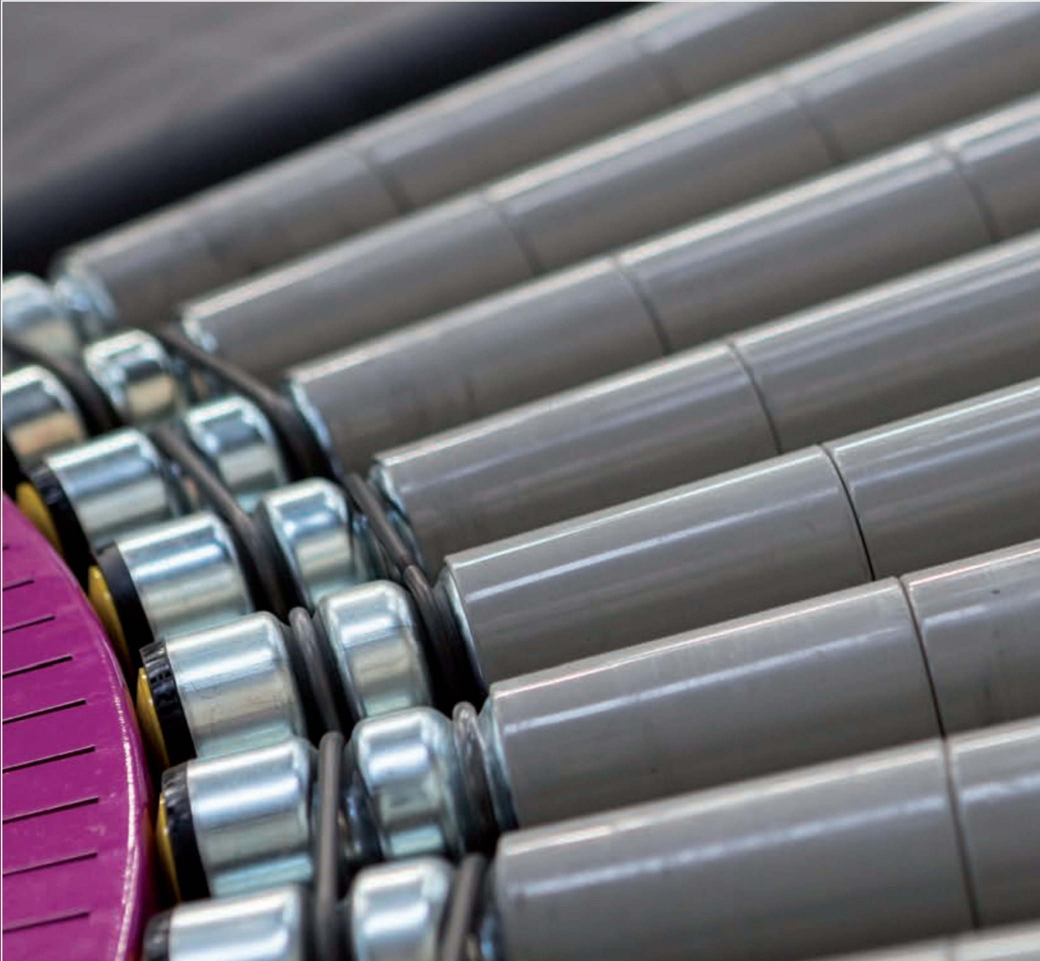
fives



2014
Financial Report

PROFILE

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

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REPORT OF THE EXECUTIVE BOARD

TO THE ORDINARY GENERAL MEETING ON JUNE 25, 2015

1. GROUP ACTIVITY IN 2014

1.1. Business overview and activity

Sparked by a promising momentum that began in late 2013, any hopes of a significant global economic recovery in 2014 were quickly dashed. Although industrialized countries seemed to be taking off again in the right direction (up 1.8% *versus* 1.3% in 2013), the emerging countries, which were the main drivers of worldwide industrial investment along with the United States, began showing signs of a slowdown (up 4.4% compared to 4.7% in 2013 while projections at the beginning of the year had counted on somewhere north of 5%). At the end of the day, the IMF had to announce global growth in 2014 at about the same level as in 2013 (3.3%). Major geopolitical threats only added more volatility and uncertainty to the still ailing economic climate.

After unexpectedly shrinking in the early part of the year, the American economy got back on track in the second quarter, but not until the last few months of the year did this translate into a steady stream of renewed investment in manufacturing. While record highs were repeatedly being set on Wall Street, funding seemed to be turning a blind eye to industrial concerns--including day-to-day maintenance--leaving in its wake an aging installed fleet that on average had never been allowed to get that old in almost 60 years. So after a lackluster year in 2013, the Group's commercial activity in the United States definitely grew in the legacy sectors (automotive, aerospace, combustion, logistics, steel tubes) but not as high as expected.

With China increasingly showing clear signs it was running out of steam, reported growth in industrial production there had never been that low since the 2009 financial crisis. In an environment where many sectors are being impacted by structural over capacity, the federal government put heavy restrictions on investments and only authorized targeted financing. But the Group managed to come out of it relatively unscathed by securing some large orders in the flat steel segment for the only two major projects that had been confirmed, which offset the slowdown in automotive (after riding a high that lasted almost three years) and cryogenics.

Emerging countries generally came to a standstill in 2014. Part of it was weak domestic demand coupled with a drop in commodity prices that greatly impacted the economy in South America and Asia. India and Brazil, which were also in the middle of an election period, literally stayed stopped in their tracks. Another part of it came from the fallout of mounting geopolitical tensions in Russia and the Middle East, and to a lesser degree in sub-Saharan Africa, that were strongly felt starting in the latter part of the second quarter. A number of projects in these parts of the world that were potentially lucrative for all of Fives' businesses were delayed indefinitely, even some the Group had already been awarded. This phenomenon was especially noticeable in steel tubes, energy and aerospace.

Amid this set of circumstances, good tidings came from Europe where the Group profited from renewed vitality in a number of countries, starting with the United Kingdom, Spain and Germany (mainly in automotive and logistics), but most importantly from Algeria and Qatar where orders came in for two complete cement plants after particularly drawn-out tender phases.

The stronger dollar came at the end of the year, too late for the Group to be able to feel any positive effects in fiscal year 2014 – neither in terms of favouring its export subsidiaries doing business in euros and competing with the Americans and Japanese, nor with regard to converting the books (translation effect) for its companies operating in foreign currencies (negligible exchange-rate effects for order intake and operating income aggregates compared to 2013).

Buoyed by the two turnkey cement plant contracts that came into force during the year and help from companies acquired in the previous 18 months, the Group's order intake reached a record €1.865 billion, a 52% increase after a disappointing 2013 (€1.227 billion). Order levels in the historic perimeter were also high at €1.602 billion (up 41%), although below 2011 figures (€1.674 billion) which reflected a flood of investments that had been postponed during the 2009-2010 financial crisis.

While this does secure us a solid order book at fiscal year end (€1.494 billion), the fact remains that the Group's sales performance in 2014 is underwhelming because the large cement plant contracts have not contributed much yet to the bottom line. Despite brisk business in some divisions like logistics and combustion, the slowdown in emerging countries could only slightly be offset by lower than projected industrial growth in the United States and it has impacted figures for small and medium orders that saw modest increases, even with the scope effect and the expansion of service activities (up 12% in the historic scope).

The loss to cover (€100-150 million in orders) is directly reflected in this year's turnover of €1.560 billion, down 4% from 2013 (€1.626 billion). With the exception of Europe, this is a perceivable trend across all geographies. Amid this climate, EBITDA remained resilient at €135.1 million and was up slightly by €2.1 million (of which €0.6 million from exchange rate effect) compared to 2013 (€133.0 million).

ORDER INTAKE BY GEOGRAPHICAL AREA

(€ million)	2012	2013	2014
Americas	367.0	305.2	408.7
Asia & Oceania	422.6	330.2	360.3
Europe	419.3	486.1	539.3
Middle East & Africa	114.9	105.8	556.7
Total	**1,323.8**	**1,227.3**	**1,865.0**
Contribution from mature economies	50%	64%	51%
Contribution from emerging countries	50%	36%	49%

SALES

(€ million)	2012	2013	2014
Americas	421.3	531.2	450.4
Asia & Oceania	373.4	457.9	396.4
Europe	445.0	458.3	547.0
Middle East & Africa	268.2	178.8	166.7
Total	**1,507.9**	**1,626.2**	**1,560.5**
Contribution from mature economies	46%	53%	60%
Contribution from emerging countries	54%	47%	40%

1.2. External Growth

In January 2014, the Group expanded its combustion systems offering by acquiring the Italian company ITAS, which has become Fives ITAS. Fives already supplies industrial combustion equipment for the cement and minerals and energy sectors through its companies Fives Pillard and Fives North American located in Europe, North America, China and India. This acquisition consolidates its position in the hydrocarbon and environmental applications sectors. Fives ITAS has some 60 employees and in 2014 reported sales of €32 million and EBITDA of €2 million.

1.3. Commercial environment by market

Automotive & Logistics

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

In the automotive segment, the pace of investment slowed down in 2014 after peaking in 2011-2013. Production capacities have caught up with the level of demand in China while the round of production streamlining and subsequent plant renovations that began in the United States post-financial crisis is reaching an end. Although China and the United States are still the top two markets, Europe is finally seeing some rebound with the United Kingdom and Spain taking the lead. Conversely, much like Brazil, Russia and India where business has come to a standstill for a variety of reasons, emerging countries are struggling to live up to their potential.

In the grinding systems segment, even though the business in China is still being propelled by growth in new vehicle production, it was still running in place in 2014 because the gap in powertrain manufacturing capacities relative to assembly capacities has now been closed. This market trend had been partially offset in Europe by renewed activity for truck and engine makers as well as increased production capacities for dual-clutch gearboxes.

Despite a dearth of new projects in Russia and Brazil, commercial activity in the automated production systems segment was buoyed by a handful of large orders in final vehicle assembly in Europe (UK and Spain) where the programs kicked off in 2013 continued, albeit in smaller numbers. In the United States, delays by large carmakers of awaited investments in transmissions were partly offset by the success of the new robotic cleaning solutions for mechanical parts. Incidentally, the first orders for these solutions were taken in China and South Africa.

In the filling systems segment (vehicle assembly line outfeed equipment ordered at the very end of programs), the Group has secured its position in China and made significant inroads in North America while continuing to reap the benefits of programs that began in 2013 in Europe and by Japanese carmakers in Southeast Asia.

In the logistics segment, the market is being supported by higher volumes of shipped goods due to the expansion of e-commerce, where handling and workflow management constraints are pushing demand to automate sorting centers. In response, postal operators are shifting their focus to technologies more specifically designed for parcel sorting while shipping and distribution companies are restructuring their legacy B2B networks and moving toward a model that also offers efficient B2C management.

In Japan, where the market is offering strong opportunities due to the aging population and high density, the Group's historic customers continued their investment programs in areas surrounding airports and train stations. In northern Europe, the United States and Australia, National postal services and major international express delivery players are speeding up multi-year efforts to upgrade their networks. Lastly, there were some major commercial successes in distribution in southern Europe.

In total, order intake for the automotive/logistics division was €478 million, or €65 million (12%) short of the 2013 performance. This figure indicates two distinct trends: one, the return to more normal investment levels in automotive after three record years (although the number remains much higher than before the 2009 financial crisis), and two, continued growth in the logistics market.

Metal

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

In the primary aluminium segment, 2014 started off by confirming the 2013 trend. Despite the market experiencing its largest production shortfall in the first semester, the ramp-up of recently commissioned installations and high stock levels mitigated its effect on prices, which had not been rising enough to merit relauching investment in new plants. At the same time, the capacity reductions being implemented for the previous two years in less profitable areas limited opportunities for smaller retrofit projects. As projected, intake for the year only consisted of outlying equipment orders and services where the Group performed better than in the previous fiscal year.

In the steel industry, the Group does business in the flat steel and tube segments. This division also includes the glass segment. The market for the flat steel segment is still being impacted by structural overcapacity. In the world's largest market, China, the majority of projects did not survive past the exceedingly long review phases in a situation where there are heavy restrictions on financing and regional and federal politics are less accommodating. A few investments were confirmed, nonetheless, especially in the southern regions of the country to serve the needs of the automotive industry which is still importing higher added-value steels. Because Fives was able to offer high-quality expertise through Fives Keods and thanks to its furnaces, it managed to take in five orders for carbon steel sheet production lines (four complete lines and one vertical line furnace) for the only two major projects that were authorized in 2014 (total of seven lines). Despite all this, the market climate is creating fiercer competition between suppliers and pressure to decrease prices.

In the glass segment, the Group did not take in any large assembly orders in 2014 since few capacity investments were made in a market environment where China has too much capacity and the construction sector looks bleak in developed countries. However, by closing unprofitable facilities in Europe, a few producers were able to improve their margins and formalize a handful of equipment projects where the Group has successfully positioned itself.

In the tube segment, where the biggest prospects lie in the hydrocarbon sector, the two largest markets fell victim to the economic and geopolitical climate. US and European sanctions made it difficult to submit bids in Russia while investments in the United States (domestic and from major Asian export countries) were frozen in the first quarter pending a decision from the US Trade Department, which in the summer ended up ruling on new import taxes triggering another round of project reviews that only began at the end of the year. It is notable that even under these conditions, in the fourth quarter the Group won a very sizable order in the United States. It is also benefiting from a full year of contributions from Fives OTO, which had been acquired in September 2013.

For the metal division as a whole (primary aluminium and steel), 2014 order intake was €295 million, up by €67 million (up 29%) over 2013. Not counting the scope effect of Fives OTO's arrival, intakes were up €30 million, mainly due to large new flat steel orders in China. A smaller yet equally positive contribution came from decent numbers in the tube segment in the United States and aluminium-related services, while glass felt the impact of a lack of assembly orders in the year.

ORDER INTAKE BY END MARKET

(€ million)	2012	2013	2014
Automotive/Logistics	479.8	542.9	478.0
Metals (aluminium and steel)	404.8	227.8	294.9
Energy	355.2	276.3	288.0
Cement	84.0	102.3	616.1
Aerospace and special machining		78.0	188.0
Total	**1,323.8**	**1,227.3**	**1,865.0**

Energy

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

In the energy sector, Fives' operations cover cryogenics, combustion, sugar and high-performance industrial piping (mostly for France's nuclear industry).

In 2014, demand in the cryogenics segment crumbled on the air separation applications market. Investment levels were severely curtailed in China due to the slowdown in its metal industry and authorization restrictions for large carbon transformation projects (CTL, CTX), an area where the government is cracking down harder in terms of environmental conditions and energy efficiency. Several decisions that had been anticipated in the rest of the world during the year were postponed following rounds of more in-depth reviews before the year-end drop in oil prices delivered the final blow to many gas or carbon transformation projects whose break-even point is now too high (equivalent to $100/barrel). On the flip side, commercial activity was up on the hydrocarbon market and mainly bolstered by North America where the Group gained market share. But the weak dollar and yen throughout the year made the Americans and Japanese more competitive, creating pressure to lower prices.

In the sugar and bioenergy segment, prices leveled off in 2014 after being slashed almost in half between the peak of 2010 and 2013. Even though consumption is still growing, inventories continue to increase partly due to three very good last campaigns (especially in Brazil) and partly due to lower oil prices that have prompted ethanol producers to shift some of their production over to sugar. This affected the Group's commercial activity because the number of new equipment projects was low. At the same time, the wave of investments from 2011-2012 gave industrialists a chance to upgrade their production resources, which in the short term provided fewer opportunities in maintenance and services.

In the industrial combustion systems segment, the Group felt the positive effects of renewed investment in manufacturing in the United States that began in the fall. In a climate where energy and environmental efficiency is drawing increasing attention in the form of stricter regulations and cost optimization, a key event in the year was the arrival of a long list of revamping projects that followed over 18 months of large American industrialists sharply cutting back maintenance investments. But in the rest of the world, the conflicts in the Middle East, North Africa and Ukraine/Russia hindered any possibility of realizing the projected growth potential.

Lastly, in the high-performance industrial piping segment, orders came for add-on projects at the Flamanville EPR construction site in 2014. In the maintenance segment, the cost-cutting measures announced by EDF caused delays in the first major orders that were expected for France's Major Retrofit (Grand Carénage) and post-Fukushima programs. However, Fives continues to expand its work for this customer on recurring maintenance framework agreements for French nuclear power plants.

For the energy division as a whole, order intake was €288 million, up by €12 million (4%) from 2013. This uptick was the result of achievements made in the combustion segments in the United States and nuclear maintenance in France while sales activity stayed steady in sugar and eroded on the cryogenics market at a cyclical low.

Cement

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

In the cement sector, the steady growth of global consumption (excluding China, 3.5% in 2014) is still not translating into new investments.

Africa and the Middle East have high demand for infrastructure, so they are emerging as areas with the most vitality. The regional cement producers in sub-Saharan Africa (Nigeria, Kenya, Tanzania) are poised to become self-sufficient and now setting up shop outside their domestic market. As a major importer, Algeria has also been opening several calls for tenders in the last two years. However, the political climate in many countries – North Africa's still fragile balance after the Arab Spring, terrorist threats in a number of countries in the Middle East and sub-Saharan Africa – is still blocking the confirmation of new projects opportunities. In other emerging regions of the world, investments are also slow to materialize. Latin America is dealing with weakened demand, with the notable exception of a few countries like Mexico or Columbia, while in Southeast Asia where consumer growth is high, local cement plants are struggling to find financial backing.

Alongside all this, the merger announced between the two giants Lafarge and Holcim (which should result in an asset divestment plan in response to antitrust regulations) has put on hold on the short term demand for more capacity. On one hand, neither company plans to invest until the divestment scope has been approved and, on the other hand, the other cement producers are still taking a wait-and-see approach considering opportunities for acquisitions as an alternative to investment in new units.

Although market fundamentals are sound, the new cement manufacturing capacities contracted in 2014 (excluding China) are then, as in 2012 and 2013, estimated at about 40 million additional tons, which is less than a third of what it was before the 2009 financial crisis. In this still troublesome climate, the Group actually did manage to bring three turnkey contracts into force in 2014 (two complete cement plants for domestic producers in Algeria and Qatar and one grinding workshop for Lafarge in the Philippines prior to the merger announcement). This brought order intake for the year to €616 million, up by €514 million. This figure is six times higher than in 2013 and is an all-time record for the Group in cement.

Aerospace and special machining

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

The aerospace and special machining division includes the companies in the Fives Machining Systems subgroup that were acquired in late July 2013. It serves two main end markets: civil and military aircraft and industrial capital goods.

In 2014, commercial activity in the aerospace segment was impacted by the postponement of a number of projects. On one side, for the past two years the world's top two aircraft manufacturers (Boeing and Airbus) have been continually delaying programs planned as part of the «second wave» of their new long-hauls aircraft and only going through with a limited number of investments. On the other side, bids going out to Russia were paralyzed because many customers in the sector were the target of US and European sanctions. A few opportunities did come out of China, but the volumes still remain low.

In the heavy manufacturing industries sector, the Group's business suffered from problems with two of its main end markets: the hydrocarbon sector and the mining and earthmoving machinery sector. Already having seen their bottom line impacted by slumping prices and delays for ongoing projects, major buyers are now dealing with the fall of oil prices causing them to reconsider any new investments. Throughout the year, the Group also felt the brunt of weak industrial investments in its biggest geographic market, the United States.

This brought order intake in 2014 to €188 million. It puts them in line with intakes in 2013 (€78 million over five months, or €187 million stretched out over 12 months), but they are still below figures in previous years. So, the slowdown we saw in 2013 was confirmed in 2014.

1.4. Outstanding commercial successes

In the Americas

The United States

In the aerospace sector, Boeing S.C. renewed its trust in Fives when in March it gave us an order for a fifth automated composite fiber placement machine for its facility in Charleston specializing in manufacturing fuselage sections for its airliners. The Viper® 6000 AFP technology that has equipped many other civil, military and space aerostructure programs in the last 10 years will have another chance to show its high-quality performance for composites and efficiency application.

In automotive, the last generation CentriSpray™ range of robotic washers for mechanical parts that the Group developed achieved many successes in 2014. In particular, Ford chose it to launch its new automatic transmission assembly line programs (10-speed/9-speed transmissions, 6F15 transmissions, D35/I4 engines).

In the steel tube segment, in September Fives was awarded a contract by Korean tube manufacturer Nexteel for its latest investment project in Houston. The Group will be supplying a complete line, including core equipment for welded tube manufacturing (ERW), tube finishing equipment and other peripherals.

In combustion, Fives' work to minimize the environmental impact of its products by developing ultra-low NOx technologies paid off when it received an order from Albemarle Corp. to retrofit hot gas generators installed at Texas refineries to produce catalysts.

Guatemala

In sugar and bioenergies, in June the Pantaleon Group placed an order to design, manufacture and assemble on site a vertical crystallizer, massecuite reheater and Cail & Fletcher SUMO pumps for process optimization at its main plant in Guatemala.

In Asia and Oceania

China

In the flat steel segment, Fives consolidated a leading position in China in process lines. The Group was awarded four complete lines – three continuous galvanizing lines and one continuous annealing line – out of the seven ordered in China in 2014 as well as a contract for one vertical line furnace. These sales coups are the result of a comprehensive offer that includes both cutting-edge Fives technologies (Stein Digiflex® vertical furnaces, DMS 4Hi and 6Hi skin-pass mills, Stein Flash Cooling® cooling systems, Stein AdvanTek® WRT 2.0 combustion systems) and the Group's well regarded know-how in process expertise and operational support provided by Fives Keods. This offer will enable the Group's customers to manufacture a wide range of high added-value automotive steels, in particular high strength steels (HSLA).

As such, two continuous galvanizing lines with an annual capacity of 400,000 tons each will be built for Inner Mongolia Baotou Steel Union Co., a steel plant in northwest China, and two continuous galvanizing lines with a total annual capacity of 870,000 tons will be installed for the Guangxi Iron & Steel Group Co., a subsidiary of the Wisco Group, at its new 10 million ton plant in Fangchenggang on the southern coast of China.
At the same Wisco Group site earlier in the year, Fives was awarded a contract to fully supply a new continuous annealing line that once online will be one of the largest in the world with a capacity of 930,000 tons per year. The contract was signed in March at the Élysée during the official visit of Chinese president Xi Jinping. It is part of the cooperation agreement that was signed at the same time between Fives and Wisco to create a manufacturing joint venture in Wuhan, China.

In the grinding sector, a tier 2 Chinese subcontractor named Fuda doing business in car and truck vehicle construction tapped Fives to support its plan for development and diversification toward larger sub-assemblies for boat and locomotive engines.
This partnership began in 2008 with orders the Group received to supply grinding systems for truck parts and it blossomed in 2013 as it was gradually extended to automotive and, more recently, in January 2014 with an order for six Landis LT2e grinders, four of which will be used to grind car engine crankshafts. It also opens new doors for the Group in grinding or components in larger engines in the shipbuilding sector.

Japan
In the logistics segment, the Group's legacy Japanese customers working in the postal shipping sector have once again put their faith in the Group's technologies for their investments in large-scale automated sorting centers.
In January, bolstered by 450 installed products worldwide over the last 40 years, Sagawa Express chose the Fives steel belt technology to retrofit its Osaka distribution center.
In June, the Group received an order from Fukuyama Transport to supply a cross-belt sorter to retrofit its terminal in the Hiroshima Prefect. Lastly, in August Yamato Transport selected Fives to automate its new Mikawa sorting center. This one comes on the heels of orders the Group received in 2013 for sites in Haneda and Atsugi. The installation to be supplied for the Mikawa site will include two cross-belt sorters and two slide sorters. It will be operational in September 2016 and provide Yamato sorting capacity for 30,000 items per hour for parcels and 5,400 items per hour for objects with more complex shapes.

The Philippines
In the cement sector, in February Fives began working on an order to supply a turnkey cement grinding shop for Lafarge Republic Inc. at its Norzagaray site in Bulacan province. The shop is basically a replica of the one ordered for the Teresa site in 2013. It will produce 850,000 tons of cement annually and be receiving a long list of proprietary process equipment developed by the Group, including a FCB Horomill® grinding mill to reduce electricity consumption at the cement plants, a third-generation FCB TSV™ separator, a TGT™ filter and a Pillard HeatGen with a hot gas generator.

Australia
In the logistics segment, Australia's top two express shipping companies that have already experienced the performance and reliability of the Group's cross-belt sorters opted for this technology to automate their Melbourne facilities. In August through a partnership with BCS, Fives received an order for two sorters with a sorting capacity of 20,000 parcels per hour for TNT and another order in September for a sorter with sorting capacity of 32,000 parcels per hour for Toll Ipec. These installations are scheduled for commissioning in late 2015.

In Europe
France
In industrial maintenance, in December the Safran Group turned once again to Fives by renewing the Group's contracts for Snecma plants in Gennevilliers and Corbeil that design and manufacture sub-assemblies for aircraft engine makers. The Group has been working at these two sites since 2007 and 2011, respectively, and will be expanding its scope of activity at the Gennevilliers site beginning in January 2015 when it takes over the maintenance for the plant's entire machine fleet. Right now, there are 20 people on the team and some 30 more employees will be added.

For EDF's multi-year maintenance programs and upgrades to the French nuclear fleet, in January Fives signed a four-year renewable framework agreement for the Caux-Manche plate. The agreement is to provide maintenance services, piping, welding and related nondestructive testing at the sites in Gravelines, Flamanville and Penly for work on offline and online reactors and is part of ongoing nuclear maintenance operations that the legacy French nuclear operator began several decades ago. Fives has already had opportunities to demonstrate its expertise in piping and support work as well as its responsiveness and capacity to dispatch teams all over France.

In the glass segment, at the end of the year the world's leading producer of pharmaceutical containers, SGD, sought out Fives to build two new bottling lines for its next plant being built in Picardy, France. The Group will also be providing an electric furnace with a capacity of 70 tons per day and a borosilicate furnace processing 55 tons per day that will be equipped with the Group's exclusive new design called HRA technology that reduces the temperature of oxy-fuel smoke and improves energy consumption by up to 10% compared to conventional furnaces. These two furnaces are scheduled for commissioning in the fall of 2015.

Germany
In logistics, in December DHL selected the Group to expand its site in Leipzig. Fives will be retrofitting the sorting system it had built and automating a new 35,000 m² building where it will supply two cross-belt sorters with 42 injection lines. After the expansion, this hub will be the largest in Europe and one of the biggest in the world with a sorting capacity of over 100,000 parcels per hour.

Italy
In the steel tube segment, Ilta Inox (Arvedi Group), which already operates two lines supplied by the Group, has asked us to build a new mill designed for laser welding and composed by an automatic entry equipment with loading carriage, a linear shear end welder, and a roll-tower type accumulator with automatic strip centering adjustment. This line's innovative design gives them the flexibility to manufacture the full range of tubes (273-609 mm in diameter) without having to change sizing tools.

Spain
In the automated production systems segment, in December Nissan placed an order with Fives to refurbish existing lines at their site in Barcelona. The brownfield project includes building a new chain for door disassembly, storage, trimming and reassembly, a new chassis assembly line and flow refurbishing for the main line like self-propellers, slats and docking systems. The carmaker will use the refurbished line to produce a new pickup model (X60) that will replace the existing model. A prototype is scheduled to go through the new line in late May 2015 and mass production is slotted for the fall of 2015.

In the Middle East and Africa
Qatar
In May, Qatar National Cement Co. chose Fives to build its fifth clinker production line, which comes after building their three previous lines. With a daily capacity of 5,000 tons, the new line covers all of Fives' proprietary equipment from raw material preparation to cement shipping (grinding FCB B-mills, FCB TSV™ classifiers, an FCB Zero-NOx precalciner, a three-pier FCB kiln, Pillard Novaflam® burners, and TGT® process filters). It is designed to meet the extremely high demand for cement created by a long list of infrastructure projects planned in Qatar, some of which are for the 2022 World Football Cup.

Algeria
Still in the cement segment, in March Fives booked an order for Entreprise des Ciments et Dérivés d'El Chellif (ECDE), a subsidiary of Groupe Industriel des Ciments d'Algérie (GICA), for its third production line at its cement plant in Chlef, about 200 km west of Algiers. The contract is for execution on a turnkey basis of a new line with a daily capacity of 6,000 tons of clinker, scheduled to be operating end of 2016. For Fives, this is an opportunity to continue and step up a longtime partnership with the Algerian cement industry.

1.5. Key developments

An active R&D policy
The Fives strategy is rooted in innovation. Year after year, the Group has been stepping up its research and development efforts and in 2014 it set a record gross total of €33.1 million for the activity, an 18% increase over 2013.

Fives' policy to build intellectual property has resulted in it patenting 53 new inventions in 2014, well above the Group's annual objective of 40 more initial filings, bringing the number of protected inventions (patent families) to 532 through 1,859 active patents worldwide.

The plant of the future
The French government selected Fives and Dassault Systèmes to co-direct the 34th plan of the New Industrial France ("Nouvelle France Industrielle") focused on the Plant of the Future ("Usine du Futur"). After working with several industry players over a number of months, in May 2014 Fives presented a roadmap that will advance competitiveness for French industry by refurbishing its production stock and developing a high-level French technological offer in terms of machinery, processes and services for industrial production.
The plan is broken down into several sections:
- some 10 pilot lines for major groups, illustrating the industrial-scale integration of technologies poised for maturity that will symbolically serve as actual showcases for the main sectors. Fives will potentially supply machines or a complete production line for half of them.
- six R&D platforms focused on the major themes of the Plant of the Future:
  - Virtualization/Internet of Things;
  - Handling/process robotics;
  - Additive manufacturing and advanced manufacturing processes;
  - Nondestructive testing/vision;
  - Composites and new materials;
  - The role of humans in the Plant/cobotics/augmented reality.

  Fives will be involved in these platforms, either as a supplier of the machines these developments generate or as a technology integrator.
- a program to assess, seed-fund and guide SMEs in the regions to give them quick access to the best technologies available, particularly in robotics and digital technology.

Through these framework programs, the Group is positioning itself as a preferred supplier of advanced manufacturing shops, especially for the aircraft market, where new manufacturing assembly shops will be ramping up considerably and becoming more competitive at tier 1 and tier 2 suppliers, and the automotive market, where the trend is lighter materials and potentially the introduction of composites for framework parts.

A new cement and minerals Test Facility

In 2014, the Group installed its new R&D Test Facility for the cement and mineral grinding industries at the Seclin industrial zone near Lille. The unit includes a physics and chemistry laboratory, material characterization benches and pilot installations to perform operational tests on industrial machine (grinders, dryers, classifiers). While they will be done on a smaller scale, they will still reach speeds of a few tons per hour.

The Test Facility will have a number of missions:
– it will contribute to the research and development of new equipment and processes, to a great extent with a focus on saving energy and raw materials and reducing emissions. In the past, the Group developed with this focus proprietary equipment such as the FCB Horomill® grinding mill, the FCB TSV™ classifier, the FCB Rhodax® crusher and the FCB Zero-NOx precalciner.
– performing feasibility and dimensioning tests on pilot installations.
– characterizing raw material behavior to support dimensioning operations for new production plants and shops.

1.6. Main deliveries

In the aluminium segment, in Canada the Group commissioned and obtained acceptance for the pot gas treatment center equiping the new Rio Tinto Alcan plant in Jonquières and using very high amperage AP60 technology. In India, Fives also commissioned the pot gas treatment centers for Balco's first line (Vedanta Group) at the Korba site and a green anode plant as well as the heating and calibration system for Hindalco's anode baking furnaces in its new plant in Aditya.

In the steel segment, it commissioned two reheating furnaces in the United States for Allegheny Ludlum. These furnaces are unique because of the wide variety of products they can heat: stainless steels, non-stainless steels, High Temperature Alloys (HTAs), cobalt-based products, chrome alloys and titanium-based products. In China, VAMA (Valin ArcelorMittal Automotive), a joint venture between ArcelorMittal and Valin, started up its two lines equipped with vertical furnaces supplied by the Group.

In the cement sector, the Group completed the revamping and capacity ramp-up project for the white cement line at Saudi White Cement Co. Although there were quality problems with the quarry, the Group delivered equipment that enables the plant to achieve expected performance levels after never having been able to reach normal capacity. In Brazil, the slag cement grinding plant shop Fives supplied was accepted by Cimar, a joint venture between the Queiroz Galvão & Cornelio Brennand groups.

In the logistics sector, the Group delivered installations for two of its major customers in Japan. Sagawa opened its hub in Wangan with a sorting center built by Fives and supplied three steel-belt sorters to Fukuyama for its Sakai terminals. In Australia, the Group commissioned two cross-belt sorters for Toll Ipec's Sydney site and the success of this first installation paved the way for new orders from this customer.

In the automotive segment, Jaguar Land Rover started up its new production line for the Range Rover Sport L494 and SUV CX17 at its Solihull plant in the United Kingdom. For this project, the Group built the final assembly shop and supplied fluid filling machinery. In Russia, Fives was granted acceptance for the assembly shop built for the PSA production site in Kaluga. Lastly, in the United States Chrysler started production on two 9-speed automatic transmission assembly lines supplied by the Group for the Tipton plant in Indiana.

2. FINANCIAL PERFORMANCE

2.1. Accounting principles and consolidation scope

The Group consolidated financial statements were prepared in accordance with IFRS.

The retrospective effect on fiscal year 2013 of the input values of Fives OTO (see Note 4 of the consolidated financial statements - Year-on-Year Comparability) has not been restated in the figures below. Therefore, the figures stated for 2013 are the numbers published in the consolidated accounts for fiscal year 2013, not in the restated comparison provided in the 2014 consolidated accounts.

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

Fives ITAS entered the scope on January 1, 2014.

2.2. Summary of results in 2014

SUMMARY OF CONSOLIDATED FIGURES

(€ million)	2012	2013	2014
Sales	**1,507.9**	**1,626.2**	**1,560.5**
Gross Margin	324.2	360.2	393.0
EBITDA (*)	**115.1** *7.6%*	**133.0** *8.2%*	**135.1** *8.7%*
EBITA (*)	97.3	113.3	**112.6**
Current operating profit (EBIT)	92.7	104.4	**92.6**
Operating profit	92.4	98.0	**88.3**
Net financial result	(4.1)	(17.3)	**23.1**
Profit before tax	88.2	80.7	**111.4**
Net profit	52.3	44.6	**75.4**
Net profit (Group Share)	50.8	43.4	**74.9**

(*)The Group defines EBITDA and EBITA as follows:
– EBITDA is current operating profit before amortization and depreciation of tangible and intangible assets, restated for any effects on the gross margin of purchase price allocation accounting entries.
– EBITA is current operating profit before amortization of intangible assets related to acquisitions, restated for any effects on the gross margin of purchase price allocation accounting entries.
As a reminder, purchase price allocation accounting entries negatively impacted the gross margin by €0.3 million in 2013 and €0.4 million in 2014.

Sales

Sales were €1.560 billion in 2014, down €66 million even after factoring in a scope effect of €160 million (with a marginal exchange rate effect of €1 million). At constant scope and exchange rate, sales were subsequently down by 15%. The weak opening order book (€1.125 billion) could not be offset by the level of small and medium order booked during the year, which was negatively impacted by the business climate.

EBITDA

The Group's EBITDA was at €135.1 million, which is an increase of €2.1 million (2%) over 2013 (€133 million). This includes a favorable exchange rate effect of €0.6 million.

Earnings for the subgroups Fives Machining Systems and Fives OTO (acquired in 2013) were severely affected by a tough sales environment and hobbled by several delayed orders, which translated into an inadequate volume of business that eroded profitability.

The EBITDA margin was 8.7 %, which is 0.5 points better than in 2013 (8.2%). This improvement is the result of higher margins due to excellent execution results on large all-inclusive contracts delivered in the year and growth in service activities.

Current Operating Profit (EBIT)

The Group's current operating profit was €92.6 million, down €11.8 million over 2013 under the effect of the amortization of acquisition-related intangibles (entered for the full year in 2014).

Operating Profit

The Group's profit was €88.3 million. This includes a €0.4 million charge for acquisition costs and proceeds on disposals (compared to a €5.5 million charge in 2013) as well as €3.9 million for restructuring costs (€0.8 million in 2013).

Considering the economic situation and a drop in the Group's sales in 2014, headcount reduction measures were implemented at some entities where the breakeven point seemed structurally excessive in the United Kingdom, the United States and France, and to a lesser degree in Germany, Belgium and Canada. The full effect of these measures will be felt beginning in 2015.

Net financial result

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

SALES BY END MARKET

(€ million)	2012	2013	2014
Automotive/Logistics	541.1	564.3	521.8
Metals (aluminium and steel)	527.3	461.5	339.6
Energy	317.3	326.2	298.7
Cement	122.2	170.0	183.2
Aerospace and special machining		104.2	217.2
Total	**1,507.9**	**1,626.2**	**1,560.5**

Net financial result was a €23.1 million gain in 2014, compared to the €17.3 million loss in 2013. This €40.4 million variation breaks down as follows:

- cost of net financial debt: €-3.5 million,
- foreign exchange gains or losses: €44.9 million,
- miscellaneous: €-1.0 million

The cost of net financial debt was €-5.2 million and increased because of the full-year interest expense relating to financial debts taken out for the acquisitions of Fives Machining Systems and Fives OTO in 2013.

Foreign exchange gains or losses were a net gain of €31.7 million, compared to the €13.2 million loss in 2013.

It mainly includes the effects of changes in the euro-dollar and euro-pound sterling parities on the unhedged balance (due to long maturity) for intragroup loans in foreign currencies granted by the holding company Fives:

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

Due to the appreciation of the closing rates of the dollar and the pound sterling against the euro between December 31, 2013 and December 31, 2014, a foreign exchange gain of €33.3 million (mostly unrealized) was recorded on these loans in 2014, whereas a loss of €10.0 million (mostly unrealized) had been recorded in 2013. Since the loans were originated, the Group has recorded a cumulative foreign exchange net gain of €40.0 million (including €11.4 million of realized net gain and €28.6 million of unrealized net again).

Net Profit

The total income tax expense (current and deferred taxes) for the fiscal year was €36.3 million and remains stable compared to 2013 (€36.1 million). It includes a current income tax expense of €36.8 million - broken down between €4.7 million in CVAE (the French added-value based corporate tax), €17.4 million in corporate tax within the French tax group and €14.7 million in corporate tax for other Group subsidiaries - as well as a deferred tax income of €0.5 million. The nominal tax rate in 2014 was therefore 33%.

Net profit was thus €75.4 million, up €30.8 million over 2013 (€44.6 million). This increase was mostly the result of foreign exchange gains.

2.3. Contribution of each division to Group results

AUTOMOTIVE/LOGISTICS

(€ million)	2012	2013	2014
Order intake	479.8	542.8	478.0
Order book at Dec. 31	406.1	365.6	320.4
Sales	541.1	564.3	521.8
EBITDA	53.2	54.5	56.3
Headcount at Dec. 31	2,191	2,158	1,938 (*)

(*) after reclassifying 164 employees at the end of the year to the aerospace and special machining division.

Sales in automotive logistics were €522 million, down €42 million (8%) over 2013 under the effect of a lower opening order book. The EBITDA margin rate went up from 9.7% in 2013 to 10.8% in 2014 due to good execution of ongoing contracts in logistics.

METAL

(€ million)	2012	2013	2014
Order intake	404.8	227.8	294.9
Order book at Dec. 31	555.7	353.6	318.9
Sales	527.3	461.5	339.6
EBITDA	36.2	37.9	39.0
Headcount at Dec. 31	1,435	1,627	1,588

The metal division's sales were €340 million, down €122 million (26%) compared to 2013 and this despite the improvement in steel tubes partly related to the scope effect from Fives OTO. This drop is directly related to a much lower opening order book in aluminium and flat steel, with major projects that started between 2010 and 2012 now coming to an end. The EBITDA margin rate increase from 8.2% to 11.5% (3.3 points) is attributable to the successful completion of the large contacts in the aluminium sector refered to above.

ENERGY

(€ million)	2012	2013	2014
Order intake	355.2	276.3	288.0
Order book at Dec. 31	249.9	199.1	193.5
Sales	317.3	326.2	298.7
EBITDA	28.3	31.8	25.4
Headcount at Dec. 31	2,092	2,176	2,174

Sales in the energy division were €299 million, down €28 million (8%) over 2013, mainly because of a difficult business climate in cryogenics. The EBITDA margin rate was down from 9.7% in 2013 to 8.5% in 2014, with all segments having to deal with pressure forcing margins down in an environment of heightened competition caused by limited investments in 2014.

CEMENT

(€ million)	2012	2013	2014
Order intake	84.0	102.3	616.1
Order book at Dec. 31	167.2	98.9	555.3
Sales	122.2	170.0	183.2
EBITDA	10.3	14.6	22.1
Headcount at Dec. 31	596	584	660

The cement division's sales were €183 million, which is an increase of €13 million (8%) over 2013. This improved performance is the result of contributions from Fives ITAS that was acquired in 2014 and associated with a segment belonging to the cement division. If we do not count this effect, sales decreased under the much smaller opening order book that could only partially be offset by very high order intake in the year. The EBITDA margin rate was 12.1%, up by 3.5 points over 2013 (8.6%). This increase comes from the successful completion of certain large contracts.

AEROSPACE AND SPECIAL MACHINING

(€ million)	2013	2014
Order intake	78.0	188.0
Order book at Dec. 31	108.0	105.5
Sales	104.2	217.2
EBITDA	10.2	10.8
Headcount at Dec. 31	1,042	1,120 (*)

(*) including the reclassification of 164 employees at the end of the year from the automotive/logistics division.

The aerospace and special machining division includes the subsidiaries in the Fives Machining Systems subgroup that were acquired in 2013. Sales rose to €217 million in 2014, which was attributable to that division's contribution only being consolidated for five months in 2013. Sales in 2014 thus hit a low point: while order intake levels were certainly in line with the end of 2013, they were lower than the expected standard level, due to a difficult business environment. This put the EBITDA margin rate at 5.0%, down 4.8 points over 2013, partly impacted by less absorption of fixed costs and partly by higher spending on developing new machine ranges for the aircraft market.

3. GROUP FORECASTS

3.1. Trends and outlook

At the end of 2014, two trends emerged that were unexpected to say the least and ones that could throw off the macrœconomic balances in 2015.

The slash of oil prices (down by more than half since September) is expected to have mixed effects. While it will definitely severely impact the economy in large producer countries and regions (Russia, Africa, Middle East), it should spark an acceleration of global growth by renewing demand and lowering production costs in developed countries, with the United States at the forefront as well as China. In the short term, if the Group's business comes to a standstill in some sectors (cryogenics, applications for the hydrocarbon market in the steel tube and special machining segments), the situation could then be more advantageous in the medium-term and encourage investment in other business lines, particularly aluminium or aerospace.

Alongside all this, the foreign exchange market is undergoing a complete restructuring. On the one hand, the increasing growth gap between developed countries is pushing the value of the American dollar (and to a lesser degree the pound sterling) higher than the euro or the yen. On the other hand, currencies in some emerging countries – especially those with commodity-dependent economies – lost considerable ground in places like Russia, Brazil, Turkey and South Africa. The Group should be able to take advantage of the stronger dollar, but some projects in emerging countries may probably be undermined by funding problems.

In a climate already beaten down by chronic geopolitical tensions, these new sources of volatility are not reassuring for large industrial players having increasing problems gaging their ROI, which is making them think twice about embarking on long-term programs even when the end markets seem to be on the right path.

From a geographic standpoint, the trends that began in 2014 should intensify in 2015. The slight uptick in growth projected by the IMF (3.5%, or 0.2 points) will come from advanced countries, especially the United States (3.6%, or 1.2 points) where all signals point to a resurgence in industrial investment. But in most emerging countries, including China, it is expected to continue slowing down (4.3%, or -0.1 point).

3.2. Closing order book and business outlooks for 2015

The Group ended 2014 with a closing order book of €1.494 billion which was up substantially by 33% over the 2013 figure (€1.125 billion). This order book already secures €1 billion in sales for fiscal year 2015 and a much higher level of activity in cement and (to a lesser degree) logistics. With regard to other segments, in light of opportunities in the Group's markets, activity is expected to remain steady in 2015 at the same intensity levels as 2014. The only projected slowdown is in cryogenics, which suffered from dropping oil prices.

ORDER BOOK

(€ million)	31.12.12	31.12.13	31.12.14
Automotive/Logistics	406.1	365.6	320.4
Metals (aluminium and steel)	555.7	353.6	318.9
Energy	249.9	199.1	193.5
Cement	167.2	98.9	555.3
Aerospace and special machining		108.0	105.5
Total	**1,378.9**	**1,125.2**	**1,493.6**

BY GEOGRAPHICAL AREA

(€ million)	31.12.12	31.12.13	31.12.14
Americas	392.2	269.3	255.3
Asia & Oceania	478.7	368.4	344.2
Europe	312.7	364.8	366.2
Middle East & Africa	195.3	122.7	527.9
Total	**1,378.9**	**1,125.2**	**1,493.6**
Contribution from mature economies	33%	48%	40%
Contribution from emerging countries	67%	52%	60%

3.3. Forecasts by business lines

Automotive & Logistics

In 2015, market trends in automotive should stay in line with 2014 figures. Higher demand in China should lead to new capacity projects there both for major global carmakers (German, American and Japanese for the most part) and domestic producers. In all likelihood, streamlining initiatives under way in Europe will result in targeted investments at sites with projected ramp-ups as an extension of capacity increases already completed in the United Kingdom and Spain in the last two years. In addition, the market should be supported by higher production capacities for dual-clutch transmissions whose market share should jump from 5% to 15% in the next three or four years. Finally, the American automotive industry is in excellent health and slotted to launch several new vehicle models in the coming years, giving a glimmer of hope for new projects in (small) engine plants and transmission plants.

The 2014 positive market trend in logistics is also expected to continue in 2015. On one side, there are a number of projects in progress in Japan, Europe, the United States and Australia that are part of larger programs stretched over several years that are enabling the Group take a long-term position with its customers. On the other side, the legacy market is now letting in new players operating in distribution (Amazon) and new geographies, especially China ushered in by the growth of companies like Alibaba.

Cement

While demand in the cement sector remains steady in most of the emerging regions, investment decisions are threatened by funding problems in South America and Southeast Asia and geopolitical tensions in Africa and the Middle East. Furthermore, the waiting game sparked by the merger announcement by Lafarge and Holcim is putting the freeze right now on projects that had been planned in a number of countries, both for the two giants and their competitors eagerly awaiting opportunities to buy up assets. So like in 2014, the market is projected to mostly be carried by a handful of regional producers with enough financial resources to invest. That means that the Group does not expect to reach the same record intake level as in 2014. The projects in order book however do secure an excellent volume of activity for 2015 and 2016.

Metal

There have been no new major smelter projects to speak of in the primary aluminium segment for almost three years, but every year the demand continues to grow and existing capacities will probably no longer be able to meet that demand after 2016. At the same time, the drop in oil prices should motivate producers to speed up investment decisions since energy costs account for 30-40% of aluminium's cost of sales. Therefore, a decent number of projects are expected to come through in the next few months (particularly in the Middle East) even though the first orders of any significance will probably only be placed in early 2016.

Circumstances are still mixed in the steel segment. In the flat steel segment, even though China has been overcapacity, it continues to import high added-value steels mainly to meet demand in the expanding car market. So in continuing from 2014, a few new investments are expected to be authorized there for galvanizing and annealing lines. Two other countries could help make up for it: the United States where strong construction and automotive sectors could provide opportunities to upgrade existing lines (notably lines that can produce new alloys), and India where the incoming reform government may restore trust and resume capacity projects that were put on hold over two years ago.
In the steel tube segment, by contrast, two factors will impact the commercial environment: the drop in oil prices threatening many hydrocarbon projects in exploration and shale gas, and the situation in Russia with sanctions and a weak ruble jeopardizing a legacy market for the Group's technologies. Yet there are signs of continued opportunities in more generic welded tube production for the construction sector.

Energy

In the energy sector, lower oil prices will touch the cryogenics segment where the ROI on planned projects is now doubtful and requires some serious reconsideration. For the second year in a row, order intake is expected to stay relatively low and that will affect sales at Group subsidiaries doing business in the sector in 2015. But it should only minimally affect Fives activities in the sugar segment (ethanol market, where production profitability is waning) and combustion (oil fields) and there may even be some interesting opportunities in these segments. In spite of weak prices in sugar, the growth of global consumption is creating some new projects for plants and expanded capacity in East Africa mainly funded by the Chinese and Indians. In combustion, stronger recovery in the United States and Europe is projected to help spur new investments to address productivity and environmental efficiency issues. Lastly, in the industrial piping segment for the French nuclear sector, more orders in nuclear plant maintenance and services should offset the drop in expected add-on contracts for the new Flamanville EPR construction project.

Aerospace and special machining

It is now acknowledged in the aerospace segment that the production ramp-up at the two major aircraft makers will be happening more gradually than expected, but decisions on large-scale programs will still be made in 2015 in North America and Europe. Plus, even though the market in Russia is projected remain at a standstill, there are opportunities in China and Japan that could make up for it. By contrast, special machining applications for the mining and hydrocarbon markets are not expected to do any better than in 2014.

CORPORATE GOVERNANCE

THE EXECUTIVE BOARD

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

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

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

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

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

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

Composition of the Executive Board

Frédéric Sanchez, 55 years old, Chairman of the Executive Board.
Appointed on October 3, 2002, his term of office was renewed by the Supervisory Board on September 29, 2014 and will expire on September 28, 2020.
Main positions held:
Various positions in companies affiliated to the Fives group.
Member of the Board of Directors of Compagnie des Gaz de Pétrole Primagaz.
Member of the Supervisory Board of Holding d'Infrastructures des Métiers de l'Environnement SAS.
Chairman and member of the Board of Directors of Cameron France Holding SAS.

Martin Duverne, 58 years old, member of the Executive Board, in charge of the Energy and Logistics divisions.
Appointed on October 3, 2002, his term of office was renewed by the Supervisory Board on September 29, 2014 and will expire on September 28, 2020.
Main positions held:
Various positions in companies affiliated to the Fives group.

Lucile Ribot, 48 years old, member of the Executive Board.
Appointed on October 3, 2002, her term of office was renewed by the Supervisory Board on September 29, 2014 and will expire on September 28, 2020.
Main positions held:
Various positions in companies affiliated to the Fives group.

Jean-Camille Uring, 64 years old, member of the Executive Board, in charge of the Automotive, Aerospace and Manufacturing Industries divisions.
Appointed on March 28, 2012, his term of office was renewed by the Supervisory Board on September 29, 2014 and will expire on October 5, 2015 upon his 65th birthday, pursuant to Article 9 of the bylaws.
Main positions held:
Various positions in companies affiliated to the Fives group.

THE SUPERVISORY BOARD

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

With six members since February 6, 2015, the Supervisory Board exercises permanent control over the management of the company by the Executive Board. It meets at least four times per year to consider the quarterly report submitted by the Executive Board. It inspects and verifies the documents associated with the corporate and consolidated financial statements submitted to it by the Executive Board within three months of the financial year end.

Throughout the year, it performs the checks and controls it considers appropriate and may request any documents it deems useful in the accomplishment of its role.

In 2014, the Supervisory Board met on: March 28, June 25, June 27, September 29 and December 18.

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

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

Composition of the Supervisory Board

Philippe Reichstul, 66 years old, Chairman and member of the Supervisory Board. Appointed these roles on March 28, 2014, and June 25, 2013 respectively, his term will expire at the end of the General Meeting called to approve the 2018 financial statements.
Main positions held:
Managing Director of Gestao Empresarial.
Partner at Semco Partner.
Member of the Supervisory Board of PSA Peugeot Citroën.

Jacques Lefèvre, 77 years old, Honorary Chairman and member of the Supervisory Board. Appointed these roles on December 20, 2012, and June 25, 2013 respectively, his term will expire at the end of the General Meeting called to approve the 2017 financial statements.
Main positions held:
Director of the National Investment Company, Morocco.

Dominique Gaillard, 55 years old, Vice-Chairman and member of the Supervisory Board.
Appointed these roles on March 28, 2014, and October 17, 2012, respectively, and renewed on June 25, 2013, his term will expire at the end of the General Meeting called to approve the 2018 financial statements.
Main positions held:
Various roles within companies affiliated to Ardian France.

Lise Fauconnier, 49 years old, member of the Surpervisory Board.
Appointed on October 17, 2012, and renewed on June 25, 2015, her term of office will expire at the end of the General Meeting called to approve the 2020 financial statements.
Main positions held:
Various roles within companies affiliated to Ardian France.

Antonio Marcegaglia, 51 years old, member of the Supervisory Board.
Appointed on June 27, 2014, his term of office will expire at the end of the General Meeting called to approve the 2019 financial statements.
Main positions held:
President and CEO of Marcegaglia Spa.

Jean-Georges Malcor, 58 years old, member of the Supervisory Board.
Appointed on June 25, 2013, his term of office will expire at the end of the General Meeting called to approve the 2018 financial statements.
Main positions held:
Director and CEO of CGG.
Director and member of the Supervisory Board and the Audit Committee at STMicro electronics.

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

THE EXECUTIVE COMMITTEE

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

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

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

In 2014, the Executive Committee met on the following dates: April 1st, June 30, September 22 and December 15 and examined the following subjects:
- establishment of consolidated results;
- human resources;
- health, safety, environment;
- business ethics;
- compliance in exporting;
- Group organization in China;
- intra-Group synergies in terms of product offerings.

Composition of the Executive committee

Daniel Brunelli-Brondex, 54 years old,
Country Director - India.

Benoît Caratgé, 61 years old,
Head of the Steel/Glass Division.

Jean-Marie Caroff, 53 years old,
Head of the International Development Department.

Alain Cordonnier, 54 years old,
Head of the Cement Division.

Michel Dancette, 61 years old,
Head of Innovation and Corporate Insight.

Sylvain Dulude, 52 years old,
Country Director - North America.

Frédéric Renaud, 62 years old,
Country Director - Italy.

Jean-Paul Sauteraud, 63 years old,
Group General Counsel.

Michelle XY Shan, 49 years old,
Country Director - China.

Paule Viallon, 49 years old,
Head of the Group Human Resources Department.

Hugues Vincent, 59 years old,
Head of the Aluminium Division.

THE HEAD OF COUNTRY

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

THE STEERING COMMITTEES

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

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

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

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

The Steering Committees meet three or four times per year.

THE COORDINATION COMMITTEE

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

The Coordination Committee meets twice or three times per year.

THE ACCOUNTS COMMITTEE

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

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

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

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

The Accounts committee meets at least twice a year. In 2014, it met on March 28, and on September 29.

THE APPOINTMENTS AND REMUNERATION COMMITTEE

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

It is composed of the following Supervisory Board members:

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

In 2014, the appointments and remuneration committee met on March 28.

INTERNAL CONTROL

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

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

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

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

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

EXTERNAL CONTROL

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

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

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

FINANCIAL AND LEGAL INFORMATION

FINANCIAL INFORMATION

Share capital
At December 31, 2014, 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 2014 the share capital is not subject to any evolution.

Share ownership
Fives' main shareholder at December 31, 2014 was FL Investco, which held 99.99% of the share capital.
FL Investco will be merged with its sole partner, Novafives, in the first half of 2015; on this date the latter will become Fives' main shareholder.

Stock options and allocation of bonus shares
The company had not set in place any stock option plan or allocation of bonus shares at December 31, 2014.

Dividends / Distribution of reserves
The combined general meeting of shareholders held on December 20, 2012 resolved to distribute an extraordinary dividend of €39,996,699.60, or €18.30 per share.
No dividends were paid in 2013 and 2014.

LEGAL INFORMATION

Company name and registered office
Fives, 27-29 rue de Provence, 75009 Paris – France.

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

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

Trade and companies registry
542 023 841 RCS Paris.

Financial year
January 1 to December 31.

Purpose (summary of Article 3 of the Memorandum and Articles of Association)
The Company's object is, directly or indirectly, in France and abroad, all engineering activities in the areas of industry and in particular in the areas linked to the production and to the use of energy, the production of aluminium, cement, glass, steel, sugar and chemical products, the manufacturing industry (automotive, aeronautics, logistics, etc.) and, in this context, all activities relating to the design, development of and completion of projects of all kinds in the form of the provision of services, design offices and engineering advice as well as the design, development and acquisition of all property rights, processes and all industrial manufacturing resources, entering into all licensing agreements or any agreements relating to these assets.

Distribution of profits
(summary of Article 23 of the Memorandum and Articles of Association)
The General Meeting of shareholders shall have the power to grant each shareholder the option of receiving all or part of the dividend in cash or in shares in accordance with the applicable statutory and regulatory provisions.
Dividends or interim dividends shall be paid under the conditions provided for by law.

Conditions for the holding of General Meetings
(summary of Articles 18, 19 and 21 of the Memorandum and Articles of Association)
General Meetings shall be convened under the conditions laid down by law and chaired by the Chairman of the Supervisory Board or, if unavailable, by whichever member has been designated by the Board.
The agenda shall be prepared as provided for by law.
General Meetings shall deliberate and decide in the conditions of quorum and majority provided for by law.
Voting rights shall be exercised by usufructuaries at Ordinary General Meetings and by bare owners at Extraordinary General Meetings.
Shareholders may appoint proxies under the conditions provided for by law.
Decisions made by General Meetings, in accordance with the Memorandum and Articles of Association, shall be binding on all shareholders without exception. They shall be recorded in the minutes signed by the officers of the meeting and kept in a special register initialed and signed as provided for by law, held at the registered office.

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

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CONSOLIDATED INCOME STATEMENT

In thousands of euros	Notes	2014	2013*
Sales	6.2	**1,560,489**	**1,626,213**
Cost of sales		(1,167,133)	(1,265,766)
Fair value adjustment of acquired work in progress		(376)	(296)
Gross profit		**392,980**	**360,151**
Selling expenses		(93,287)	(85,124)
Administrative expenses		(154,347)	(135,200)
Research and development expenses	6.4	(29,633)	(23,700)
Employee profit sharing and bonus schemes		(3,603)	(5,411)
Other operating income and expenses		117	2,323
Amortization of intangible assets related to acquisitions	6.5	(19,581)	(9,466)
Profit from recurring operations		**92,646**	**103,574**
including profit from recurring operations before the effect of purchase price allocation		*112,603*	*113,336*
Restructuring costs		(3,910)	(835)
Impairment of fixed assets			
Gain (loss) on disposals and acquisition costs		(390)	(5,531)
Operating profit		**88,346**	**97,208**
Cost of net financial debt	6.6	(5,192)	(1,733)
Other financial income and expense	6.6	28,280	(15,600)
Net financial income (expense)		**23,088**	**(17,333)**
Profit before income tax		**111,434**	**79,875**
Income tax expense	6.7	(36,324)	(35,896)
Share of profit of equity-accounted associates		298	
Profit for the year		**75,408**	**43,979**
including profit before the effect of purchase price allocation		*89,624*	*50,345*
Attributable to owners of the Group		74,908	42,835
Attributable to non-controlling interests		500	1,144

Profit from recurring operations before the effect of purchase price allocation reflects profit from recurring operations restated to include the effect of the fair value adjustment of acquired work in progress and amortization of intangible assets related to acquisitions.

*Amortization of intangible assets related to acquisitions and related taxes have been adjusted (see note 4).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In thousands of euros	Notes	2014	2013*
Profit for the year		**75,408**	**43,979**
Net change in fair value of available-for-sale financial assets		257	792
Deferred tax on net change in fair value of available-for-sale financial assets		(105)	(277)
Net change in fair value of cash flow hedges			11
Deferred tax on net change in fair value of cash flow hedges			(4)
Foreign currency translation differences		12,801	**(4,907)**
TOTAL Items subsequently recycled through profit and loss		**12,953**	**(4,385)**
Actuarial gains (losses)	6.19	(2,842)	8,816
Deferred tax on actuarial gains and losses		945	(2,065)
TOTAL Items not to be recycled through profit and loss		**(1,897)**	**6,751**
Total comprehensive income		**86,464**	**46,345**
Attributable to:			
- Owners of the Group		86,021	45,155
- Non-controlling interests		444	1,190

*2013 profit has been adjusted (see note 4)

CONSOLIDATED BALANCE SHEET

ASSETS

In thousands of euros	Notes	Dec. 31, 2014	Dec. 31, 2013*
Goodwill	6.8	214,253	189,357
Intangible assets	6.9	110,995	116,235
Property, plant and equipment	6.10	166,595	163,390
Non-current financial assets	6.11	8,880	7,889
Deferred tax assets		28,603	32,903
Non-current assets		**529,326**	**509,774**
Inventories and work in progress	6.12	171,633	191,468
Construction contracts in progress, assets	6.13	104,052	82,628
Trade receivables	6.14	332,192	352,521
Other current assets	6.15	64,091	55,635
Current financial assets	6.11	7,787	5,626
Current tax assets		18,424	12,911
Cash and cash equivalents	6.16	165,607	245,388
Current assets		**863,786**	**946,177**
Total assets		**1,393,113**	**1,455,951**

*The carrying amounts reported at December 31, 2013 have been adjusted (see note 4).

SHAREHOLDERS' EQUITY AND LIABILITIES

In thousands of euros	Notes	Dec. 31, 2014	Dec. 31, 2013*
Share capital		102,724	102,724
Share premium and reserves		181,449	139,970
Foreign currency translation reserve		15,172	2,560
Profit attributable to owners of the Group		74,908	42,835
Shareholders' equity attributable to owners of the Group		**374,253**	**288,089**
Non-controlling interests		2,165	3,021
Shareholders' equity	6.18	**376,418**	**291,110**
Non-current provisions	6.19	64,989	58,682
Non-current financial liabilities	6.20	101,099	169,727
Other non-current liabilities	6.21	1,469	1,883
Deferred tax liabilities		6,412	13,821
Non-current liabilities		**173,969**	**244,113**
Current provisions	6.19	104,229	112,300
Current financial liabilities	6.20	52,700	71,738
Construction contracts in progress, liabilities	6.13	214,026	225,742
Trade and related payables		258,321	263,625
Current tax liabilities		12,478	16,440
Other current liabilities	6.21	200,972	230,883
Current liabilities		**842,726**	**920,728**
Total shareholders' equity and liabilities		**1,393,113**	**1,455,951**

*The carrying amounts reported at December 31, 2013 have been adjusted (see note 4).

CONSOLIDATED CASH FLOW STATEMENT

In thousands of euros	Notes	2014	2013*
Cash and cash equivalents at January 1		**242,404**	**265,563**
Operating activities			
Profit for the year		**75,408**	**43,979**
Change in non-current provisions		(4,082)	(1,523)
Amortization, depreciation and impairment		42,058	29,084
Net (gain) loss on disposals of assets and acquisition costs		46	5,320
Profit of equity-accounted associates		(298)	
Other non-cash income and expense items		(33,564)	16,327
Income tax expense		36,324	35,896
Cost of net financial debt		5,192	1,733
Operating cash flow before change in working capital and income tax		121,084	130,816
Change in working capital	*6.17*	(44,130)	1,286
Income tax paid		(39,212)	(36,234)
Net cash provided by operating activities		**37,742**	**95,868**
Investing activities			
Acquisitions of property, plant and equipment and intangible assets		(21,935)	(22,460)
Disposals of property, plant and equipment and intangible assets		808	334
Change in financial assets		(498)	405
Acquisitions of subsidiaries after deduction of acquired cash		(4,930)	(211,437)
Net cash used in investing activities		**(26,555)**	**(233,158)**
Financing activities			
Dividends paid to owners of non-controlling interests		(695)	(543)
Transactions with non-controlling interests		(540)	
Net increase (decrease) in borrowings		(91,857)	127,645
Net interest paid		(5,673)	267
Net cash provided by (used in) financing activities		**(98,765)**	**127,368**
Effect of exchange rate fluctuations		9,149	(13,238)
Net increase (decrease) in cash and cash equivalents		**(78,429)**	**(23,159)**
Cash and cash equivalents at December 31	*6.17*	**163,975**	**242,404**

*The carrying amounts reported at December 31, 2013 have been adjusted (see note 4).

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

In thousands of euros	Share capital	Premiums, retained earnings and reserves	Actuarial gains (losses) on pensions	Foreign currency translation reserve	Hedging reserve	Available-for-sale financial assets - fair value reserve	**Equity attributable to owners of the Group**	Non-controlling interests	**Total equity**
Shareholders' equity at January 1, 2014	**102,724**	**191,537**	**(9,269)**	**2,560**		**537**	**288,089**	**3,021**	**291,110**
Profit for the year		74,908					**74,908**	500	**75,408**
Other comprehensive income			(1,783)	12,743		152	**11,112**	(56)	**11,056**
Profit and other comprehensive income		**74,908**	**(1,783)**	**12,743**		**152**	**86,021**	**444**	**86,464**
Dividends paid								(725)	**(725)**
Change in scope		59					**59**	(570)	**(511)**
Other changes		31	73	(131)		111	**84**	(5)	**79**
Shareholders' equity at December 31, 2014	**102,724**	**266,535**	**(10,979)**	**15,172**		**800**	**374,253**	**2,165**	**376,418**

In thousands of euros	Share capital	Premiums, retained earnings and reserves	Actuarial gains (losses) on pensions	Foreign currency translation reserve	Hedging reserve	Available-for-sale financial assets - fair value reserve	**Equity attributable to owners of the Group**	Non-controlling interests	**Total equity**
Shareholders' equity at January 1, 2012	**102,724**	**148,366**	**(15,966)**	**7,517**	**(7)**	**22**	**242,656**	**2,376**	**245,032**
Profit for the year		43,444					**43,444**	1,144	**44,588**
Other comprehensive income			6,697	(4,900)	7	515	**2,319**	47	**2,366**
Profit and other comprehensive income		**43,444**	**6,697**	**(4,900)**	**7**	**515**	**45,763**	**1,191**	**46,954**
Dividends paid								(543)	**(543)**
Other changes		336		(57)			**279**	(3)	**276**
Shareholders' equity at December 31, 2013	**102,724**	**192,146**	**(9,269)**	**2,560**		**537**	**288,698**	**3,021**	**291,719**
Effect of adjustment of Fives OTO's acquisition-date fair values		(609)					**(609)**		**(609)**
Shareholders' equity at December 31, 2013 restated	**102,724**	**191,537**	**(9,269)**	**2,560**		**537**	**288,089**	**3,021**	**291,110**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL PRESENTATION

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

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

The Group's companies design and supply process equipment and turnkey production lines and plant facilities for major industrial players worldwide. The Group is uniquely positioned due to its command of proprietary technologies and its expertise in engineering and complex project management.

The consolidated financial statements have been prepared under the responsibility of the Management Board, which approved them on March 23, 2015. They will be final when approved by the shareholders at their General Meeting on June 25, 2015.

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

2. ACCOUNTING POLICIES

2.1. Statement of compliance

The consolidated financial statements of Fives for the financial year ended December 31, 2014 have been prepared in accordance with the international standards issued by the International Accounting Standards Board (IASB) and adopted by the European Union as at December 31, 2014. The international standards comprise International Accounting Standards (IAS), International Financial Reporting Standards (IFRS) and SIC and IFRIC interpretations.

The following standards are mandatory for financial years beginning on or after January 1, 2014 with retrospective application, in accordance with IAS8:

- IFRS 10 "Consolidated Financial Statements";
- IFRS 11 "Joint Arrangements";
- IFRS 12 "Disclosure of Interests in Other Entities";
- IAS 28 (amended) "Investments in Associates and Joint Ventures";
- Amendments to IFRS 10, 11, 12 "Transitional Provisions";
- Amendments to IAS 32 "Offsetting Financial Assets and Financial Liabilities";
- Amendments to IAS 36 "Recoverable Amount Disclosures for Non-Financial Assets";
- Amendments to IAS 39 and IFRS 9 "Novation of Derivatives and Continuation of Hedge Accounting".

The amendments have had no impact on the Group's consolidated financial statements.

The Group's financial statements do not account for the possible effects of IFRIC 21 "Levies", adopted by the European Union at December 31, 2014, but which was not mandatory until January 1, 2015.

The following standards relating to accounting policies specifically applied by the Group have not yet been approved by the European Union:

- IFRS 15 "Revenue from Contracts with Customers";
- IFRS 9 "Financial Instruments";
- Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization";
- Amendments to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations";
- Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture".

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

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

2.2. Basis of preparation of the consolidated financial statements

The Group's consolidated financial statements have been prepared using historical costs, with the exception of the following assets and liabilities, which are stated at fair value:

- Financial assets held for trading;
- Available-for-sale financial assets;
- Derivative financial instruments.

2.3. Presentation of financial statements

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

2.4. Consolidation methods

Subsidiaries are companies that are controlled by the Group. They are fully consolidated. The Group exercises power 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 its returns. Control is presumed when the Group holds, either directly or indirectly, more than 50% of voting rights. In assessing control, the Group takes into consideration all potential voting rights that are exercisable at the reporting date, including those held by another party.

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

Companies are consolidated on the basis of their separate financial statements at December 31, restated to comply with Group accounting principles. All transactions between consolidated companies are eliminated. The list of subsidiaries and associates is provided in note 5.29.

2.5. Significant estimates and judgments

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

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

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

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

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

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

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

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

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

Estimates of provisions for litigation

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

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

Impairment of non-financial assets

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

Other depreciable non-financial assets are tested for impairment when there is an indication that their carrying amount may exceed their recoverable amount.

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

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

Deferred tax assets

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

Employee benefits

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

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 each reporting date. The corresponding foreign currency translation gains or losses are recognized in net financial income or expense.

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

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

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

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

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

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

2.8. Segment information

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

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

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

Operating segment information is presented in note 6.1.

2.9. Business combinations and goodwill

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

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

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

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

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

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

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

Goodwill is not amortized. In accordance with IAS 36 "Impairment of Assets", goodwill is tested for impairment at least once a year and more frequently if there is an indication of impairment. Any impairment losses are recognized in the income statement in the line item "Impairment of fixed assets".

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

In addition, the following principles apply to business combinations:

- where possible, goodwill is allocated to each cash-generating unit likely to benefit from the business combination as of the acquisition date.
- contingent consideration in a business combination is recorded at fair value as of the acquisition date and any subsequent adjustment occurring after the purchase price allocation period is recognized in the income statement.
- acquisition-related costs are recognized as expenses when incurred, under "gains or losses on disposals and acquisition costs" on the income statement.
- any acquisition or disposal of ownership interests that dœs not affect control subsequent to a business combination is accounted for as an equity transaction and recognized directly in equity, in accordance with 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 all the following criteria required by IAS 38 are met:

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

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

The Group has tax credits relating to its subsidiaries' research activities, including the research tax credit in France. These tax credits are accounted for as grants and recognized in profit from recurring operations under "Research and development costs". They are recognized in accordance with IAS 20 "Grants".

2.11. Intangible assets

Separately acquired intangible assets are recognized at their acquisition cost.

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

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

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

2.12. Property, plant and equipment

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

The useful lives are generally the following:
– main structure of buildings (shell and brickwork), depending on the type of construction: 30 to 50 years;
– facades, roofing and secondary construction: 20 to 30 years;
– technical and general improvements: 15 to 20 years;
– fixtures and fittings: 10 to 15 years;
– heavy industrial equipment, depending on the type of machinery: 15 to 25 years;
– other components and light industrial equipment, machinery and tools: 5 to 15 years.

2.13. Finance leases

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

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

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

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

Cash Generating Units (CGUs) are homogeneous groups of assets that generate cash inflows.

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 CGU representing each segment.

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

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

Details of the assumptions used are provided in note 6.8.
Goodwill impairment cannot be reversed.

2.15. Financial assets (excluding derivative instruments)

Initial measurement

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

Classification and measurement at the reporting date

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

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

Loans, receivables and held-to-maturity financial assets

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

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

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

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

Available-for-sale assets

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

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

2.16. Financial liabilities (except derivative instruments)

Loans and borrowings

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

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

2.17. Derivative instruments

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

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

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

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

Derivative instruments eligible for hedge accounting

The Group uses the criteria prescribed by IAS 39 to assess whether a derivative instrument qualifies for hedge accounting:
– the hedging relation is clearly identified and documented at the inception date of the hedging instrument;
– hedging relation effectiveness is demonstrated at the inception of the hedge and at each reporting date, both prospectively and retrospectively.

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

Fair value hedges

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

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

Cash flow hedges

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

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

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

Derivative instruments not eligible for hedge accounting

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

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

2.18. Revenue recognition

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

Construction contracts

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

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

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

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

Losses at completion are fully recognized as soon as they are foreseen.

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

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

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

Sales of goods and rendering of services

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

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

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

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

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

2.20. Cash and cash equivalents

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

2.21. Provisions

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

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

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

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

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

Provisions are described in note 6.19.

2.22. Retirement benefits

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

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

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

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

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

2.23. Provisions for long-service awards

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

2.24. Income tax

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

Current and deferred taxes are recognized in profit and loss, or shareholders' equity if the taxes are related to items recognized directly in shareholders' equity. The effects of changes in tax rates are recorded in shareholders' equity or in the income statement for the year the change is enacted or substantively enacted, according to the initial recognition method used for deferred taxes.

Current tax expense (income) is the estimated tax due for the period's taxable income, determined by the tax rate adopted at the reporting date.

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

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

Deferred taxes

Deferred taxes are recognized based on temporary differences between the carrying amount and tax bases of assets and liabilities, and for tax losses carried forward. No deferred tax is recognized for temporary differences generated by:

- goodwill that is not tax-deductible;
- the initial recognition of an asset or liability in a transaction that is not a business combination, which has no impact on accounting profit or taxable profit (tax loss) at the transaction date;
- investments in subsidiaries, joint ventures and associates if the Group controls the date at which the temporary differences reverse and if it is probable that the differences will not reverse in the foreseeable future.

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

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

3. SIGNIFICANT EVENTS OF THE YEAR

Economic environment

Two contracts for turnkey cement plants were booked during the year, propelling the Group's order intake to a record €1,865 million in 2014, up 52% after a disappointing previous year (€1,227 million).

Meanwhile, small and medium-sized orders increased modestly due to the adverse effects of the economic slowdown in emerging markets, regional geopolitical tensions and lower-than-expected industrial growth in the United States.

The situation was directly reflected in sales (as progress on the two major cement plant contracts was minor), which decreased 4% to €1,560 million, from €1,626 million in 2013. EBITDA proved resilient at €135.1 million, a slight increase from €133.0 million in 2013.

Order book increased 33% from €1,125 million at the start of the year to €1,494 million at year end, giving the Group good forward visibility of activity levels in 2015.

External growth

On January 29, 2014, the Group finalized the acquisition of ITAS. The operation is described in note 5 on "Consolidation scope".

4. YEAR-ON-YEAR COMPARABILITY

The acquisition-date fair values of Fives OTO at September 30, 2013 have been finalized in accordance with IFRS 3 (see note 5.2).

The prior-year comparative consolidated income statements have only been affected by the additional amortization allowance net of tax. The comparative cash flow statements were not affected.

The impact of the adjustments of the acquisition-date fair values of Fives OTO is as follows:

ASSETS

In thousands of euros	Dec. 31, 2013 Previously-reported	Change	Dec. 31, 2013
Goodwill	200,131	(10,774)	189,357
Intangible assets	101,305	14,930	116,235
Property, plant and equipment	163,390		163,390
Non-current financial assets	7,889		7,889
Deferred tax assets	32,147	756	32,903
Non-current assets	**504,862**	**4,912**	**509,774**
Inventories and work in progress	195,503	(4,035)	191,468
Construction contracts in progress, assets	81,618	1,010	82,628
Trade receivables	353,026	(505)	352,521
Other current assets	53,822	1,813	55,635
Current financial assets	5,626		5,626
Current tax assets	16,064	(3,153)	12,911
Cash and cash equivalents	245,388		245,388
Current assets	**951,047**	**(4,870)**	**946,177**
Total assets	**1,455,909**	**42**	**1,455,951**

SHAREHOLDERS' EQUITY AND LIABILITIES

In thousands of euros	Dec. 31, 2013 Previously-reported	Change	Dec. 31, 2013
Share capital	102,724		102,724
Share premium and reserves	139,970		139,970
Foreign currency translation reserve	2,560		2,560
Profit attributable to owners of the Group	43,444	(609)	42,835
Shareholders' equity attributable to owners of the Group	**288,698**	**(609)**	**288,089**
Non-controlling interests	3,021		3,021
Shareholders' equity	**291,719**	**(609)**	**291,110**
Non-current provisions	58,682		58,682
Non-current financial liabilities	169,727		169,727
Other non-current liabilities	1,883		1,883
Deferred tax liabilities	9,714	4,107	13,821
Non-current liabilities	**240,006**	**4,107**	**244,113**
Current provisions	112,028	272	112,300
Current financial liabilities	71,738		71,738
Construction contracts in progress, liabilities	225,742		225,742
Trade and related payables	263,625		263,625
Current tax liabilities	20,166	(3,726)	16,440
Other current liabilities	230,885	(2)	230,883
Current liabilities	**924,184**	**(3,456)**	**920,728**
Total shareholders' equity and liabilities	**1,455,909**	**42**	**1,455,951**

5. CONSOLIDATION SCOPE

The list of companies included in the consolidation scope at December 31, 2014 is provided in note 6.29.

5.1. I.T.A.S.

Acquisition of I.T.A.S.

On January 29, 2014, the Group purchased I.T.A.S. (Impianti Termotecnici Applicazioni Speciali S.p.A), renamed Fives ITAS.

Fives ITAS is an Italian engineering firm specialized in the design and manufacture of combustion systems. The acquisition enhances the Group's service offering for environmental applications and the oil and gas industry.

The Group's financial statements include the financial statements of Fives ITAS from January 1, 2014, as the closest reporting date of I.T.A.S. to the acquisition date was December 31, 2013.

Purchase price and other information on the transaction

The consideration transferred for the 100% ownership interest in I.T.A.S. was €12.1 million. It was fully financed by the Group's cash resources.

Acquisition costs in 2014 amounted to €41 thousand before tax (most of the expenses were incurred in 2013). They are included in the line item "Gain (loss) on disposals and acquisition costs". Less net cash acquired, the transaction resulted in a net cash outflow of €6.7 million.

The contribution of Fives ITAS to the Group's profit from recurring operations for the reporting period was as follows:

In thousands of euros	Contribution to consolidated financial statements (12 months)
Sales	**32,558**
Cost of sales	(25,304)
Gross profit	**7,254**
Profit from recurring operations	**1,409**
Amortization of intangible assets related to acquisitions	(651)
Other amortization and depreciation	(67)
Amortization and depreciation included in profit from recurring operations	**(718)**

Purchase price measurement and allocation

The identifiable assets, liabilities and contingent liabilities that meet IFRS 3 recognition criteria were recognized in the opening balance sheet at their acquisition-date fair values. In accordance with IFRS 3, the Group has twelve months to finalize the purchase price allocation.

The main adjustments to the acquisition-date balance sheet have been recognized on the basis of measurements performed by the Company. The main items identified were as follows:

Fair value of customer relationships and order book

It is calculated on the basis of forecast completion for orders and the repeat business rate for customer relationships. The fair value of customer relationships is sensitive to the churn rate used.

Estimate of contingent liabilities

The Group reviewed the company's accounting methods and ensured that they were in line with those of the Group. This resulted in the recognition of provisions for warranties.

The final acquisition-date fair values of the company were as follows:

In thousands of euros	IFRS 3 fair values
Intagible assets	2,207
Property, plant and equipment	247
Financial assets	7
Inventories an work in progress	657
Trade receivables	10,342
Other receivables*	5,539
Cash and cash equivalents	5,405
Total assets	**24,403**
Provisions	3,654
Trade payables	7,770
Other payables*	5,739
Total liabilities	**17,162**
Net assets	**7,240**
Acquisition cost	12,075
Goodwill	**4,835**

* Including deferred taxon on remeasurements and adjustments.

5.2. Finalization of Fives OTO fair values at acquisition date

The Group finalized the acquisition-date fair values recognized in the financial statements at December 31, 2013 on the basis of assessments by an external valuation specialist. As a result, the Group's balance sheet at December 31, 2013 was adjusted (see note 4 "Year-on-year comparability").

Purchase price measurement and allocation

The identifiable assets, liabilities and contingent liabilities that meet IFRS 3 recognition criteria were recognized in the opening balance sheet at their acquisition-date fair values.

The main adjustments to the acquisition-date balance sheet were recognized on the basis of measurements performed by an external valuation firm. The main items identified were as follows:

Fair value of technologies

The fair value of technologies was determined using the Relief from Royalty method based on discounted cash flows (DCF) net of tax, market data and the estimated royalty rate due to use the technologies measured. The main assumptions applied in the calculation include the volume of sales and margins generated by the technologies identified, the effectiveness of intellectual property protection, the degree of difficulty in entering the market and obsolescence risk. The fair value thus determined is sensitive to the main assumptions made.

Fair value of customer relationships and order book

It is calculated on the basis of forecast completion for order book and the repeat business rate for customer relationships. The fair value of customer relationships is sensitive to the churn rate used.

Fair value of brands

The fair value of brands was determined using the Relief from Royalty method based on discounted cash flows (DCF) net of tax, market data and the estimated royalty rate due to use the brands. The fair value thus determined is therefore mainly sensitive to the royalty rate used.

Fair value of other assets

The other assets remeasured include inventories of work in progress.

Estimate of contingent liabilities

The allocation of the fair value of assets and liabilities takes into account the effects of deferred tax.

The fair values were adjusted as follows:

In thousands of euros	Values reproted at Sept. 30, 2013	Fair value adjustment	Revised Sept. 30, 2013 fair value
Total assets	**91,548**	**9,876**	**101,424**
Total liabilities	**60,791**	**883**	**61,674**
Net assets	**30,757**	**8,993**	**39,750**
Consideration transferred	61,521	(1,781)	59,740
Goodwill	**30,764**	**(10,774)**	**19,990**

5.3. Other changes in consolidation scope

On April 29, 2014, the Group purchased the non-controlling interests of Fives Pillard Espana SA, increasing the Group's ownership interest in the company from 57.07% to 85.18%.

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

6.1. Operating segment information

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

Operating segment information

	2014	2013
Automotive/Logistics	477,984	542,837
Cement	616,122	102,291
Energy	287,986	276,296
Metals	294,896	227,848
Aerospace and precision machining	188,044	78,019
Total order intake	**1,865,032**	**1,227,291**
Automotive/Logistics	521,765	564,346
Cement	183,185	169,982
Energy	298,674	326,214
Metals	339,656	461,457
Aerospace and precision machining	217,209	104,214
Total sales	**1,560,489**	**1,626,213**
Automotive/Logistics	50,123	48,587
Cement	20,113	13,468
Energy	16,680	23,680
Metals	29,075	29,735
Aerospace and precision machining	(4,350)	4,591
Other	(18,995)	(16,487)
Total profit from recurring operations	**92,646**	**103,574**
Automotive/Logistics	56,265	54,485
Cement	22,118	14,557
Energy	25,391	31,779
Metals	38,958	37,958
Aerospace and precision machining	10,773	10,203
Other	(18,425)	(16,030)
Profit from recurring operations excluding depreciation, amortization and the effect of purchase price allocation	**135,080**	**132,953**

The breakdown of assets by operating segment is as follows:

Dec. 31, 2014	Automotive/ Logistics	Cement	Energy	Metals	Aerospace & precision machining	Other	Total
Goodwill	41,364	6,676	66,131	44,147	55,935		214,253
Intangible assets, property, plant and equipment	57,825	9,429	54,841	65,849	86,746	2,900	277,590
Total allocated assets	**99,189**	**16,105**	**120,972**	**109,996**	**142,681**	**2,900**	**491,843**
Other assets							901,269
Total							**1,393,113**

6.2. Sales

Sales comprised the following:

	2014	2013
Construction contract revenue	867,327	995,220
Services rendered	173,571	128,160
Sales of goods	519,591	502,833
Total	**1,560,489**	**1,626,213**

Sales by destination country

	2014	2013
Europe	546,992	458,243
Africa and the Middle East	166,688	178,823
United States	450,373	531,235
Asia and Oceania	396,436	457,912
Total	**1,560,489**	**1,626,213**

Sales by origin country

	2014	2013
Europe	987,690	1,029,496
Africa and the Middle East	26,351	47,224
United States	418,213	387,928
Asia and Oceania	128,234	161,565
Total	**1,560,489**	**1,626,213**

Information on major customers

No single Group customer accounted for more than 5% of consolidated sales during the reporting period ended December 31, 2014.

6.3. Personnel expenses and headcount

Personnel expenses

	2014	2013
Personnel expenses	489,690	426,824

Headcount at December 31

By category	2014	2013
Engineers and management	3,205	2,817
Supervisory and office staff	2,833	3,086
Other employees	1,707	1,922
Total	**7,745**	**7,825**

By type of contract	2014	2013
Permanent contracts	7,357	7,074
Fixed-term contracts	255	612
Apprenticeships and internships	133	139
Total	**7,745**	**7,825**

6.4. Research and development costs

	2014	2013
Research and development expenses, gross	(33,104)	(28,072)
Research tax credits and grants received	3,471	4,372
Total	**(29,633)**	**(23,700)**

6.5. Amortization and depreciation included in profit from recurring operations

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

	2014	2013
Included in cost of sales	(12,652)	(12,017)
Included in overheads and other operating items	(9,825)	(7,601)
Amortization of intangible assets related to acquisitions	(19,581)	(9,466)
Total	**(42,058)**	**(29,084)**

6.6. Net financial income and expense

Cost of net financial debt

	2014	2013
Financial expenses relating to:		
- bank loans and interest rate swaps	(2,487)	(961)
- finance leases	(82)	(108)
Other interest expense	(3,497)	(3,345)
Deferred transaction costs	(1,106)	(371)
Interest and related expenses	**(7,172)**	**(4,785)**
Interest and related income	**1,980**	**3,052**
Total	**(5,192)**	**(1,733)**

Other financial income and expense

	2014	2013
Income from associates	38	188
Foreign exchange gains (losses)	31,695	(13,220)
- Foreign exchange gains (losses)	*32,246*	*(12,458)*
- Impact of forward points on changes in fair value of foreign exchange and swap points	*(552)*	*(762)*
Expenses for retirement and related benefits	(1,743)	(1,858)
Net change in financial provisions	(1,042)	125
Other financial items	(668)	(835)
Total	**28,280**	**(15,600)**

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

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

The loan amounts are detailed in note 6.23.

6.7. Income tax expense

Analysis of income tax expense

	2014	2013
French companies in the consolidated tax group	(21,772)	(19,310)
French companies outside the consolidated tax group	(2,159)	(2,170)
Foreign companies	(12,897)	(15,822)
Current tax	**(36,828)**	**(37,302)**
Deferred tax	**504**	**1,406**
Total	**(36,324)**	**(35,896)**

Effective tax rate

	2014	2013
Profit before income tax	**111,434**	**79,875**
Parent company tax rate	*34.43%*	*34.43%*
Theoretical tax expense	(38,367)	(27,501)
Effect of:		
Tax rate differences	4,852	2,636
Change in unrecognized deferred tax assets	2,163	(9,541)
Permanent differences and other items	(1,811)	1,600
Income tax expense	**(33,163)**	**(32,806)**
Effective tax rate	**29.76%**	**41.07%**
Effect of French value added business tax (CVAE)	(3,161)	(3,090)
Income tax expense	**(36,324)**	**(35,896)**

French companies' current tax

Fives and its French subsidiaries that are directly or indirectly more than 95%-owned are included in the tax group established on January 1, 2013 by Novafives, which is described in note 6.29. The tax savings resulting from offsetting the tax losses of loss-making companies with the taxable profit of profit-making companies included in the calculation of consolidated tax are recognized in Novafives' financial statements.

Deferred tax

The offsetting methods used are described in note 2.24.

Deferred tax assets are only recognized when it is sufficiently likely that they can be used to offset future liabilities.

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

	Dec. 31, 2013		Change recognized in profit and loss	Change recognized in equity	Change in consolidation scope	Translation differences and other	Dec. 31, 2014	
	Deferred tax assets	Deferred tax liabilitiesf					Deferred tax assets	Deferred tax liabilities
Provisions for retirement benefits	15,064		(449)	945	453	660	16,673	
Goodwill	1,044	(13,044)	(1,161)			(1,690)	2,166	(17,016)
Tax loss carryforwards			430					
Other temporary differences	40,038	(21,285)	608	(105)	(453)	2,706	40,064	(17,280)
Deferred tax assets (liabilities), gross	**56,902**	**(34,329)**	**(572)**	**840**	**(88)**	**1,676**	**58,902**	**(34,296)**
Deferred tax asset limit	(3,491)		1,076				(2,415)	
Offsetting	(20,508)	20,508					(27,884)	27,884
Recognized deferred tax assets	**32,903**	**(13,821)**	**1,753**	**840**	**(88)**	**1,676**	**28,603**	**(6,412)**
Net deferred tax	**19,082**						**22,191**	

6.8. Goodwill

	Dec. 31, 2013 Net	Change in consolidation scope	Translation differences	Dec. 31, 2014 Net
Automotive/Logistics	37,944		3,420	41,364
Cement	1,663	4,835	178	6,676
Energy	58,675		7,456	66,131
Metals	41,832		2,315	44,147
Aerospace and special machining	49,243		6,692	55,935
Total	**189,357**	**4,835**	**20,061**	**214,253**

In compliance with IAS 36, an impairment test was performed at December 31, 2014 on the CGU for each industry.
The following assumptions were used:
- 2015-2018 medium-term plan;
- terminal value growth rate: 2% (identical to the assumption used in 2013);
- discount rate: 10% (identical to the assumption used in 2013).

No impairment was necessary.

Sensitivity analysis

Interest rate sensitivity

The tests were performed based on the following set of unfavorable assumptions: 1% increase in discount rate and 1% decrease in the terminal value growth rate.

On this basis, no impairment loss was required.

Cash flow sensitivity

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

6.9. Intangible assets

	Dec. 31, 2014			Dec. 31, 2013		
	Gross	Accumulated amortization/ impairment	Net	Gross	Accumulated amortization/ impairment	Net
Internally developed patents						
Technologies, research and development acquired	82,812	(23,638)	59,175	74,726	(13,401)	61,325
Brands acquired	19,324	(3,865)	15,459	17,309		17,309
Customer relationships, order book and other intangibles acquired	48,212	(20,825)	27,387	41,330	(11,019)	30,311
Concessions, patents and licenses	26,499	(20,821)	5,678	23,499	(18,464)	5,035
Other intangible assets	10,166	(6,868)	3,298	6,193	(3,938)	2,255
Total	**187,013**	**(76,018)**	**110,995**	**163,057**	**(46,822)**	**116,235**

Since January 1, 2014, following the Group's decision to adopt a new brand policy, brands have been amortized over a 5-year period.

At December 31, 2014, the analysis of changes in intangible assets was as follows:

	Gross	Accumulated amortization/ impairment	Net
Balance at Dec. 31, 2013	**163,057**	**(46,822)**	**116,235**
Acquisitions	3,136		3,136
Deconsolidations and disposals	(1,933)	1,932	(1)
Amortization/impairment		(22,942)	(22,942)
Reclassified items	4,513	(3,205)	1,308
Change in consolidation scope	2,206		2,206
Translation differences	16,034	(4,981)	11,053
Balance at Dec. 31, 2014	**187,013**	**(76,018)**	**110,995**

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

	Gross	Accumulated amortization/ impairment	Net
Balance at Dec. 31, 2012	**61,757**	**(31,047)**	**30,710**
Acquisitions	2,029		2,029
Deconsolidations and disposals	(179)	174	(5)
Amortization/impairment		(10,827)	(10,827)
Reclassified items	(3)	3	
Change in consolidation scope	87,293	(5,390)	81,903
Translation differences	12,160	265	12,425
Balance at Dec. 31, 2013	**163,057**	**(46,822)**	**116,235**

6.10. Property, plant and equipment

	Dec. 31, 2014			Dec. 31, 2013		
	Gross	Accumulated depreciation/ impairment	Net	Gross	Accumulated depreciation/ impairment	Net
Land and developments	20,591	(308)	20,283	20,778	(450)	20,328
Leasehold land	1,541		1,541	1,541		1,541
Buildings	144,372	(67,595)	76,777	135,278	(60,767)	74,511
Leasehold buildings	11,758	(6,017)	5,741	11,758	(5,421)	6,337
Plant, equipment and machinery	171,714	(126,582)	45,132	154,548	(114,083)	40,465
Leasehold plant, equipment and machinery				668	(466)	202
Other assets	51,434	(38,078)	13,356	49,720	(37,078)	12,642
Assets under construction	3,303	(56)	3,247	5,712	(56)	5,656
Advances on fixed assets	518		518	1,709		1,709
Total	**405,231**	**(238,636)**	**166,595**	**381,711**	**(218,321)**	**163,390**

At December 31, 2014, the analysis of changes in property, plant and equipment was as follows:

	Gross	Accumulated amortization/ impairment	Net
Balance at Dec. 31, 2013	**381,711**	**(218,321)**	**163 390**
Acquisitions	17,193		17,193
Deconsolidations and disposals	(7,823)	7,003	(820)
Depreciation/impairment		(19,116)	(19,116)
Reclassified items	(1,081)	(197)	(1,278)
Change in consolidation scope	247		247
Translation differences	14,984	(8,005)	6,979
Balance at Dec. 31, 2014	**405,231**	**(238,636)**	**166,595**

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

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

6.11. Current and non-current financial assets

Non-current financial assets

	Dec. 31, 2014			Dec. 31, 2013		
	Gross	Impairment	Net	Gross	Impairment	Net
Available-for-sale securities	6,748	(2,641)	4,107	5,373	(1,814)	3,559
Equity-accounted associates	298		298			
Loans related to investments in associates	110	(88)	22	45	(45)	
Other financial assets	4,643	(190)	4,453	4,551	(221)	4,330
Total	**11,799**	**(2,919)**	**8,880**	**9,969**	**(2,080)**	**7,889**

At December 31, 2014, the increase in the gross value of available-for-sale securities included a change in fair value of €257 thousand (€105 thousand net of tax).

At December 31, 2014, the repayment and maturity schedule (excluding available-for-sale securities) was as follows:

	Dec. 31, 2014		
	Carrying amount	Between 1 and 5 years	More than 5 years
Loans related to investments in associates	110	110	
Other financial assets	4,643	1,581	3,062
Total	**4,753**	**1,691**	**3,062**

Current financial assets

	Dec. 31, 2014			Dec. 31, 2013		
	Gross	Impairment	Net	Gross	Impairment	Net
Derivatives	5,220		5,220	2,365		2,365
Loans related to investments in associates	360	(68)	292	626	(59)	567
Loans	79		79	91		91
Accrued interest	1		1	10		10
Other	2,195		2,195	2,593		2,593
Total current financial assets	**7,855**	**(68)**	**7,787**	**5,685**	**(59)**	**5,626**

6.12. Inventories and work in progress

	Dec. 31, 2014			Dec. 31, 2013		
	Gross	Accumulated impairment	Net	Gross	Accumulated impairment	Net
Raw materials	65,829	(16,511)	49,318	64,150	(14,698)	49,452
Work in progress under completed-contract method	98,670	(4,379)	94,291	118,312	(4,817)	113,495
Semi-finished and finished goods	37,866	(9,842)	28,024	38,613	(10,092)	28,521
Total	**202,365**	**(30,732)**	**171,633**	**221,075**	**(29,607)**	**191,468**

6.13. Construction contracts

	Dec. 31, 2014	Dec. 31, 2013
Construction contracts in progress, assets	104,052	82,628
Construction contracts in progress, liabilities	(214,026)	(225,742)
Net	**(109,974)**	**(143,114)**

Cumulative information on construction contracts in progress was as follows:

	Dec. 31, 2014	Dec. 31, 2013
Costs and profit recognized on a percentage-of-completion basis	1,436,960	1,600,884
Progress billings	(1,544,339)	(1,743,785)
Provisions for loss at completion	(2,595)	(213)
Net	**(109,975)**	**(143,114)**

6.14. Trade receivables

	Dec. 31, 2014			Dec. 31, 2013		
	Gross	Accumulated impairment	Net	Gross	Accumulated impairment	Net
Total trade receivables	**343,095**	**(10,902)**	**332,192**	**363,756**	**(11,235)**	**352,521**

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

	Opening balance	Allowances	Reversals	Translation differences	Other	Closing balance
2014	(11,235)	(1,763)	2,730	(526)	(108)	(10,902)
2013	(9,409)	(3,477)	3,193	295	(1,837)	(11,235)

Other changes related to first-time consolidation of Fives ITAS in 2014, and Fives Machining Systems, Fives Forest-Liné and Fives OTO in 2013.

At December 31, 2014 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
2014	**332,192**	258,216	35,222	19,850	18,904

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/orpolitical risk) according to criteria relating to contract size, type of receivable, and country category;
- regular monitoring of overdue payments during contract performance and early implementation of collection procedures for receivables due.

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

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

6.15. Other current assets

	Dec. 31, 2014	Dec. 31, 2013
VAT and related tax receivables	17,261	19,206
Advances and progress payments	26,245	13,608
Other receivables	9,889	10,879
Prepaid expenses	10,696	11,942
Total	**64,091**	**55,635**

6.16. Cash and cash equivalents

	Dec. 31, 2014	Dec. 31, 2013
Cash equivalents	50,774	116,015
Cash	114,833	129,373
Total cash and cash equivalents	**165,607**	**245,388**

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	50,436						338	50,774
Cash	26,656	18,823	6,656	30,547	11,299	2,902	17,950	114,833
Total at Dec. 31, 2014	**77,092**	**18,823**	**6,656**	**30,547**	**11,299**	**2,902**	**18,288**	**165,607**
Foreign exchange swaps	(90,181)	38,493	17,264	5,671	18,751	10,002		
Total at Dec. 31, 2014 (before swaps)	**(13,089)**	**57,316**	**23,920**	**36,218**	**30,050**	**12,904**	**18,288**	**165,607**

At December 31, 2013, the breakdown of cash and cash equivalents was as follows:

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

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

6.17. Statement of cash flows

Cash and cash equivalents, net

	Dec. 31, 2014	Dec. 31, 2013
Cash equivalents	50,774	116,015
Cash	114,833	129,373
Total cash and cash equivalents	**165,607**	**245,388**
Bank overdrafts	(1,632)	(2,984)
Total	**163,975**	**242,404**

Changes in WCR

		Variations		
	Dec. 31, 2014	**Dec. 31, 2013**	Operating activities	Other*
Inventories and work in progress	(171,633)	(191,468)	21,357	(1,521)
Construction contracts in progress, assets	(104,052)	(82,628)	(340)	(21,083)
Trade receivables	(332,192)	(352,521)	20,831	(503)
Other current/non-current assets included in working capital	(64,186)	(54,002)	(6,448)	(3,736)
Construction contracts in progress, liabilities	214,026	225,742	(7,266)	(4,451)
Trade and related payables	258,321	263,625	(27,573)	22,268
Other current/non-current liabilities included in working capital	200,835	228,162	(35,216)	7,888
Working capital requirements before current provisions	**1,119**	**36,910**	**(34,655)**	**(1,137)**
Current provisions	104,229	112,300	(9,475)	1,405
Working capital requirements	**105,348**	**149,210**	**(44,130)**	**268**

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

6.18. Shareholders' equity

Financial capital management policy

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

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

Share capital

Share capital at December 31, 2014 and also at December 31, 2013 was divided into 2,185,612 shares with a par value of €47. The shares are fully paid either in cash or in kind. Aggregate share capital amounted to €102,723,764.

Shareholding structure

The majority shareholder of Fives is FL Investco, which held 99.99% of Fives' share capital at December 31, 2014 and also at December 31, 2013. FL Investco is controlled by Novafives.

Dividend payments

The Group did not distribute any dividends during the financial year.

6.19. Current and non-current provisions

	Dec. 31, 2013	Allowances	Utilization	Unutilized reversals	Translation differences	Other*	Dec. 31, 2014
Warranties	58,726	37,957	(15,472)	(25,230)	2,859	2,141	60,981
Contract litigation	7,867	1,324	(483)	(5,422)	32	2,092	5,410
Future losses on contracts	1,251	757	(263)	486	22	14	2,267
Completed contract expenses	27,042	17,384	(9,347)	(9,039)	653	(2,351)	24,342
Other contingency and expense provisions	17,414	9,762	(6,959)	(5,448)	730	(4,271)	11,228
Total current provisions	**112,300**	**67,184**	**(32,524)**	**(44,654)**	**4,296**	**(2,374)**	**104,229**
Retirement benefits	49,765	5,967	(6,967)	(274)	2,215	2,838	53,544
Other post-employment benefits	5,278	654	(515)	(365)	9	1,567	6,628
Other provisions - non-current portion	3,639	1,682	(1,668)	(2,261)	327	3,098	4,817
Total non-current provisions	**58,682**	**8,303**	**(9,150)**	**(2,900)**	**2,551**	**7,503**	**64,989**

* Resulting mainly from changes in consolidation scope.

In the income statement, allowances and reversals were as follows:

	2014	2013
Profit from recurring operations	16,392	(2,245)
Profit from non-recurring operations	(768)	4,252
Financial income (expense)	(1,882)	(1,859)
Total allowances and reversals	**13,742**	**148**

Current provisions

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

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

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

Non-current provisions

Non-current provisions mainly comprise provisions for restructuring, provisions for employee benefits and provisions for litigation not related to contracts.

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

- french retirement benefits;
- supplementary retirement plans; the British, American, German and French pension funds have been closed (since November 30, 2013 for Fives Landis Ltd.) to further accrual and the vested rights thereunder were frozen as of the respective closure dates.

Actuarial assumptions

Dec. 31, 2014	France	United Kingdom	United States of America	Japan	Germany	India
Discount rate	2,1%	3,4 - 3,8%	3,4%	0,3%	2,1%	7,9 - 8%
Expected return on plan assets	NA	3,4 - 3,8%	NA	NA	NA	7,9 - 8%
Salary increase rate	1,5 - 2%	NA	NA	2%	NA	5%

Dec. 31, 2013	France	United Kingdom	United States of America	Japan	Germany	India
Discount rate	3,1%	4,4 - 4,5%	3,9%	0,3%	3,1%	8 - 9,2%
Expected return on plan assets	NA	4,4 - 4,5%	NA	NA	NA	8 - 9,2%
Salary increase rate	2,0 - 2,5%	NA	NA	2%	NA	5%

The present value of future obligations (defined benefit obligation) amounted to €106,380 thousand at December 31, 2014. Given the fair value of all plan assets, the net obligation at December 31, 2014 totaled €53,545 thousand.

The net expense recognized for the reporting period reflects the current service cost, the interest cost of the obligation less the expected return on plan assets, and the amortization of past service costs. In total, expenses and changes in provisions for retirement benefit obligations resulted in a net expense of €3,770 thousand, of which €2,027 thousand was included in determining profit from recurring operations, and €1,743 thousand was recognized in financial expense.

Net actuarial gains and losses generated during the financial year and recognized directly in items of other comprehensive income amounted to €2,842 thousand, excluding tax.

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

	Retirement obligations						Total
	France	United States of America	United Kingdom	Eurozone	Japan	India	
CHANGE IN PRESENT VALUE OF OBLIGATION							
Present value of obligation at January 1, restated	22,270	8,191	63,434	2,940	649	322	97,805
Current service cost	1,554		342	21	67	43	2,027
Interest cost	693	314	2,842	61		27	3,937
Employee contributions paid							
Plan amendments							
Plan curtailments / settlements							
Newly consolidated							
Benefits paid	(2,215)	(673)	(4,838)	(79)		(68)	(7,872)
Actuarial (gain) loss	1,629	577	2,273	294		55	4,828
Foreign exchange gains and losses	933	1,134	4,485	(933)	(5)	40	5,654
Present value of obligation at 31.12.14	**24,864**	**9,543**	**68,539**	**2,304**	**711**	**419**	**106,380**
CHANGE IN FAIR VALUE OF PLAN ASSETS							
Fair value of plan assets at January 1			47,845			195	48,040
Net return on plan assets			4,142			39	4,181
Employer contributions paid			1,975			97	2,072
Employee contributions paid							
Plan curtailments / settlements							
Newly consolidated							
Benefits paid			(4,838)			(61)	(4,899)
Foreign exchange gains and losses			3,413			26	3,440
Fair value of plan assets at 31.12.14			**52,537**			**296**	**52,833**
COMPONENTS OF AMOUNTS RECOGNIZED IN THE FINANCIAL STATEMENTS							
Net obligation (obligation less plan assets)	24,864	9,543	16,002	2,304	711	122	53,547
Net provision recognized in the balance sheet at 31.12.14	**24,864**	**9,543**	**16,002**	**2,304**	**711**	**122**	**53,547**
COMPONENTS OF NET EXPENSE RECOGNIZED FOR FINANCIAL YEAR 2014							
Current service cost	1,554		342	21	67	43	2,027
Interest cost	693	314	2,842	61		27	3,937
Expected return on plan assets			(2,158)			(37)	(2,194)
Past service costs							
Net expense recognized in the income statement for financial year 2014	**2,247**	**314**	**1,027**	**82**	**67**	**34**	**3,770**
CHANGE IN PROVISIONS FOR RETIREMENT AND OTHER BENEFITS							
Provisions recognized in the balance sheet at January 1, restated	22,270	8,191	15,589	2,940	649	127	49,765
Employer contributions paid			(1,975)			(97)	(2,072)
Net expense recognized	2,247	314	1,027	82	67	34	3,770
Benefits paid directly by the employer	(2,215)	(673)		(79)		(7)	(2,974)
Newly consolidated							
Net actuarial (gains) and losses	1,629	577	289	294		53	2,842
Foreign exchange gains and losses	933	1,134	1,072	(933)	(5)	14	2,215
Provisions recognized in the balance sheet at 31.12.14	**24,864**	**9,543**	**16,002**	**2,304**	**711**	**123**	**53,545**

In 2013, the breakdown of changes was as follows:

	Retirement obligations						Total
	France	United States of America	United Kingdom	Eurozone	Japan	India	
CHANGE IN PRESENT VALUE OF OBLIGATION							
Present value of obligation at January 1	22,384		65,662	3,213	761	422	92,442
Current service cost	1,473		2,838	36	58	49	4,454
Interest cost	671	127	2,620	78		25	3,521
Employee contributions paid			782				782
Plan amendments							
Plan curtailments / settlements			(3,559)				(3,559)
Newly consolidated	1,792	8,765					10,557
Benefits paid	(2,190)	(199)	(1,162)	(265)		(70)	(3,886)
Actuarial (gain) loss	(1,860)	(176)	(2,344)	(122)		(46)	(4,550)
Foreign exchange gains and losses		(326)	(1,402)		(169)	(60)	(1,957)
Present value of obligation at Dec. 31, 2013	**22,270**	**8,191**	**63,434**	**2,940**	**649**	**322**	**97,805**
CHANGE IN FAIR VALUE OF PLAN ASSETS							
Fair value of plan assets at January 1			40,461			253	40,714
Net return on plan assets			5,905			26	5,931
Employer contributions paid			3,379			19	3,398
Employee contributions paid			782				782
Plan curtailments / settlements							
Newly consolidated							
Benefits paid			(1,162)			(65)	(1,227)
Foreign exchange gains and losses			(1,520)			(38)	(1,558)
Fair value of plan assets at Dec. 31, 2013			**47,845**			**195**	**48,040**
COMPONENTS OF AMOUNTS RECOGNIZED IN THE FINANCIAL STATEMENTS							
Net obligation (obligation less plan assets)	22,270	8,191	15,589	2,940	649	127	49,765
Net provision recognized in the balance sheet at Dec. 31, 2013	**22,270**	**8,191**	**15,589**	**2,940**	**649**	**127**	**49,765**
COMPONENTS OF NET EXPENSE RECOGNIZED FOR FINANCIAL YEAR 2013							
Current service cost	1,473		3,655	36	58	49	5,271
Interest cost	671	127	2,620	78		26	3,522
Expected return on plan assets			(1,638)			(26)	(1,664)
Amortization of past service costs			(3,559)				(3,559)
Net expense recognized in the income statement for financial year 2013	**2,144**	**127**	**1,077**	**114**	**58**	**49**	**3,569**
CHANGE IN PROVISIONS FOR RETIREMENT AND OTHER BENEFITS							
Provisions recognized in the balance sheet at January 1	22,384		25,200	3,213	761	170	51,728
Employer contributions paid			(3,379)			(19)	(3,398)
Net expense recognized	2,144	127	1,077	114	58	49	3,569
Benefits paid directly by the employer	(2,190)	(199)		(265)		(5)	(2,659)
Newly consolidated	1,792	8,765					10,557
Net actuarial (gains) and losses	(1,860)	(176)	(6,611)	(122)		(46)	(8,816)
Foreign exchange gains and losses		(326)	(699)		(169)	(24)	(1,218)
Provisions recognized in the balance sheet at Dec. 31, 2013	**22,270**	**8,191**	**15,589**	**2,940**	**649**	**127**	**49,765**

Plan assets investment types

	2014		2013	
	Amount	%	Amount	%
Shares	26,476	50.11%	17,396	32.93%
Bonds and other debt securities	15,498	29.33%	17,015	32.21%
Real estate investments		0.00%	2,690	5.09%
Money market investments	4,727	8.95%	5,752	10.89%
Diversified funds	6,132	11.61%	5,187	9.82%
Fair value of invested plan assets	**52,833**	**100,00,%**	**48,040**	**100,00,%**

Present value of obligation

	Dec. 31, 2014	Dec. 31, 2013
Defined benefit obligation	106,380	97,805
Fair value of invested plan assets	(52,833)	(48,040)
Present value of obligation	**53,547**	**49,765**

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:

	2014		2013	
	In thousands of euros	DBO as a %	In thousands of euros	DBO as a %
France	1,008	4.23%	755	3.29%
United States of America	187	1.96%	141	1.73%
United Kingdom	2,961	4.32%	3,257	5.13%
Eurozone	91	3.94%	70	2.39%
Japan	1	0.14%	5	0.77%
India	6	1.49%	7	2.18%

6.20. Current and non-current financial liabilities

	Dec. 31, 2014			Dec. 31, 2013		
	Non-current	Current	Total	Non-current	Current	Total
Bank loans	50,458	16,181	66,639	58,299	15,427	73,726
Capitalized issuance costs	(3,784)		(3,784)	(2,328)		(2,328)
Finance leases	4,548	915	5,463	5,535	845	6,380
Other financial liabilities	49,877	28,810	78,687	108,221	47,493	155,714
Accrued interest		798	798		2,371	2,371
Derivative instruments, liabilities		4,348	4,348		2,618	2,618
Bank overdrafts		1,648	1,648		2,984	2,984
Total	**101,099**	**52,700**	**153,799**	**169,727**	**71,738**	**241,465**

Bank loans and borrowings

On May 30, 2013, Fives North American Combustion Inc. contracted a USD 35 million loan from its main bank. The full amount of the loan is denominated in US dollars and bears floating-rate interest. The margin is set according to Fives North American Combustion's degree of leverage at the end of each calendar quarter. The bank loan is amortized based on a straight-line quarterly repayment schedule from October 31, 2013 to May 31, 2018.

In connection with the acquisition of the OTO sub-group, on August 28, 2013 Fives contracted a €16 million loan from one of its main banks. The loan was entirely drawn down on September 25, 2013. The loan bears interest at a floating rate, with no adjustment of the credit margin is possible. The bank loan is amortized quarterly based on a repayment schedule from June 30, 2014 to June 30, 2017.

On September 27, 2013, Fives Italy contracted a €20 million loan from a top-ranking Italian bank. The loan bears interest at a floating rate. No adjustment of the credit margin is possible. The loan is amortized based on a semi-annual repayment schedule from May 31, 2014 to September 30, 2016.

The loan contracts provide for early repayment. At the reporting date, the associated provisions did not apply.

Fives also benefits from a revolving credit line for maximum principal of €90 million in principal, set-up in July 2014 until June 2019.
At December 31, 2014, Fives had no liabilities under this contract.

Other financial liabilities

Other financial liabilities mainly include loans contracted from the parent company FL Investco (€64 million at December 31, 2014). This liability will be amortized over four years, based on a repayment schedule ending in 2017.

Breakdown of fixed and floating rate loans and borrowings (before hedging)

	Dec. 31, 2014			Dec. 31, 2013		
	Fixed rate	Floating rate	Total	Fixed rate	Floating rate	Total
Bank loans		66,639	66,639		73,726	73,726
Capitalized issuance costs	(3,784)		(3,784)	(2,328)		(2,328)
Finance leases	388	5,075	5,463	632	5,748	6,380
Other financial liabilities	3,672	66,199	69,871	8,118	147,597	155,715
Accrued interest expense	798		798	2,371		2,371
Total loans and borrowings	**1,074**	**137,913**	**138,987**	**8,794**	**227,070**	**235,864**

Breakdown of loans and borrowings per currency

	Dec. 31, 2014			Dec. 31, 2013		
	Euros	USD	Total	Euros	USD	Total
Bank loans	30,859	35,780	66,639	41,468	32,232	73,700
Capitalized issuance costs	(3,179)	(605)	(3,784)	(1,627)	(675)	(2,302)
Finance leases	5,374	89	5,463	6,328	52	6,380
Other financial liabilities	69,818	53	69,871	153,644	71	153,715
Accrued interest expense	742	56	798	2,298	73	2,371
Total loans and borrowings	**103,614**	**35,373**	**138,987**	**202,111**	**31,753**	**233,864**

At December 31, 2014, the US dollar-denominated loans and borrowings comprised the medium-term loan contracted by Fives North American Combustion Inc. and the Fives Machining Systems' revolving credit facility.

6.21. Other current and non-current liabilities

Other non-current liabilities

	Dec. 31, 2014	Dec. 31, 2013
Other liabilities	995	1,201
Prepaid income	474	682
Total	**1,469**	**1,883**

Other current liabilities

	Dec. 31, 2014	Dec. 31, 2013
Tax and social security payables	108,767	109,997
Amounts due on acquisitions of fixed assets	1,605	4,582
Advances received on contracts	54,992	69,658
Other liabilities	28,777	39,786
Prepaid income	6,831	6,860
Total	**200,972**	**230,883**

6.22. Leases

Finance leases

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

	Dec. 31, 2014			Dec. 31, 2013		
	Gross	Accumulated depreciation/ impairment	Net	Gross	Accumulated depreciation/ impairment	Net
Leasehold land	1,541		1,541	1,541		1,541
Leasehold buildings	11,758	(6,017)	5,741	11,758	(5,421)	6,337
Leasehold plant, equipment and machinery				668	(466)	202
Total leaseholds	**13,299**	**(6,017)**	**7,282**	**13,967**	**(5,887)**	**8,080**

The schedule of future minimum finance lease payments is the following:

	Dec. 31, 2014	Dec. 31, 2013
Less than one year	915	844
Between one and five years	3,270	4,034
More than five years	1,278	1,502
Value of future minimum lease payments	**5,463**	**6,380**

Operating leases

The schedule of future minimum operating lease payments is the following:

	Dec. 31, 2014	Dec. 31, 2013
Less than one year	14,240	13,031
Between one and five years	22,946	26,398
More than five years	2,490	5,833
Value of future minimum lease payments	**39,676**	**45,262**

6.23. Financial risk management

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

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

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

	Dec. 31, 2014		Dec. 31, 2013	
	Assets	Liabilities	Assets	Liabilities
Foreign exchange derivative instruments				
Fair value hedging derivative instruments	5,220	4,348	2,113	2,618
Derivative instruments not eligible for hedge accounting			252	

Interest rate risk

The Company's floating-rate debt of €134.7 million was lower than cash of €165.6 million at year end.

The floating-rate debt recorded in Fives' balance sheet comprises the bank loan contracted with FL Investco in connection with the acquisition of Fives Machining Systems in 2013, and various tranches of bank loans also relating to acquisitions.

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

Interest rate risk is therefore globally offset by the yield on cash invested at floating rates. As FL Investco is not an external counterparty, and interest rates are historically low, the Group has not set up any interest rate hedging for the loans.

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

Analysis of interest rate sensitivity

The Group is exposed to the risk of interest rate fluctuations on its earnings due to:
– cash flows relating to floating rate debt, after interest rate hedging instruments;
– cash flows relating to floating-rate investments.

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

Given the reference interest rate (six-month Euribor of 0.17% at December 31, 2014), to perform the sensitivity analysis the rate was increased by 1% for the upward trend analysis and decreased to zero for the downward trend analysis.

Based on these assumptions, sensitivity to a 1% increase in the reference interest rate or decrease to zero is limited at €0.1 million.

	Sensitivity analysis effect	
	+ 1%	taux à zéro
Floating rate debt	(924)	89
Cash invested at floating rates	963	(179)
Effect on 2014 profit	**39**	**(90)**

Currency risk

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

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

The outstanding loan principal exposed to currency risk amounted USD 283.7 million at December 31, 2014, of which USD 10.7 million were hedged, resulting in a net exposure of USD 273.0 million. The hedging policy was actively pursued in 2015.

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. Outstanding loan principal exposed to currency risk amounted to GBP 59.4 million at December 31, 2014.

The annual interest payment and repayment of principal (GBP 9.1 million) due on June 30, 2015 was partly hedged (GBP 7.1 million) at December 31, 2014 and fully hedged in February 2015.

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

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

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

The net residual exchange rate risk is hedged when the risks arise, mainly through currency futures and/or by entering into insurance contracts with the French export credit insurance company (Compagnie française d'assurance pour le commerce extérieur – COFACE) for its French subsidiaries.

Analysis of exchange rate risk sensitivity
This analysis excludes the effects of translating the financial statements of Group entities into the reporting currency.

Exposure at December 31, 2014 of USD and GBP loans, estimated nominal amount and interest for 2015
The nominal amount of acquisition loans denominated in USD, after hedging, totaled USD 273.0 million at December 31, 2014 or €224.9 million after translation using the exchange rate effective at the reporting date. Total gross exposure after accounting for estimated interest expense amounted to USD 296.0 million, reduced to USD 285.3 million after hedging at December 31, 2014, or €235.0 million after translation using the exchange rate effective at December 31, 2014.

Additional hedging of USD 10.4 million was contracted in January and February 2015.

The nominal amount of the loan to Fives UK Holding Ltd. is GBP 59.4 million with estimated interest expense for 2015 of GBP 2.8 million or a gross exposure of GBP 62.3 million, reduced to GBP 55.1 million after hedging at December 31, 2014, or €70.8 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 2015:

	ER-10bp	ER	ER+10bp
USD loans			
Exchange rate at Dec. 31	1.1141	1.2141	1.3141
Net debt after hedging	256,116	235,021	217,136
Effect on profit for 2015	**21,095**	**-**	**(17,885)**
GBP loans			
Exchange rate at Dec. 31	0.6789	0.7789	0.8789
Net debt after hedging	81,220	70,793	62,738
Effect on profit for 2015	10,428	-	(8,055)
Total effect on profit for 2015	**31,523**	**-**	**(25,939)**

Exposure at December 31, 2014 of USD and GBP loans, estimated cash flows for 2015
Expected cash flows relating to these loans for 2015 (interest payments and repayment of principal), net of hedges at December 31, 2014, amount to USD 27.5 million (or €22.7 million after translation using the exchange rate effective at December 31, 2014) and GBP 2.0 million respectively, hedged in February 2015, accounting for the payment schedule in place. Additional hedging contracted in January and February 2015 on payments due in cash (USD) have reduced exposure to USD 19.8 million.

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

	ER-10bp	ER	ER+10bp
USD loans			
Exchange rate at Dec. 31	1.1141	1.2141	1.3141
2015 cash flows after hedging	24,586	22,561	20,844
Effect on 2015 profit impacting cash flows	**2,025**	**-**	**(1,717)**

After the reporting date, hedging contracted in January and February 2015 on payments due in cash (USD) reduced exposure to USD 19.8 million.

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

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

Liquidity risk

Fives closely monitors liquidity risk for the Group and each of its subsidiaries by the regular implementation of Group financial reporting procedures.

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

Expected future cash flows are calculated on the basis of the 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.

	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	66,639	16,181	19,762	10,618	19,348	730	
Other loans and borrowings	78,687	19,994	18,975	28,625	354	419	1,504
Finance leases	5,463	915	2,413	294	282	281	1,278
Total repayable liabilities	**150,790**	**37,090**	**41,150**	**39,537**	**19,984**	**1,430**	**2,782**
Capitalized issuance costs	(3,784)						
Total liabilities	**147,005**						
Interest on non-current financial liabilities		3,036	2,013	927	167	108	

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

This analysis excludes non-derivative financial assets recognized in the balance sheet, such as cash and cash equivalents and trade receivables, which amounted to €165.6 million and €332.1 million respectively at December 31, 2014. The Group also has a revolving credit line of €90 million at its disposal until July 2019.

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. To this effect, the Group carefully manages credit risk relating to trade receivables, as detailed in note. 6.14.

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, 2014, all cash and cash equivalents were invested through the top-ranking commercial banks that finance the Group's activities.

6.24. Value of financial assets and liabilities, by category

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

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

Available-for-sale financial assets and money market funds are classified as level one financial instruments and interest rate and exchange rate derivative instruments are classified as level two.

6.25. Off-balance sheet commitments

Guarantees and sureties

	Dec. 31, 2014	Dec. 31, 2013
Commitments given	363,948	251,143
Commitments received	71,261	49,442

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

6.26. Related parties

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

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

Remuneration of the executive officers

In 2014, the remuneration paid by Fives and its subsidiaries to the fifteen members of the Group's Executive Committee amounted to €3,660 thousand.

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

6.27. Statutory audit fees

Total fees charged by the statutory auditors of Fives and its subsidiaries, as presented in the consolidated financial statements for the period ended December 31, 2014, amounted to:

	2014			2013		
	Statutory audit	Other work	Total	Statutory audit	Other work	Total
Deloitte	690	119	**809**	638	164	802
Ernst & Young	643	196	**839**	669	735	1 405
Grant Thornton	455	158	**613**	406	229	635
Total	**1,788**	**473**	**2,261**	**1,714**	**1,129**	**2,842**

6.28. Post-balance sheet events

No events occurred after the balance sheet date.

6.29. Consolidated companies at December 31, 2014

Consolidated companies	Location	Consolidation method	Percentage of controlling interest	Percentage of ownership interest
Fives *	Paris, France		Parent company	
Fives UK Holding Ltd.	United Kingdom	FC	100.00	100.00
Fives Inc.	United States	FC	100.00	99.99
Fives Italy S.r.l.	Italy	FC	100.00	100.00
Fives Engineering (Shanghai) Co., Ltd.	China	FC	100.00	100.00
AUTOMOTIVE/LOGISTICS				
Fives Manufacturing Industries *	Paris, France	FC	99.99	99.99
Fives Conveying *	Montévrain, France	FC	99.99	99.99
Fives Cinetic *	Héricourt, France	FC	99.96	99.96
Fives Cinetic Corp.	United States	FC	100.00	99.99
Fives Filling & Sealing K.K.	Japan	FC	100.00	99.99
Fives DyAG Corp.	United States	FC	100.00	99.99
Fives Filling & Sealing *	Le Bignon, France	FC	99.99	99.99
Fives Giustina S.r.l.	Italy	FC	100.00	99.99
Fives Landis Corp.	United States	FC	100.00	99.99
Fives Landis Ltd.	United Kingdom	FC	100.00	99.99
Fives Maintenance *	Montévrain, France	FC	100.00	99.99
Fives Conveying Iberica	Spain	FC	100.00	99.99
Fives Intralogistics Corp.	United States	FC	100.00	99.99
Fives Intralogistics K.K.	Japan	FC	100.00	99.99
Fives Intralogistics S.p.a.	Italy	FC	100.00	99.99
Fives Intralogistics S.A.	Grigny, France	FC	99.98	99.98
CEMENT				
Fives FCB *	Villeneuve d'Ascq, France	FC	99.99	99.99
Fives FCB Services Mexico S.A. de C.V.	Mexico	FC	99.90	99.90
Fives Pillard	Marseilles, France		85.18	85.18
Fives Pillard España S.A.	Spain	FC	100.00	85.18
Fives Pillard (Tianjin) International Trading Co., Ltd.	China	FC	100.00	85.18
Fives Pillard Deutschland GmbH	Germany	FC	47.50	40.46
Fives Combustion Systems Pvt. Ltd.	India	FC	100.00	100.00
Fives Itas S.p.a.	Italy	FC	100.00	100.00
ENERGY				
Fives Cail *	Villeneuve d'Ascq, France	FC	99.99	99.99
Fives Cail KCP Ltd.	India	EM	50.00	40.00
Fives Fletcher Ltd.	United Kingdom	FC	100.00	99.99
Fives Lille do Brasil Ltda.	Brazil	FC	100.00	99.99
Fletcher Smith Inc.	United States	FC	100.00	99.99
Fives North American Combustion France, SAS *	Marseilles, France	FC	100.00	100.00
Fives North American Combustion Netherlands B.V.	Netherlands	FC	100.00	100.00
Fives North American Combustion Spain,S.L.	Spain	FC	100.00	100.00
Fives North American Combustion UK, Ltd.	United Kingdom	FC	100.00	100.00

Consolidated financial statements at December 31, 2014

Consolidated companies	Location	Consolidation method	Percentage of controlling interest	Percentage of ownership interest
Fives North American Combustion, Inc.	United States	FC	100.00	99.99
Fives North American Combustion Canada, Inc.	Canada	FC	100.00	99.99
North American Construction Services, Ltd.	United States	FC	100.00	99.99
Fives Cryo*	Golbey, France	FC	99.80	99.80
Fives Cryo (Suzhou) Co., Ltd.	China	FC	100.00	99.80
Fives Cryomec A.G.	Switzerland	FC	100.00	99.80
Fives Nordon *	Nancy, France	FG	99.99	99.99
METALS				
F.L. Métal *	Seclin, France	FC	99.99	99.99
Fives DMS *	Seclin, France	FC	99.99	99.99
Fives Industries *	Seclin, France	FC	99.99	99.99
Fives ST Corp.	United States	FC	100.00	99.99
Fives Bronx, Inc.	United States	FC	100.00	99.99
Fives Bronx Ltd.	United Kingdom	FC	100.00	100.00
Fives OTO S.p.a.	Italy	FC	100.00	99.99
Fives OTO Systems S.r.l.	Italy	FC	100.00	99.99
Fives Stein *	Maisons-Alfort, France	FC	99.99	99.99
Fives Celes *	Lautenbach, France	FC	99.99	99.99
Fives Stein Belgium	Belgium	FC	100.00	99.99
Fives Stein Bilbao S.A.	Spain	FC	100.00	99.99
Fives Stein Inc.	United States	FC	100.00	99.99
Fives Stein India Projects Private Ltd.	India	FC	100.00	99.99
Fives Stein (Shanghai) Industrial Furnace Co.,Ltd.	China	FC	100.00	99.99
Fives Stein Ltd.	United Kingdom	FC	100.00	99.99
Fives Stein Manufacturing *	Bar-Le-Duc, France	FC	100.00	99.99
Stein Heurtey Australia PTY Ltd.	Australia	FC	100.00	99.99
Fives Solios S.A. *	Saint-Germain-en-Laye, France	FC	99.99	99.99
FI 2006 *	Paris, France	FC	100.00	100.00
Fives India Engineering & Projects Pvt. Ltd.	India	FC	100.00	99.99
PSA 2000 *	Saint-Germain-en-Laye, France	FC	100.00	99.99
PSA 2000 Saudi Arabia Ltd.	Saudi Arabia	FC	100.00	99.99
Solios Services Gulf SPC (Fives Services Gulf SPC[1])	Bahrain	FC	100.00	99.99
Solios Environment Corp. (Fives Solios Corp.[1])	United States	FC	100.00	99.99
Solios Environnement Inc. (Fives Solios Inc.[1])	Canada	FC	100.00	99.99
Solios Services Southern Africa (PTY) Ltd. (Fives Services Southern Africa (PTY) Ltd.[1])	South Africa	FC	100.00	99.99
Solios Chemical* (Fives Proabd S.A.[1])	Mulhouse, France	FC	99.99	99.99
Solios Thermal Ltd. (Fives Solios Ltd. UK[1])	United Kingdom	FC	100.00	100.00

Consolidated companies	Location	Consolidation method	Percentage of controlling interest	Percentage of ownership interest
AEROSPACE AND SPECIAL MACHINING				
Cincinnati Machine International, LLC	United States	FC	100.00	100.00
Fives Giddings & Lewis, LLC	United States	FC	100.00	100.00
Fives Machining Systems Canada Inc.	Canada	FC	100.00	100.00
Fives Machining Systems Inc.	United States	FC	100.00	100.00
Fives Machining Systems International (Hong Kong) Limited	China	FC	100.00	100.00
Fives Machining Systems Korea Inc.	South Korea	FC	100.00	100.00
Fives Machining Systems (Shanghai) Co., Ltd.	China	FC	100.00	100.00
G & L USA, LLC	United States	FC	100.00	100.00
Fives Machining *	Saint-Laurent-les-Tours, France	FC	99.99	99.99
Fives Liné Machines Inc.	Canada	FC	100.00	100.00
Forest-Line Industries Machine Tool (Beijing) Co., Ltd.	China	FC	100.00	100.00
GIE Forest-Liné	Capdenac Gare, France	FC	100.00	100.00
4192567 Canada Inc.	Canada	FC	100.00	100.00
Sogelire Inc.	Canada	FC	100.00	100.00

* Companies included in the Fives tax group.

1 New corporate name since January 2015

FC: fully consolidated

EM: accounted for by the equity method

STATUTORY AUDITORS' REPORT CONSOLIDATED FINANCIAL STATEMENTS

Year ended december 31, 2014

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

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

To the Shareholders,

In compliance with the appointment entrusted to us by your annual general meeting, we hereby report to you, for the year ended 31 December 2014, on:

- the audit of the accompanying consolidated financial statements of FIVES, as attached to this report;
- the justification of our assessments;
- the specific verification required by law.

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

I. Opinion on the consolidated financial statements

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

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at 31 December 2014 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

II. Justification of our assessments

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

- goodwill is tested using the method described in the notes 2.5, 2.14 and 6.8 to the consolidated financial statements. We have examined the implementation of this impairment test, the estimation of the future cash flows and the assumptions made, and we have ensured that notes 2.5, 2.14 and 6.8 to the consolidated financial statements provide adequate information in this regard.
- income or losses on construction contracts and long-term service contracts are recognized using to the percentage of completion method, based on the estimated costs at completion that are reviewed periodically and regularly throughout the life of the contract following to the principles detailed in notes 2.5 and 2.18 to the consolidated financial statements. These estimates are made project by project under the supervision of the companies' general management. Based on the information we received, our work consisted in reviewing the processes set up, assessing the data and assumptions used as a basis for these estimates and comparing the accounting estimates of the previous periods with corresponding actual figures.
- deferred tax assets are recognized when mid-term forecasts ensure the reasonableness of recoverability as indicated in notes 2.5 and 2.24 to the consolidated financial statements. We have examined the financial forecasts and the assumptions used, and we have ensured that notes 2.5 and 2.24 to the financial statements provide adequate information in this regard.

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

III. Specific verification

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

Neuilly-sur-Seine and Paris-La Défense, April 10, 2015
The Statutory auditors

ERNST & YOUNG ET AUTRES
Marc Stoessel

DELOITTE & ASSOCIÉS
Pascal Colin

DRAFT RESOLUTIONS

First resolution

The General Meeting,

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

approves the company's financial statements for the year ended December 31, 2014 as presented to the Meeting and the transactions reflected in such financial statements or described in the reports and which show a net profit of €30 456 987.13.

The General Meeting also approves the overall amount of certain non-tax-deductible charges totaling €59,975.

Second resolution

The General Meeting, acting on a proposal from the Executive Board, resolves to allocate the period's profit of €30 456 987.13 as follow:

– to the legal reserve (thereby bringing the fund to full endowment)	€98,971.03
– the balance to retained earnings	€30,358,016.10
Total	€30,456,987.13

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

Year	Number of shares at €47	Dividend per share	Total dividend paid
2011	2,185,612	45.00€[1]	98,352,540.00€
2012	2,185,612	18.30€[2]	39,996,699.60€
2013	2,185,612	/	/

(1) extraordinary dividend decided by the combined general meeting held on December 15, 2011
(2) extraordinary dividend decided by the ordinary general meeting held on December 20, 2012

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

Third resolution

The General Meeting,

- having heard the reports of the Executive Board and the Supervisory Board as well as the Statutory Auditors' report on the consolidated financial statements for the year ended December 31, 2014;
- and after reviewing the consolidated financial statements;

approves the consolidated financial statements for the year ended December 31, 2014 as presented to the meeting and the transactions reflected in such financial statements or described in the reports, showing net profit, Group share of €74,908 thousand.

Fourth resolution

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

Fifth resolution

On the basis of the preceding resolutions, the General Meeting fully and unreservedly discharges the Members of the Executive Board from their management duties in respect of the financial year ended December 31, 2014, and the members of the Supervisory Board in respect of their appointments and duties.

Sixth resolution

The General Meeting renews the appointment of Lise FAUCONNIER, member of the Supervisory Board, for a term of six years until the end of the Annual Ordinary General Meeting held to approve the financial statements for the 2020 financial year.

Seventh resolution

The General Meeting grants full powers to anyone bearing an original, duplicate or excerpt of the minutes of this meeting for the purposes of completing any paperwork for legal and regulatory notices.

Fives

French limited company (Société Anonyme)
with Executive Board and Supervisory Board
Share capital €102,723,764
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