market funds). The fixed rate instruments used are term deposits or certificates of deposit with a maximum three-month maturity.

Interest rate risk is globally offset by the yield on cash invested at floating rates. A similar position has been adopted for local bank loans, as exposure to interest rate risk is considered to be preferable to the cost of fixed-rate hedging.

Analysis of interest rate sensitivity

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

The sensitivity analysis of 2020 earnings to interest rate risk was based on the following assumptions:
- The amount of loans and borrowings at December 31, 2019 less repayments due during 2020, without additional hedging;
- Cash and cash equivalents, per currency and exchange rate, remain constant year on year;
- The Group maintains access to current accounts that do not have negative interest rates.

In a potentially negative interest rate environment, the sensitivity analysis was performed by increasing the interest rate by 1% and decreasing the rate by 1%. The analysis also factored in the contractual floors applicable to the reference interest rates on Group loans.

	Sensitivity analysis effect	
	- 1%	+ 1%
Floating rate debt	12	(58)
Cash invested at floating rates		747
Effect on profit	**12**	**689**

2020 profit would not be significantly impacted by a 1% decrease in interest rates. A 1% increase in interest rates would have a positive impact of €0.7 million, with the yield on cash partially offsetting additional interest expense on floating-rate debt.

Currency risk

Loans and borrowings denominated in foreign currencies

The Group contracted loans and borrowings in USD to finance its acquisitions and business activities in the United States. Loans and borrowings denominated in USD, held in France, represent an exposure to currency risk of USD 10 million.

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

The outstanding loan principal exposed to currency risk amounted to USD 200.3 million at December 31, 2019.

The Group's net exposure is therefore USD 190.3 million.

In December 2012, the Group began restructuring its activities in the United Kingdom by reclassifying its operating assets under a single holding company, Fives UK Holding Ltd. The latter contracted a loan from Fives to repurchase the assets. The outstanding loan principal exposed to currency risk amounted to GBP 27 million at December 31, 2019.

Exchange rate risk on operating profit

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

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

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

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

Analysis of exchange rate sensitivity

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

Exposure at December 31, 2019 of USD and GBP loans, principal and interest for 2020

Acquisition loan principal denominated in USD totaled USD 200.3 million at December 31, 2019, with 2020 interest income of USD 12.8 million, representing a total exposure of USD 213.2 million, or €189.7 million after translation using the exchange rate effective at the reporting date. The acquisition loans are backed by external loans with outstanding loan principal of USD 10 million and interest expense of USD 0.2 million for 2020, representing a net position of USD 10.2 million, or €9 million after translation using the exchange rate effective at the reporting date.

The position of the acquisition loans denominated in USD net of the external loans, including net interest, amounted to USD 203 million, or €180.7 million after translation using the exchange rate effective at the reporting date and deduction of hedges.

The acquisition loan principal for Fives UK Holding Ltd. amounted to GBP 27 million, with interest income of GBP 1.3 million for 2020, representing a total exposure of GBP 28.2 million, or €33.2 million after translation using the exchange rate effective at the reporting date.

A 10 basis point increase or decrease in the EUR/USD and/or EUR/GBP exchange rates would have the following impact on profit for 2020:

	ER-10bp	ER	ER+10bp
USD loans			
Exchange rate at Dec. 31	*1.0234*	*1.1234*	*1.2234*
Net debt after hedging (EUR)	198.3	180.7	165.9
Effect on 2019 profit	17.6		(14.8)
GBP loans			
Exchange rate at Dec. 31	*0.7508*	*0.8508*	*0.9508*
Net debt after hedging (EUR)	37.6	33.2	29.7
Effect on 2019 profit	4.4		(3.5)
Total effect on profit for 2019	**22.0**		**(18.3)**

Net exposure at December 31, 2019 of USD and GBP loans, estimated cash flows for 2020

Expected cash flows in 2020 relating to intercompany acquisition loans denominated in USD (interest payments and repayment of principal), and given the loan repayment schedules, amount to USD 36.5 million. In addition, repayment in 2020 of principal and interest on external loans denominated in USD amounts to USD 10.2 million.

Cash exposure on expected cash flows in USD in 2020 is therefore USD 26.3 million, or €23.4 million after translation using the exchange rate effective at the reporting date and deduction of hedges.

Expected cash flows relating to the Fives loan to Fives Holding UK in 2020 amount to GBP 4.6 million or €5.4 million after translation using the exchange rate effective at the reporting date.

Sales contracts

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

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

Credit risk

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

Risks relating to trade receivables

The Group believes that there is limited risk that counterparty default could significantly affect its financial position and profit. The Group carefully manages credit risk relating to trade receivables, as detailed in note 6.18.

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, 2019, all cash and cash equivalents were invested through the top-ranking commercial banks that finance the Group's activities.

6.27. Value of financial assets and liabilities, by category

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

The debt securities issued in 2018 are listed on the Luxembourg Stock Exchange. Their apparent value at December 31, 2019 was approximately 80% of their nominal amount.

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

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

6.28. Off-balance sheet commitments

Guarantees, sureties and other

	Dec. 31, 2019	Dec. 31, 2018
Commitments given	293,183	288,817
commitments received	35,668	59,947

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

Pledges

As collateral and to guarantee the obligations (i) of Novafives as Issuer of the senior secured notes dated April 26, 2018 and (ii) Novafives and Fives as borrowers under the revolving credit line agreement dated April 26, 2018, Novafives has pledged a portfolio of all the securities it holds to the note holders and revolving credit line lenders.

6.29. Related parties

Related parties mainly comprise:
- Fives' shareholders;
- associates;
- controlled entities that are not consolidated as they are not material.

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

Remuneration of the executive officers

In 2019, the aggregate direct and indirect remuneration paid by Fives or its subsidiaries to the Chairman and members of the Group's Management Board, 11 people in total, amounted to €2,926 thousand.

6.30. Statutory auditor's fees

Total fees charged by the statutory auditors of Fives and its subsidiaries, as presented in the consolidated financial statements for the periods ended December 31, 2019 and 2018, amounted to:

	2019			2019		
	Stautory audit	Other work	Total	Statutory audit	Other work	Total
Deloitte	721	178	**899**	803	107	**910**
Ernst & Young	762	106	**868**	806	194	**1,000**
Other	567		**567**	658		**658**
Total	**2,051**	**284**	**2,334**	**2,267**	**301**	**2,568**

6.31. Subsequent events

Between December 31, 2019, the reporting date, and March 27, 2020, the date the financial statements were approved by the Chairman, the world was hit by the COVID-19 pandemic.

At this stage, it is difficult to measure the impact of the outbreak on business. The Group has implemented appropriate measures to protect its employees and best meet customer requirements.

6.32. Consolidated companies at December 31, 2019

Consolidated companies	Location	Consolidation method	Controlling/ ownership	Percentage interest
HOLDINGS AND SUBSIDIARIES NOT ALLOCATED TO OPERATING SEGMENTS				
Fives *	Paris, France		Parent company	
FI 2006 *	Paris, France	FC	100.00	100.00
Fives UK Holding Ltd.	United Kingdom	FC	100.00	100.00
Fives Inc.	United States	FC	100.00	100.00
Fives Italy S.r.l.	Italy	FC	100.00	100.00
Fives Engineering (Shanghai) Co., Ltd.	China	FC	100.00	100.00
Shanghai Fives Automation & Processing Equipment Co., Ltd.	China	FC	100.00	100.00
Fives Japan K.K.	Japan	FC	100.00	100.00
Fives Maintenance *	Montévrain, France	FC	100.00	100.00
Fives Nordon *	Nancy, France	FC	100.00	100.00
AddUp SAS	Cébazat, France	EM	50.00	50.00
SMART AUTOMATION SOLUTIONS				
Fives Intralogistics SAS *	Grigny, France	FC	100.00	100.00
Fives Syleps*	Lorient, France	FC	100.00	100.00
Fives Conveying *	Montévrain, France	FC	100.00	100.00
Fives Conveying Iberica	Spain	FC	100.00	100.00
Fives Cinetic *	Héricourt, France	FC	100.00	100.00
Fives Intralogistics S.P.A.	Italy	FC	100.00	100.00
Fives Intralogistics Corp.	United States	FC	100.00	100.00
Fives Cinetic Corp.	United States	FC	100.00	100.00
Fives DyAG Corp.	United States	FC	100.00	100.00
Fives Cinetic Mexico SA de CV	Mexico	FC	100.00	100.00
Fives Intralogistics K.K.	Japan	FC	100.00	100.00
HIGH PRECISION MACHINES				
Fives Landis Corp.	United States	FC	100.00	100.00
Fives Machining Systems Inc.	United States	FC	100.00	100.00
Fives Lund LLC	United States	FC	100.00	100.00
Fives Liné Machines Inc.	Canada	FC	100.00	100.00
4192567 Canada Inc.	Canada	FC	100.00	100.00
Sogelire Inc.	Canada	FC	100.00	100.00
Fives Landis Limited	United Kingdom	FC	100.00	100.00
Fives Landis GmbH	Germany	FC	100.00	100.00
Fives Giustina S.r.l.	Italy	FC	100.00	100.00
Fives Machining *	Saint-Laurent-les-Tours, France	FC	100.00	100.00
Daisho Seiki Corporation	Japan	FC	100.00	100.00
Daisho Seiki Korea Co., Ltd.	South Korea	FC	100.00	85.46
Daisho Seiki American Corporation	United States	FC	100.00	100.00
Fives Machining Systems Korea Inc.	South Korea	FC	100.00	100.00
Fives Machining Systems (Shanghai) Co., Ltd.	China	FC	100.00	100.00
Fives Filling & Sealing K.K.	Japan	FC	100.00	100.00
Fives Filling & Sealing *	Le Bignon, France	FC	100.00	100.00
PROCESS TECHNOLOGIES				
Fives FCB *	Villeneuve d'Ascq, France	FC	100.00	100.00
Fives FCB Services Mexico S.A. de C.V.	Mexico	FC	100.00	99.90
Fives Pillard	Marseille, France	FC	100.00	85.18
Fives Pillard España S.A.U.	Spain	FC	100.00	85.18

Consolidated companies	Location	Consolidation method	Controlling/ ownership	Percentage interest
Fives Pillard Deutschland GmbH	Germany	FC	47.50	40.46
Fives Combustion Systems Private Ltd.	India	FC	100.00	100.00
Fives Cail *	Ronchin, France	FC	100.00	100.00
Fives Cail KCP Ltd.	India	EM	40.00	40.00
Fives Lille do Brasil Ltda.	Brazil	FC	100.00	100.00
Fives North American Combustion France SAS*	Marseille, France	FC	100.00	100.00
Fives North American Combustion Netherlands BV	Netherlands	FC	100.00	100.00
Fives North American Combustion Spain S.L.	Spain	FC	100.00	100.00
Fives North American Combustion UK, Ltd.	United Kingdom	FC	100.00	100.00
Fives North American Combustion Inc.	United States	FC	100.00	100.00
Fives North American Combustion Canada Inc.	Canada	FC	100.00	100.00
North American Construction Services Ltd.	United States	FC	100.00	100.00
Fives Cryo *	Golbey, France	FC	100.00	100.00
Fives Cryo (Suzhou) Co., Ltd.	China	FC	100.00	100.00
Fives Cryomec A.G.	Switzerland	FC	100.00	100.00
Fives Cryo Inc.	United States	FC	100.00	100.00
Fives Itas S.P.A.	Italy	FC	100.00	100.00
Fives Bronx, Inc.	United States	FC	100.00	100.00
Fives Bronx Ltd.	United Kingdom	FC	100.00	100.00
Fives OTO S.P.A.	Italy	FC	100.00	100.00
F.L. Métal *	Seclin, France	FC	100.00	100.00
Fives DMS *	Lezennes, France	FC	100.00	100.00
Fives ST Corp.	United States	FC	100.00	100.00
Fives Steel Spain SA	Spain	FC	100.00	100.00
Fives Keods *	Maisons-Alfort, France	FC	100.00	100.00
Fives Stein *	Maisons-Alfort, France	FC	100.00	100.00
Fives Celes *	Lautenbach, France	FC	100.00	100.00
Fives Stein Inc.	United States	FC	100.00	100.00
Fives Stein India Projects Private Ltd.	India	FC	100.00	100.00
Fives Stein Metallurgical Technology (Shanghai) Co., Ltd.	China	FC	100.00	100.00
Fives Stein Ltd.	United Kingdom	FC	100.00	100.00
Fives India Engineering & Projects Private Ltd.	India	FC	100.00	100.00
Fives Solios *	Le Pecq, France	FC	100.00	100.00
PSA 2000 *	Le Pecq, France	FC	100.00	100.00
PSA 2000 Saudi Arabia Ltd.	Saudi Arabia	FC	100.00	100.00
Fives Services Gulf S.P.C.	Bahrain	FC	100.00	100.00
Fives Solios Corp.	United States	FC	100.00	100.00
Fives Solios Inc.	Canada	FC	100.00	100.00
Fives Services Southern Africa (Pty) Ltd.	South Africa	FC	100.00	100.00
Fives ECL *	Ronchin, France	FC	100.00	100.00
Fives Services Inc.	Canada	FC	100.00	100.00
Fives Services Gulf DMCC	United Arab Emirates	FC	100.00	100.00
Fives Services Australia PTY Ltd.	Australia	FC	100.00	100.00
Cincinnati Machine International, LLC	United States	FC	100.00	100.00
Fives Giddings & Lewis, LLC	United States	FC	100.00	100.00

* Companies included in the Orsay tax group.

FC: fully consolidated

EM: accounted for by the equity method

STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Financial year ending December 31, 2019

ERNST & YOUNG ET AUTRES
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92037 Paris-La Défense Cedex
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Member of the Versailles Regional Association

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To the Shareholders of the company Fives,

Opinion

In compliance with the engagement entrusted to us by your general meeting, we have audited the accompanying consolidated financial statements of FIVES for the year ended December 31, 2019. The consolidated financial statements have been approved by the Chairman on March 27, 2020, based on information available up to date in this changing context of the Covid-19 health crisis.

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 at the end of the financial year 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.

Basis for opinion

Audit Framework

We carried out our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities in relation to those standards are further described in the section "Responsibilities of statutory auditors regarding audit of the consolidated financial statements" of our report.

Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from January 1, 2019 to the date of our report, and specifically, we did not provide any prohibited non audit services referred to in the French Code of ethics for statutory auditors.

Justification of Assessments

In accordance with the requirements of articles L.823-9 and R.823-7 of the French commercial code relating to justification of our assessments, we inform you of the following assessments, that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the consolidated financial statements.

- Goodwill are subject to impairment test according to the method described in the notes 2.5, 2.9 and 2.14 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, 2.9 and 2.14 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 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, 2.18, 2.19 and 2.20 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 2.27 to the consolidated financial statements. We have examined the financial forecasts and the assumptions used, and we have ensured that notes 2.5 and 2.27 to the consolidated financial statements provide adequate information in this regard.

Specific verifications

We have also performed in accordance with professional standards applicable in France, the specific verifications required by law and regulations of the information pertaining to the Group presented in the chairman's management report dated March 27, 2020. Regarding subsequent events related to the Covid-19 virus epidemic, Management will issue a specific communication for the annual general meeting.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Responsibilities of management and those charged with governance for the consolidated financial statements

In accordance with the IFRS standard adopted in the EU, Management is responsible for the preparation of the consolidated financial statements, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, Management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

These consolidated financial statements have been approved by the chairman.

Responsibilities of statutory auditors regarding audit of the consolidated financial statements

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As specified in Article L. 823-10-1 of the French Commercial Code, our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.

- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements.

- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.

- Evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

Paris-La Défense, March 30, 2020
The Statutory Auditors

ERNST & YOUNG ET AUTRES
Pierre Jouanne

DELOITTE & ASSOCIÉS
Pascal Colin

RESOLUTIONS

First resolution

The General Meeting,

- having heard the Chairman & Chief Executive Officer's management report and the Statutory auditors' report on the annual financial statements;

- and after reviewing the annual financial statements;

approves the company's financial statements for the financial year ended on December 31, 2019 as presented to the meeting and the transactions reflected in these financial statements or mentioned in these reports, which show a profit of €28,832,288.66.

The General Meeting also approves the total amount of certain non-tax-deductible expenses, €72,603, and the corresponding tax of €22,502.

Second resolution

The General Meeting, following the proposal by the Chairman & Chief Executive Officer, hereby allocates the entire annual profit of €28,832,288.66 to the balance of retained earnings, bringing it up to €312,498,908.70.

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

Third resolution

The General Meeting,

- having heard the Chairman & Chief Executive Officer's management report and the Statutory auditors' report on the consolidated financial statements as at December 31, 2019;

- and after reviewing the consolidated financial statements;

approves the consolidated financial statements for the financial year ended on December 31, 2019 as presented to the meeting and the transactions reflected in these financial statements or mentioned in the reports, which show a net loss Group share of €(22,817) thousand.

Fourth resolution

The General Meeting, having heard the Statutory Auditors' special report on regulated agreements governed by Article L. 227-10 of the French Commercial Code, approves the report and the agreements referred to in the report.

Fifth resolution

The General Meeting, on the basis of the preceding resolutions, fully and unreservedly discharges the Chairman & Chief Executive Officer's from his management duties in respect of the financial year ended December 31, 2019.

Sixth resolution

The General Meeting, on the basis of the preceding resolutions, fully and unreservedly discharges the Deputy Chief Executive Officer from his management duties in respect of the financial year ended December 31, 2019.

Seventh resolution

The General Meeting grants all relevant powers to LEXTENSO-PETITES AFFICHES to perform all legal and regulatory publication formalities.

Fives

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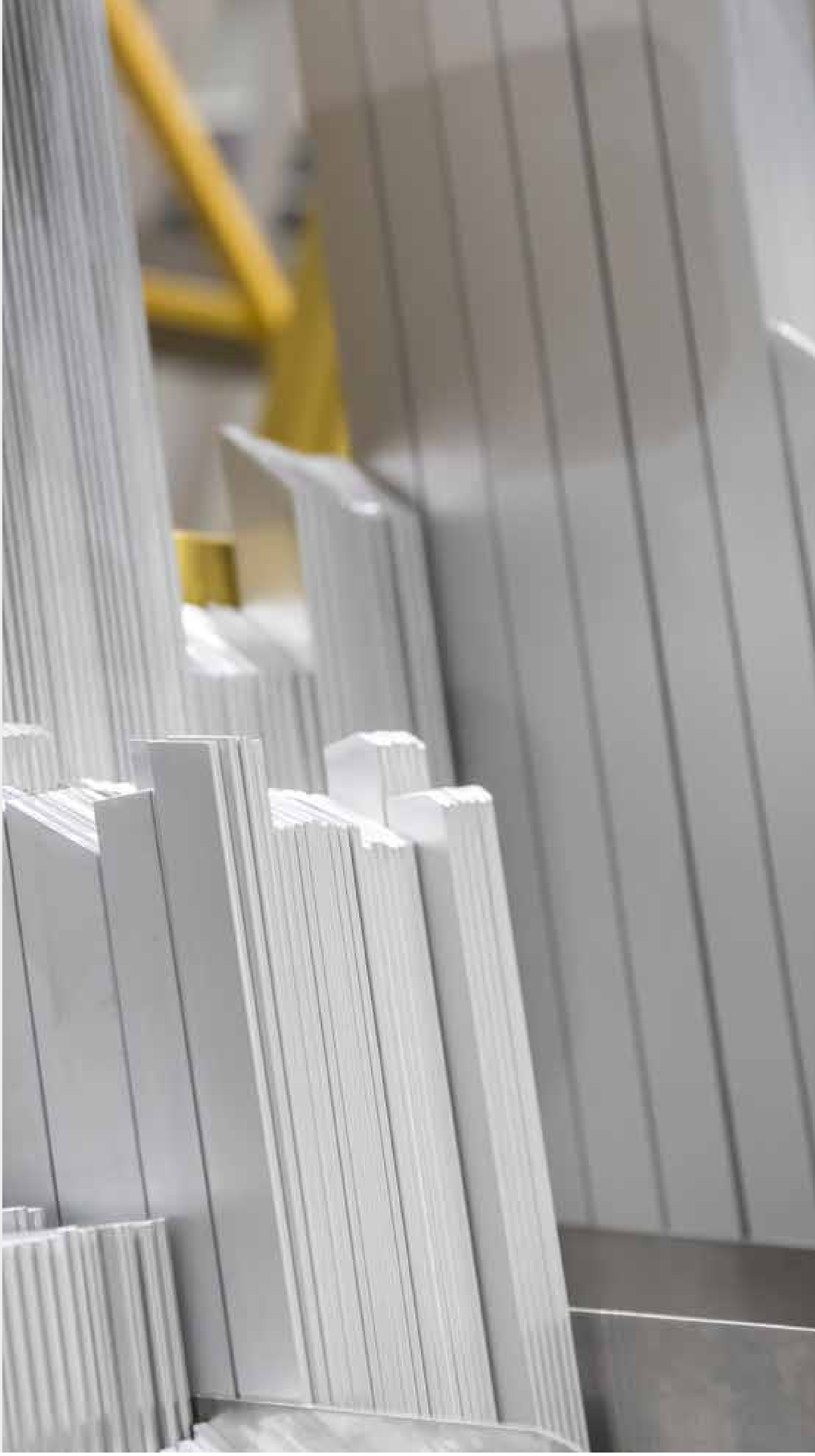

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