fives

Financial report

2016
2015 financial year

PROFILE

Fives designs and supplies machines, process equipment and production lines for the world's largest industrial players in Aerospace, Aluminium, Automotive, Cement and Minerals, Energy, Glass, Logistics and Steel sectors.
Located in nearly thirty countries and with almost 8,300 employees across six continents, the Group is known for its technological expertise and competence in executing large-scale international projects.

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REPORT OF THE EXECUTIVE BOARD

TO THE ANNUAL ORDINARY GENERAL MEETING ON JUNE 30, 2016

1. GROUP ACTIVITY IN 2015

1.1. Business overview and activity

Like in 2013 and 2014, global economic forecasts were revised downwards month after month in 2015. Barely a year ago, the IMF predicted 3.8% worldwide growth in 2015, a figure that it has since adjusted to 3.1% (a 0.3 point decrease compared to the two previous years), and in light of the risk of a downward correction in Chinese growth, many economists are converging around a prediction of 2%. Regardless of the exact figures, 2015 marks the fifth consecutive year of slower growth, highlighting the difficulties faced by emerging countries despite the modest upswing seen in developed economies. In a slower global economy, the industrial sector has shrunk even further, a trend reflected in the particularly bleak manufacturing indicators in the US and emerging economies.

This morose economic climate is playing out against the backdrop of decreasing prices for commodities, particularly oil, which is doubtless the most significant factor for 2015. The drop in oil prices at the beginning of the year had a serious impact on oil-based economies (the Middle East, Africa, Russia). It also had a probably greater - and relatively unexpected - impact on the US, where the drop highlighted the surprising extent to which manufacturing investment depends on the oil industry.

In addition to falling commodity prices, three of the largest emerging countries are also facing crisis situations: Russia has been hit by both international sanctions and the devaluation of the ruble, Brazil is mired in an increasingly serious political and social crisis, and China suffered a major stock market correction over the summer, raising concerns about the financial health of Chinese businesses and the sustainability of its economic model. Russia and Brazil have clearly entered recessions, while China has massively reined in its investments.

The euro's major drop against the dollar and most of the Group's other operating currencies has, however, created a very positive exchange rate effect. Over the summer, the Group also completed two acquisitions in the aluminium and aerospace sectors, which have been consolidated since July 1 and September 1 respectively.

Total order intake for the 2015 financial year was €1,708 million, including a €60 million scope effect. At constant scope, order intake was €1,648 million, including a €93 million favorable exchange rate effect, and comprised €413 million in major deals (turnkey and multi-annual maintenance contracts) and €1,235 in small and mid-sized orders (most of the foreign exchange impact is on these orders). Compared to 2014 (€1,865 million), this is a drop of €217 million (€310 million at a constant exchange rate). This drop at a constant exchange rate is mainly due to major order intake in the cement industry: 2014 was very unusual in that the Group signed two major turnkey contracts, while it signed only one contract on the same scale in 2015. Due to an unfavorable business climate, growth in small and mid-sized orders was very low at a constant exchange rate, with growth in the logistics, automotive and aerospace sectors, where the overall trends are positive, mitigated by the slowdown in the energy and metals industries, which are hard hit by the drop in energy and commodities prices.

1.2. External growth

ECL

On July 9, 2015, the Group acquired 100% of ECL (now Fives ECL), a subsidiary of Rio Tinto Alcan (ex-Pechiney) which specializes in the design and installation of primary aluminium manufacturing equipment, including Pot Tending Machines, Furnace Tending Assembly machines, and Anode Rodding equipment.

Fives ECL, which is headquartered in Ronchin (Nord department, France), has also developed a high added-value service offer (spare parts, maintenance, modernization) through its dedicated subsidiaries in the world's main aluminium-producing regions: Canada, Australia, South Africa and the Middle East.

The synergies between the technical expertise and sales organizations of Fives and Fives ECL will enable the new ensemble to develop offers covering a broader range of key process equipment for all three plant sectors (carbon, reduction and casthouse).

Fives ECL has been consolidated in the 2015 Group accounts for six months. Its sales for the full year were approximately €80 million, with an operating loss due to the current low phase in the aluminium market cycle (note that Fives ECL reported sales of approximately €130 million in 2014). The details of the acquisition (purchase price lower than the net balance) therefore led to badwill recorded in the Group accounts.

The acquisition, which was financed with equity capital, includes an earn-out clause based on the 2016-2020 sales figures, which is calculated and paid out each year.

Lund Engineering

On August 31, 2015, the Group acquired a 75% stake in Lund Engineering (now Fives Lund LLC), a company which specializes in engineering, designing and manufacturing electromechanical equipment for aerospace composite part manufacturing.

Fives Lund LLC, which is based in Seattle (USA), is a key partner for major manufacturers like Boeing, particularly for the design and fabrication of new machines and manufacturing processes.

With this acquisition, Fives is expanding its automation offer for composite parts manufacturing, with a range of equipment that complements its own and high-level mastery of the processes.

Fives Lund LLC has been consolidated in the 2015 Group accounts for four months. For the full year, it posted sales of €33 million.

The acquisition, which was financed by a loan, includes an earn-out clause based on the 2015-2017 EBITDA which is calculated and paid out each year. The Group has also undertaken to purchase the remaining 25% stake in the company from the current owner by 2019, at a price based on future performance (2017 and 2018).

1.3. Commercial environment by market

In 2015, the Group overhauled its operational structure in order to improve end market clarity, in coherence with its management organization. Four changes were made:

- The automotive/logistics division has been split into two separate divisions;
- The industrial maintenance business, which was historically tied to logistics, has been reassigned to the aerospace and industry division;
- The manufacture of tube production and finishing equipment, which was previously part of the metals division, has been transferred to the energy division;
- Fives ITAS (a combustion system supply company acquired in 2014), which was previously a part of the cement division, has been transferred to the energy division.

In order to ensure that fair comparisons are made, these modifications have also been applied to the figures from previous years presented in this document.

Automotive

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

In the automotive segment, the trends remain positive, largely due to the dynamic US market. The US automotive industry is in excellent shape and is planning the launch of multiple new models in the coming years. The machining segment has also seen a number of new projects, thanks to the drop in energy prices and updates to high-powered vehicle motors. The Group is also expanding in Mexico in the wake of North American manufacturers' investments in the country, which is a natural extension of their domestic market. In China, the increase in demand generated a wave of capacity-building programs by both foreign automotive manufacturers (mainly German, American and Japanese) and domestic producers and OEMs in 2011-2012. Following these sales, which were driven by investments in component manufacturing plants, the Group's current order intake benefits from investments in final assembly and end-of-line equipment (particularly fluid filling systems). In Europe, manufacturers are continuing their rationalization programs, which in recent years have featured targeted investments in new plants and certain existing sites, mainly for the premium and SUV sectors. After the assembly orders in the UK, Spain and Eastern

Order intake by geographical area

€ million	2013	2014	2015
Americas	305.2	408.7	635.9
Asia and Oceania	330.2	360.3	364.0
Europe	486.1	539.3	532.5
Middle East & Africa	105.8	556.7	175.4
Total	**1,227.3**	**1,865.0**	**1,707.8**
Contribution from mature economies	64%	51%	62%
Contribution from emerging countries	36%	49%	38%

Order intake by end market

€ million	2013(*)	2014(*)	2015
Automotive	391.4	273.6	314.5
Logistics	151.4	180.3	218.7
Metals (aluminium and steel)	197.6	213.1	259.2
Energy	306.6	398.1	334.9
Cement	102.3	587.8	232.7
Aerospace and industry	78.0	212.1	342.6
Holding and sourcing co.			5.2
Total	**1,227.3**	**1,865.0**	**1,707.8**

(*) revised operational segmentation – cf 1.3

Europe in recent years, in 2015 the Group won several mechanization contracts, mainly in France and Italy. Fluid filling system sales were boosted by the introduction of HFO refrigerants for air conditioning on the European market.
Order intake for the year reached €314 million, an increase of €40 million (with a €31 million exchange rate effect) over 2014, thanks to the dynamic North American market.

Logistics

This division designs automated sorting systems for logistics, express parcel, postal and distribution companies

In the logistics segment, the momentum we saw in 2014 continued to build in 2015, driven by higher volumes of shipped goods due to the expansion of e-commerce, where handling and throughput management constraints are boosting demand for automated sorting centers. 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. National postal services and major international shipping concerns in northern Europe, the United States and Australia are speeding up multi-year efforts to upgrade their networks.
Order intake for the year reached €219 million, an increase of +€39 million, i.e. +22% (of which €13 million is due to the exchange rate effect) over 2014.

Metals

The metals division is developing processes and supplying equipment mainly designed for aluminium production, flat steel and glass. The equipment and integrated solutions offered for primary ***aluminium*** *are made for key manufacturing processes in the carbon, reduction and casthouse sectors of aluminium plants. In the* ***steel*** *industry the group has both mechanical and thermal expertise and supplies rolling mills, high-capacity heating furnaces and steel strip treatment lines. 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, demand continued to increase in 2015 (3-4%), but at the slowest pace since 2009, largely due to the drop in consumption in emerging countries, whose economies have slowed significantly. At the same time, while demand has exceeded the offer in recent years, two factors are leading to a gradual correction: China, where domestic consumption is dropping, is now releasing its large surplus on the global market, and the significant drop in energy prices (the main factor in the cost of aluminium production) has enabled the majority of producers to stay profitable, encouraging them to keep obsolete smelters running. This led to particularly low aluminium prices in 2015, with prices reaching their lowest point in six years in August at 1,500 dollars per ton. This situation, combined with the expectation of announcements from major producers in the Gulf States, made 2015 the third consecutive year in which no large-scale capacity projects were launched. The Group did, however, manage to achieve a successful year by continuing to develop its service offer and expanding into the secondary aluminium market, winning a major turnkey contract in Bahrain. In addition, the acquisition of ECL (now Fives ECL) completed the Group's technological offer and extended its base and service offer in the market's key zones: the Middle East, Canada, Australia and South Africa.
The 2015 order intake in the aluminium segment totaled €129 million, including €48 million from Fives ECL. Within a comparable scope, it came to €81 million, a strong increase (+€33 million, i.e. +68%) over 2014.

In the steel segment, a market which was already impacted by structural overcapacity, 2015 saw China, the world's leading market, slow and significantly reduce its investments in a climate where only the best-known public players, particularly Baosteel, are capable of obtaining the authorizations and financing they need. Order intake in China in 2015 was just half of the level seen in 2014, when sales had already dropped significantly compared to the previous five years. While the Group did have some success in other regions (India, South Korea), which represent potential areas for growth, opportunities in those countries do remain limited compared to the deficit in orders from China.
Due to this situation, the year's order intake in the steel segment totaled €130 million, a €35 million decrease (-21%) compared to 2014.

Total order intake for the metals division came to €259 million, including a €48 million contribution from Fives ECL. For a comparable scope, it came to €211 million (with an exchange rate effect of €9 million), and was stable relative to 2014 (€213 million), with the growth in aluminium compensating for the drop in steel.

Energy

The division designs and manufactures a variety of industrial equipment for the energy sector, primarily in high-performance industrial combustion systems, tube and production finishing equipment, cryogenics equipment for hydrocarbon processing and air separation and bioenergy and sugar industries. Plus, 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 segment, the Group was hit hard by the dramatic drop in oil prices at the beginning of the year. On the combustion, tube, and cryogenics segments, which are exposed through their activities linked to oil exploration (combustion), gas extraction and transport (tubes), and gas, coal and hydrocarbon processing (cryogenics), the Group's major customers froze all of their planned investments, including those which had already been approved and were slated to start at the beginning of the year. In a highly unusual scenario, a number of them were even forced to stop several installations which had become unprofitable virtually overnight. This affected demand for spare parts and services, which are usually very resilient. The impact on the Group's sales was only partially mitigated by the other end markets served by the tube (construction) and combustion (industry) segments. In the cryogenics segment, however, several major air separation unit projects were confirmed: after putting this type of investment on hold in 2014 (generating a drop in order intake), the main players on the market ultimately decided to go ahead with several major projects on which the Group had bid, despite the unfavorable economic climate. The requirements

in terms of price, performance and timeframe were, however, particularly stringent. On the sugar production and bioenergy segment, the drop in oil prices (which makes ethanol production unprofitable) and the excellent harvests in Brazil, the world's leading producer, led to a high offer, keeping sugar prices - and thus investments - at low levels.

On the high-performance industrial piping segment (in France), EDF's clear drive to cut costs led to a decrease in the volume of nuclear maintenance orders and pressure to drive down prices for both recurring maintenance framework contracts and one-off services. The initial large-scale orders planned as part of the "grand carénage" (total overhaul) and "post-Fukushima" plans also seem to be smaller than expected. At the same time, the volume of additional work related to the Flamanville EPR new build project has started to decrease, since the scope of the work to be done is now stabilizing.

Total order intake for the energy segment came to €335 million, a drop of €63 million (-16%) compared to 2014, despite a favorable exchange rate effect of €15 million.

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 segment, the market has never regained the momentum lost during the 2008-2009 financial crisis. The low growth in demand in emerging countries (due to the global economic situation) and difficulties in finding financing, initially in South America and Southeast Asia and later in Africa and the Middle East due to falling oil prices, and to a lesser extent persistent geopolitical tension, are discouraging regional producers from making investments. The increasing concentration of the major market players, symbolized by the mergers of Lafarge and Holcim and of Heidelberg and Italcementi, has further contributed to a tendency to "wait and see", leading customers, both the newly merged entities and their major international competitors, to freeze projects planned several years ago, including isolated equipment orders. Despite this challenging climate and the limited number of opportunities, the Group won a turnkey contract for a cement plant in Mexico (one of the few remaining dynamic markets, thanks to domestic demand and exports to the southern US) with a new local player that had bought up old Lafarge assets.

Order intake for the year came to €233 million, including a favorable exchange rate effect of €2 million. This is a drop of €355 million (- 60%) compared to 2014, which was unique in that three turnkey contracts with a total value of €503 million were signed (two turnkey cement plants and a grinding plant). Excluding turnkey contracts, the drop of €11 million reflects a morose market which has yet to bounce back from the 2008-2009 financial crisis.

Aerospace and industry

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

In the aerospace segment, which was affected in 2014 by the fact that both Airbus and Boeing delayed the "second wave" programs for their new long-haul carriers, 2015 saw the confirmation of a large number of investments. Volumes quickly exceeded the current capacities of their main sub-contractors. In France, certain industrial decisions were implemented at a very slow pace, while in the US the situation generated a concentration in the sector's supply chain and the consequent postponement of a number of rank 1 and 2 sub-contractors' projects until the end of the year. The Group, which serves both manufacturers and their sub-contractors, saw an increase in its order intake, with a particularly strong acceleration during the final months of the year: various supply chain stakeholders also have numerous projects still in the works. Fives boosted its sales activity and won several orders on the Chinese market, which offers promising perspectives for growth.

In the industry segment, the businesses which serve the oil and gas industry as well as the mining and heavy machinery industries were hard hit. At the start of the year, major project owners faced a simultaneous drop in the prices of oil and other key raw materials, including industrial metals (iron ores, copper), fuel (coal) and agricultural products. For many industrial players, the scale of this correction meant not only halting new investments but also shutting down certain production sites, particularly in the US. This affected service orders, which historically have tended to perform well even at the low point of the market cycle. The Group did, however, have a major breakthrough in the industrial maintenance sector in Europe, mainly France, with multi-year outsourcing contracts for installation maintenance with customers in the transport, courier, defense and aerospace sectors.

For the aerospace and industry segment, the Group's total order intake came to €343 million, an increase of €131 million (+62%, with a favorable exchange rate effect of €23 million) over 2014, thanks to the multi-year industrial maintenance contracts signed and the recovery of the aerospace sector at the end of the year.

1.4. Outstanding commercial successes

In the Americas

The United States

In the logistics segment, one of the US leaders on the transport and package delivery services market, which has been a Group customer since the 1990s, once again selected Fives to automate four new terminals.

The Group's high-precision machining solutions, which are the benchmark in the automotive industry, expanded into new markets in 2015. One example of this expansion is the order that Ariel Corp., which produces compression systems for oil and natural gas recovery and transport, placed with the Group for its Mount Vernon, Ohio plant in May. The 4.5 meter Landis LT2HHe orbital grinding machine that Fives will supply for the final machining of crankshafts for large-scale stationary compressors will be the largest grinding machine the Group has ever supplied, while guaranteeing the same standards of precision as for small-scale automotive industry pieces.

In the combustion systems segment, Superior Aluminum Alloys, based in New Haven, Indiana, which specializes in secondary aluminium, selected the Group in January to supply an aluminium melting furnace with a capacity of 105 tons. The furnace offered by Fives, which features excellent structural integrity and is designed for easier maintenance, will be fed by two North American HiRAM® burners.

Mexico

In the cement segment, in May, Cementos Fortaleza selected Fives for a turnkey contract to create a second clinker production line with a capacity of 3,300 tons per day on its Tula site, located in the central Mexican state of Hidalgo. Fives had already supplied the site's first production line several years ago. This new line will feature Fives' latest technologies, bringing the customer optimized energy and environmental performance for both the burning line (FCB Kiln, FCB Zero-NOx Preca precalciner, FCB Preheater and Pillard NovaFlam® burner) and the grinding lines (FCB Horomill® and FCB B-mill grinders, FCB TSV™ Classifier separators). The line should start up by the end of 2016.

In the automated production systems segment, Eaton selected Fives to supply an assembly line for state-of-the-art 12-speed truck transmission systems at its San Luis Potosi plant.

In Asia and Oceania

China

In the flat steel segment, Fives has opened a new chapter in its partnership with steelmaker Baosteel. Fives was selected to design and supply two new Stein Digiflex® vertical digital annealing furnaces as part of the new cold-rolling line on Baosteel's Zhanjiang site, located in Guangdong province. The equipment will be part of a continuous annealing line (CAL) with an annual capacity of 700,000 tons and a galvanizing line (CGL) with an annual capacity of 270,000 tons. Since 2005, Baosteel has chosen Fives to build five complete processing lines and six line furnaces for its plants in Baoshan (in the suburbs of Shanghai) and Zhanjiang, making Fives its partner and supplier of choice for high-quality processing line technologies and annealing furnaces for advanced automotive steels and high added-value products.

In addition to Fives' product offer, showcased through its many completed projects and highlighted by its position as the country's leader on high added-value steel production lines, Chinese steelmakers appreciate the Group's expertise in process management and operation assistance, provided through Fives Keods. To name just one example, Inner Mongolia Baotou Steel Union Co., northeastern China's leading steelmaker, which had ordered two galvanizing lines in 2014, signed a 10-year technical assistance agreement with the Group in July. Fives will provide technological expertise covering all phases of production: steelworking, hot-rolling, degreasing, cold-rolling, continuous annealing and galvanizing, as well as a full training program, and will assist Baotou in developing and certifying its high-end steels for the automotive industry, including its latest high-strength steels.

In the fluid filling segment for the automotive industry, the Group benefited from the continued construction of new final assembly plants in what is now the world's leading automotive market. Major contracts included an order from Chinese car manufacturer Geely for 37 machines for five different plants, as well as an order for 15 machines from SGM, a joint venture of General Motors and Shanghai Automotive Industry Corporation, which produces and sells cars under the Chevrolet, Buick and Cadillac brands.

In the aerospace segment, the Group's latest generation of machines won several tenders, confirming the value of the Group's innovation-focused strategy: the first Forest-Liné MINUMAC (5-axis machine with a high-speed, high-precision vertical broach with linear motors) was sold to RISAC, and the first two Forest-Liné AEROSTAR (5-axis machines with a palletized horizontal broach) were sold to Chengdu Aircraft, both of which are entities of the national aerospace group AVIC. Harbin Aircraft Industry Group Co. awarded Fives a contract for two Forest-Liné AEROSTAR, based on the excellent finished surface quality guaranteed by this high-speed chamfering machine, which will be used to machine aluminium helicopter parts.

Japan

In the logistics segment, three of the leading Japanese express courier companies, all historic Group customers, once again selected Fives technologies to automate their sorting terminals in Tokyo, Higashi-Matsuyama, and Kansai.

South Korea

In the flat steel segment, Posco, one of the world's top steel sheet producers for the automotive industry, signed a contract with Fives for the design and supply of a high-performance vertical annealing furnace for the seventh hot galvanizing line currently under construction in its Gwangyang plant (South Korea). This production line, which boasts an annual capacity of 500,000 tons, will be exclusively used for high-end products like GI/GA exposed steels and advanced high strength steels (AHSS). Fives, which has produced over thirty steel transformation lines and furnaces for the automotive industry over the past decade, and had already supplied the vertical furnaces for Posco's fifth and sixth galvanizing lines on the same site, has once again been selected due to the recognized performance of the Stein Digiflex® furnace on operating cost optimization, production flexibility, and operational quality. This key piece of equipment, which features patented Flash Cooling® technology, will reduce the customer's environmental impact thanks to a latest-generation AdvanTek® radiant tube combustion system, which offers a high energy recovery capacity and low NOx emissions.

India

In the flat steel segment, Primetals Technologies Japan awarded the Group a contract for the design and supply of two walking beam furnaces, each with a capacity of 300 tons per hour. These two reheating furnaces will be a part of the hot-rolling line, which has an annual capacity of 3 million tons and will be located on the SAIL steel production site in Rourkela, on the east coast of India. This new line, which is slated to start up in 2018, will supply rolls of high-quality steel for the SAIL and ArcelorMittal joint venture to supply automotive steel. Stein Digit@l Furnace® AT 2.0 technology, which is fitted with the AdvanTek® combustion system and controlled by the level 2 Virtuo® Edge-R system, will guarantee optimal slab reheating, thus reducing environmental impact,

thanks to the unique flexibility of AdvanTek® burners, which offer the customer the ability to produce using either the site's mixed gas supply or heavy fuel.

Malaysia

In the industrial chemicals segment, the Group's work on R&D has paid off in the form of an order for the supply of a menthol production unit for BASF Petronas Chemicals (BPC) as part of its Lemongrass project in Kuantan, Malaysia. This is the first order for BASF, and includes the supply of a full crystallization package, including basic engineering, proprietary crystallization equipment, the Proabd® PCS (Process Control System), and distribution manifolds. This order marks the success of a long testing phase carried out with BASF, most importantly for the new Proabd® µ-Plant pilot, developed in the lab by the Group, which proved to the world's leading chemical company that the Proabd® MSC melt static crystallization technology, to be used in the project, is reliable.

In Europe

France

In the industrial maintenance segment, the SNCF once again selected Fives for a five-year contract for the maintenance of its technicentres, specialized sites which handle rail equipment maintenance. In addition to the six sites where Fives has been present since the early 2010s, located in northern and western France, Fives Maintenance will now be responsible for maintenance on over ten additional sites in the Lyon region, the Provence-Alpes-Côte d'Azur region of southeastern France, the Paris area, and Normandy. These contracts with the SNCF, like the multi-year contracts which La Poste awarded to the Group in November, highlight the local teams' proactive approach and the excellent quality of the services provided, and are extending the Group's domestic footprint in terms of high-end maintenance outsourcing.

France and Spain

In the automated production systems segment, Renault has selected Fives and its expertise to automate two crankshaft production lines in its plants in Cléon (France) and Valladolid (Spain). These new production lines are made for handling 3 and 4 cylinder crankshafts for Renault Nissan and Daimler engines, and will feature Group technologies including the Group's FG90 gantries, whose compact, modular design offers significant benefits for the customer.

The United Kingdom

In the logistics segment, one of the top express courier companies has selected the Group to automate its new hub, slated for start-up in October 2016. Fives will provide a sorting solution including three cross-belt sorters, each with a capacity of 14,000 pieces per hour.

In the Middle East and Africa

Barhain

In the aluminium segment, in November Fives' expertise in smelter technology and its ability to execute large-scale projects made the difference and enabled it to win a contract with Gulf Aluminium Rolling Mill Co. for the expansion of the re-melt sector of its rolling mill located in Bahrain. This complete aluminium re-melt smelter, with an annual production capacity of 120,000 tons, will allow Garmco to produce slabs from liquid metal, ingots or recycled aluminium. This expansion into the secondary aluminium sector is proof of the Group's flexibility and resilience, as it faces a climate in the Gulf States where companies are putting off decisions on investing in primary aluminium plant capacity.

Turkey

In the tubes segment, Toscelik, which already has a plant in southern Turkey, has placed an order with Fives for three new tube lines for its new plant in the Marmara region, near Istanbul.

South Africa

In the cryogenics segment, Air Liquide has selected Fives for the supply of brazed aluminium heat exchangers (BAHX) and Cryomec centrifugal cryogenic pumps the new Air Separation Unit (ASU) for oxygen production that it is building for Sasol in Secunda, South Africa. With a daily capacity of 5,000 tons of oxygen (equivalent to 5,800 tons at sea level), this new ASU will be the largest ever built. This partnership is part of Fives' longstanding partnership with Air Liquide.

1.5. Research and Development

Intellectual Property

Fives continued to file patents at an impressive pace in 2015, with 50 new patented inventions (53 in 2014), exceeding the Group's annual objective of 40 new filings.

The acquisition of ECL brought with it a portfolio of 37 families of patents and 186 current patents.

The Group owns a total of 582 patented inventions (patent families) in all of its segments, protected by 1,948 patents in force in the countries where it operates.

Alliance Industrie du Futur

The Group remains involved in the "Alliance Industrie du Futur" (Alliance for the Industry of the Future), a group of businesses, professional organizations, scientific and academic institutions, and regional authorities responsible for rolling out the French government's Industry of the Future plan. Fives leads the "Vitrines technologiques industrie du futur" (Industry of the Future Showcases), which has already certified six emblematic technological projects which are nearly mature on an industrial scale. These products showcase France's expertise in industrial machines, processes, and services. Fives' involvement in the Alliance brings it the energy of an ecosystem of innovative companies and start-ups, and has been key in its commitment to the technologies of the future, particularly additive manufacturing and connected plants and machines.

Additive manufacturing

In September, Fives announced the launch of a joint-venture with Michelin to develop and sell machines and industrial production lines using metallic additive fabrication, or Metal 3D Printing, worldwide. The joint venture, which will be owned 50-50 by the two groups, will be operational by Spring 2016 and will offer industrial players in a broad range of fields (automotive, aerospace, healthcare, etc.) a complete solution, including design and fabrication of machines or full production lines as well as related services (re-design of parts, manufacturing process definition, installation, production support, training, etc.).

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

Digital development

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

1.6. Main deliveries

In the aluminium segment, the Group supplied several key pieces of equipment for the replacement of the old Soderberg lines at the RTA plant in Kitimat (Canada) with a new smelter using AP40 technology: ten pot tending assemblies and a transfer gantry, as well as three tilting holding and melting furnaces, a green anode plant, a rodding shop, an anode handling system, two furnace tending assemblies, and two stacking cranes. In the Middle East, the Group completed the design and start-up of a transfer gantry for the EGA (Emirates Global Aluminium) plant in Dubai and the supply of a latest generation Xelios 2.0 vibrocompactor in record time.

In the steel segment, three stainless steel rolling mills were started up in China for Beihai Chengde. In addition, at the end of the year, Baotou (Inner Mongolia Baotou Steel Union Co.) and the Wisco Group (Wuhan Iron and Steel Corp.) started up two continuous annealing lines supplied by Fives, respectively located in Inner Mongolia and Guangxi Province. These lines feature the most advance process equipment, including the high-yield AdvanTek® combustion system and the high-performance FlashCooling® cooling technology.

In the glass segment, two specialty glass kilns, supplied to SGD, located in northern France, started production during the second half of 2015. One of these kilns sets a new consumption standard for oxy-combustion for the pharmaceuticals market.

In the cement segment, the Group delivered a new grinding plant to Lafarge Republic's Teresa site in the Philippines. With this grinding plant, equipped with FCB Horomill® technology, Lafarge will be able to produce 850,000 tons of cement per year, bringing the Teresa site's annual capacity up to 2 million tons while reducing electricity consumption by 40% compared to conventional workshops. Fives also successfully started up two filtering systems on two old wet furnaces for Armstrong Cement in the US; the Group's TGT® enabled the customer to comply with the new US environmental standards for cement plants.

In the tubes segment, the Group installed a cutting-edge hydrostatic testing system for anti-corrosion alloy tubes on one of Vallourec's German sites. In Italy, Fives also commissioned a new tube mill for Ilta Inox (Averdi Group); the line's innovative design makes it possible to produce a full range of tubes with no need to change sizing tools.

In the combustion segment, Fives supplied Essar Steel with a North American Ultra-Low NOx combustion system for its new greenfield pelletization plant in Minnesota, enabling it to reach an annual production capacity of 7 million tons.

In the sugar segment, the Group delivered a set of continuous vacuum pans to the Gardel sugar and distillation plant in Guadeloupe. This investment is part of an ongoing energy savings and equipment replacement project launched in 2012. The different equipment supplied by the Group has helped Gardel become the first French sugar plant to earn ISO 50001 of its Energy Management System from AFNOR. The certification recognizes a process which has led to saving 30,000 tons of water vapor per year since 2014, equivalent to the electricity consumption of 500-600 households.

In the logistics segment, in Japan, Fives has delivered two automated sorting centers equipped with its cross-belt technology to historic customers in the express courier business. In Australia, following an initial successful order in 2014, Fives delivered two new cross-belt sorters to the Toll group for its sorting centers in Sydney and Melbourne. Two more cross-belt sorters with a capacity of 20,000 items per hour were delivered to TNT Express for its Melbourne and Brisbane sites.

In the automotive segment, the Group supplied Chrysler with automated clutch assembly lines as part of the 8-speed transmission program on its Kokomo, Indiana site. Over the Christmas shut-down, it also started up process improvements (conveyor solutions, robotic tools) to the cylinder head assembly lines at the Cummins plant in Columbus, Indiana.

2. FINANCIAL PERFORMANCE

2.1. Accounting principles and consolidation scope

The Group's consolidated financial statements were prepared in accordance with the IFRS standards.
The retrospective effect on fiscal year 2014 of the initial application of the IFRIC 21 interpretation (see Note 4 Year-on-Year Comparison) has not been restated in the figures below. Therefore, the figures stated for 2014 are the numbers published in the consolidated accounts for fiscal year 2014, not those given in the restated comparison provided in the 2015 consolidated accounts.

The Fives ECL subgroup and the company Fives Lund LLC were integrated into the scope respectively on July 9, 2015 (6 months of consolidation) and August 31, 2015 (4 months of consolidation).

The company Ernst Polack GmbH (Fives Landis GmbH since the start of 2016), acquired on March 12, 2015, extended the Group's activities in the German automotive segment. Its contribution is not considered a scope effect.

Compared to 2014, the major drop in the average value of the euro against the dollar and all of the other currencies used by Group companies had a positive effect on the main aggregate figures for fiscal year 2015, particularly order intake (+€93 million), sales (+€96 million) and EBITDA (+€9 million).

2.2. Summary of results in 2015

Sales

Sales for 2015 were €1,718 million. This includes a scope effect of €47 million and a positive exchange rate effect of €96 million. At constant scope and exchange rate, sales for 2015 were €1,575 million, a very slight increase (+€15 million) over 2014 (€1,560 million).

The mix, however, is very different since the major turnkey cement plant contracts signed in 2014 and 2015 (in Algeria, Qatar and Mexico) accounted for 12% of sales in 2015, as opposed to just 1% in 2014.

SALES BY GEOGRAPHICAL AREA

€ million	2013	2014	2015
Americas	531.2	450.4	521.1
Asia and Oceania	457.9	396.4	369.0
Europe	458.3	547.0	511.6
Middle East and Africa	178.8	166.7	316.5
Total	**1,626.2**	**1,560.5**	**1,718.2**
Contribution from mature economies	53%	60%	58%
Contribution from emerging countries	47%	40%	42%

SALES BY END MARKET

€ million	2013	2014	2015
Automotive	362.1	356.6	333.0
Logistics	202.2	146.0	179.2
Metals (aluminium and steel)	401.5	262.1	277.9
Energy	386.2	408.8	364.5
Cement	170.0	150.6	318.5
Aerospace and industry	104.2	236.4	240.0
Holding and sourcing co.			5.1
Total	**1,626.2**	**1,560.5**	**1,718.2**

SUMMARY OF CONSOLIDATED FIGURES

€ million	2013	2014	2015	2015 constant scope	2015 constant scope and exchange rate
Sales	**1,626.2**	**1,560.5**	**1,718.2**	**1,671.2**	**1,575.6**
Gross Margin	360.2	393.0	377.4	365.3	340.2
General expenses	(244.0)	(277.3)	(294.1)	(284.6)	(268.5)
Other revenue and expenses	(3.1)	(3.5)	7.4	(4.0)	(3.9)
EBITA	**113.3**	**112.6**	**90.7**	**77.3**	**69.6**
Current operating profit (EBIT)	**104.4**	**92.6**	**64.0**	**52.6**	**48.0**
EBITDA	**133.0**	**135.1**	**116.0**	**101.2**	**92.2**
	8.2%	*8.7%*	*6.7%*	*6.1%*	*5.9%*
Operating profit	**98.0**	**88.3**	**56.5**		
Net financial result	(17.3)	23.1	19.2		
Profit before tax	**80.7**	**111.4**	**75.7**		
Net profit	**44.6**	**75.4**	**55.6**		
Net profit (Group Share)	43.4	74.9	54.4		

Gross profit

The 2015 gross profit was 22.0%, down by 3.2 points compared to 2014 (25.2%). Half of this decrease is due to the different mix (the major contribution to sales of the turnkey cement plant contracts in 2014 and 2015, which have relatively low margins, which compensated for the drop in volumes of smaller orders since 2014 due to the difficult economic situation). The remainder is due to pressure on margins in the segments which have been hardest hit by the economic climate: flat steel (metals division), industry (aerospace and industry division), and energy.

General expenses

General expenses were €294 million in 2015. This includes a scope effect of €10 million and an adverse exchange rate effect of €16 million. At constant scope and exchange rate, general expenses for 2015 were therefore down €9 million compared to 2014 (€277 million).

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

The €7 million in revenue for the 2015 financial year includes the €11 million in badwill related to the allocation of the acquisition price of ECL. Excluding the scope effect, this line is therefore stable compared to 2014, at –€4 million.

The badwill recorded on the acquisition of ECL is the difference between the purchase price and the net situation acquired. In compliance with the IFRS standard, the corresponding revenue must immediately be recorded in the profit and loss account and cannot be spread over multiple years.

This badwill reflects the operating losses expected for ECL in 2016 and the first half of 2017, based on the market forecasts as anticipated at the time of acquisition. Since the acquisition was finalized, the Group has implemented measures to minimize these losses: staff transfers and loans, furloughs, sub-contracting to other subsidiaries, commercial synergies.

EBITDA

The Group's EBIDTA for 2015 is €116 million, representing 6.7% of sales, with a scope effect of €15 million (including the badwill). It is thus €101 million for the historic scope, a drop of €34 million since 2014 despite the positive exchange rate effect of €9 million. This decrease is due to the decreased margin, which comes as a result of a difficult economic climate which has driven down day-to-day order volumes and margins in several businesses.

Current Operating Profit (EBIT)

The Group's operating profit on ordinary activities for 2015 was €64 million, including an €11 million scope effect. It is thus €53 million for the historic scope, a drop of €40 million compared to 2014 despite the positive exchange rate effect of €5 million.

Operating profit

The Group's operating profit includes €7 million in non-recurring expenses: €5 million in restructuring costs for the divisions affected by the difficult economic climate and €2 million in acquisition fees netted of the sale results.

Net financial result

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

Financial income was in the black by €19 million in 2015, compared to the €23 million profit in 2014. It was distributed as follows:
- financial debt cost: -€5 million, stable compared to 2014;
- foreign exchange gains or losses: +€28 million, a slight drop from 2014;
- miscellaneous: -€4 million, stable compared to 2014.

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

- In US dollars to its American subsidiaries in order to fund the acquisitions of the subgroups Fives North American in 2008, Fives Bronx in 2010, Fives Machining Systems in 2013, and Fives Lund LLC in 2015;
- In pounds sterling to the English holding company Fives UK Holding Ltd. at the end of 2012 in connection with its acquisition of the Group's British subsidiaries.

Due to the closing price increase of the dollar and the pound sterling against the euro from December 31, 2015 and December 31, 2014, an exchange rate gain was recorded, as in 2014.

Of the exchange rate gain recorded for 2015, €9 million was realized (guaranteed by hedging and reimbursement flows) while the rest was unrealized (€20 million). Since the loans were originated, the Group has recorded a cumulative foreign exchange net gain of €69 million (including €20 million of realized net gain and €49 million of unrealized net again).

Net profit

The total income tax expense (current and deferred taxes) for the fiscal year was €21 million, down from 2014 (€36 million) due to a lower pre-tax profit. It includes a current income tax expense of €30 million - broken down between €5 million in CVAE and IRAP (added-value based corporate tax), €13 million in corporate tax within the French tax group and €12 million in corporate tax for other Group subsidiaries - as well as income from deferred taxes of €9 million.

Net income for the entire consolidated scope was thus €56 million, down €19 million compared to 2014.

2.3. Contribution of each division to Group results

AUTOMOTIVE

€ million	2014	2015
Order book at January 1	275.9	189.7
Order intake	273.6	314.5
Order book at Dec. 31	189.7	188.1
Sales	356.6	333.0
EBITDA	38.8	34.1
Headcount at Dec. 31	1,299	1,337

The automotive division recorded sales of €333 million, including a €30 million favorable exchange rate effect. At constant exchange rate, sales were down €54 million (-15%) compared to 2014, due to the smaller opening order book.

The drop in the EBIDTA margin rate from 10.9% in 2014 to 10.2% in 2015 is mainly due to the decrease in the offset of fixed costs cause by the drop in sales.

LOGISTICS

€ million	2014	2015
Order book at January 1	89.7	117.9
Order intake	180.3	218.7
Order book at Dec. 31	117.9	165.2
Sales	146.0	179.2
EBITDA	12.3	16.4
Headcount at Dec. 31	424	469

The logistics division recorded sales of €179 million, including a €10 million favorable exchange rate effect. At constant exchange rate, sales were therefore up €23 million (+16%) thanks to the higher opening order book.

The EBITDA margin rate rose to 9.1% in 2015 (up from 8.4% in 2014), reflecting the positive trends in the sector.

METALS

€ million	2014	2015
Order book at January 1	298.8	256.1
Order intake	213.1	259.2
Order book at Dec. 31	256.1	262.2
Sales	262.1	277.9
EBITDA	30.6	28.1
Headcount at Dec. 31	1,257	1,722

The metals division recorded sales of €278 million. This includes a €40 million contribution from Fives ECL and a positive exchange rate effect of €11 million. At constant scope and exchange rate, sales were down €35 million due to the smaller opening order book.

EBIDTA stood at €28 million, including a €14 million contribution from Fives ECL, mainly corresponding to badwill (€11 million). At constant scope, the EBITDA margin rate was 5.9%, down from 2014 (11.7%) due to the pressure on margins in the metalworking sector generated by the current market.

ENERGY

€ million	2014	2015
Order book at January 1	253.9	275.2
Order intake	398.1	334.9
Order book at Dec. 31	275.2	250.5
Sales	408.8	364.5
EBITDA	30.8	22.3
Headcount at Dec. 31	2,570	2,407

The energy division recorded sales of €365 million, including a €19 million favorable exchange rate effect. At constant exchange rate, sales were down €63 million (-15%) compared to 2014. Despite starting the year with a stronger opening order book, the Group was hit by the drop in orders over the course of the year, directly linked to the drop in oil prices. Business cycles tend to be shorter in the energy business than in other industries, meaning that sales are affected more by order intake during the year than by the opening order book.

The EBITDA margin rate was 6.1%, a decrease from 2014 (7.5%) due to the challenging market.

CEMENT

€ million	2014	2015
Order book at January 1	98.9	536.4
Order intake	587.8	232.7
Order book at Dec. 31	536.4	447.6
Sales	150.6	318.5
EBITDA	15.1	21.1
Headcount at Dec. 31	595	609

Cement division sales were €319 million in 2015 (with a negligible exchange rate effect of €2 million), more than double the figure for 2014, due to a much higher opening order book generated by the major turnkey cement plants ordered in 2014.
The drop in the EBITDA margin (6.6% in 2015, down from 12.5% in 2014) reflects the business mix: turnkey cement plant contracts, which made a major contribution to sales in 2015, have a lower margin than other orders.

AEROSPACE AND INDUSTRY

€ million	2014	2015
Order book at January 1	108.0	118.3
Order intake	212.1	342.6
Order book at Dec. 31	118.3	237.8
Sales	236.4	240.0
EBITDA	10.4	(2.0)
Headcount at Dec. 31	1,335	1,439

The aerospace and industry division recorded sales of €240 million. This includes a €7 million contribution from Fives Lund LLC and a positive exchange rate effect of €23 million. At constant scope and exchange rate, sales were down €26 million (-11%) compared to 2014. The year's sales were affected both by the low volume of orders in the extraction and exploration industry (whose end markets are tied to the oil and mining sector in the US) and the fact that the aerospace business did not revive until late in the year.
The aerospace and industry division's EBIDTA was negative in 2015 due to the lack of business and drop in service orders in the US industrial sector and the need for additional spending to finalize new ranges of machines for the aerospace market.

3. GROUP FORECASTS

3.1. Trends and outlook

Although the benchmark scenario in the IMF's January 2016 forecast for the global economy puts global growth at 3.4% in 2016 (+0.3 pts over 2015), the Group does not anticipate any improvement in the economy. It seems unlikely that the emerging economies will rebound, given that China, Russia, and Brazil are not currently showing any positive signs and will continue to bring their zones of influence down with them; similarly, the drop in energy and commodities prices is slashing budgets in Africa and the Middle East. In developed economies, the fact that US production equipment is older than at any time since the end of WWII, a situation which had already developed by the end of 2014, failed to bring about an increase in industrial investments in 2015. However, this is in part due to the fact that the drop in oil prices brought all trends in favor of a recovery grinding to a halt, and the resulting tendency to "wait and see" should come to an end relatively soon. In Europe and Japan, the recovery remains too minor to have any real effects.

Given this situation, Group sales should continue their 2015 trends: the divisions linked to commodities (metal, energy, cement) will most likely continue to face low levels of investment, while the industrial equipment divisions, whose end markets are growing (automotive, aerospace, logistics) should see an increase in opportunities.

3.2. Closing order book and business outlooks for 2016

The Group ended 2015 with an order book of €1,556 million, up €62 million (with €49 million due to the scope effect) over 2014. At constant scope, this is a slight increase and should guarantee a comparable level of activity in 2016 for the historic scope. This year's order book, which is better balanced between the divisions, should also ensure better distribution of expenses.

3.3. Forecasts by business lines

Automotive

In the automotive segment, the market remains positive, with the top manufacturers worldwide posting large profits in 2015. Growth will be driven both by the new developments announced by American manufacturers and by the continuation of targeted projects by European manufacturers. While China is no longer propelling growth the way it did in the past, it is still the world's biggest market and should continue to invest, albeit at a slower pace.

Logistics

The logistics segment continues to grow at an exceptional pace. 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 helping the Group take a long-term position with its customers. Furthermore, the legacy market is now letting in new players operating in B2C distribution

and new geographies, especially China, ushered in by the growth of major industry leaders like JD.Com and Alibaba.

Cement

In the cement segment, while demand remains high in most emerging markets, the drop in raw materials prices, especially oil, limits producers' resources in Africa, South America and the Middle East. The market is not expected to rebound before 2017, given that very few capacity projects are currently being planned for 2016. Despite this situation, the Group does have a full order book which will ensure a solid level of activity in the coming year.

Aerospace and industry

The aerospace segment should see large numbers of investments in 2016. In the civilian aerospace sector, Boeing is expected to confirm several projects, as is its supply chain, whose concentration in 2015 delayed most projects in North America. While Airbus is coming to the end of its "second wave", with a drop in investments expected starting in 2016, its rank 1 and 2 sub-contractors are expected to continue to place a large volume of orders. Opportunities have also been identified in China, where demand is increasing strongly, as well as in Japan. In the defense industry, the Rafale (Dassault Aviation) and F35 (Lockheed Martin) projects are expected to double their pace due to an increase in orders.

In the industry segment, however, the oil and gas markets and the mining and heavy machinery industries are not expected to recover in the short term.

Metals

In the aluminium segment, low prices continue to depress capacity investments. In 2016, for the fourth year running, no major smelter projects are expected from any of the major producers. The continued low levels of energy prices should, however, encourage them to start investing again in 2017. Given this situation, the Group's sales teams will focus on several primary aluminium projects currently under development in non-traditional regions (Asia, South America) with new entrants and local players, opportunities in the secondary aluminium sector (the proportion of recycled aluminium is increasing due to environmental concerns) and the development of service activities.

In the flat steel segment, while there are still opportunities on certain markets (US, Japan and South Korea for hi-tech equipment; India for low-cost equipment; services), they will not compensate for the dearth of projects in China, where new investments will be far below the levels seen over the past decade. In a sector which is facing long-term negative trends, the Group will strive to optimize its resources and the added-value of its offer.

Energy

In the energy segment, the price of oil (and by extension other energy sources) seems set to remain low in the long-term. In 2016, the market should be similar to 2015, and is unlikely to rebound in the short term.

ORDER BOOK BY END MARKET

€ million	31.12.13	31.12.14	31.12.15
Automotive	275.9	189.7	188.1
Logistics	89.7	117.9	165.2
Metals (aluminium and steel)	298.8	256.1	262.2
Energy	253.9	275.2	250.5
Cement	98.9	536.4	447.6
Aerospace and industry	108.0	118.3	237.8
Holding and sourcing co.			4.5
Total	**1,125.2**	**1,493.6**	**1,555.9**

ORDER BOOK BY GEOGRAPHICAL AREA

€ million	31.12.13	31.12.14	31.12.15
Americas	269.3	255.3	400.9
Asia and Oceania	368.4	344.2	359.6
Europe	364.8	366.2	394.4
Middle East and Africa	122.7	527.9	401.0
Total	**1,125.2**	**1,493.6**	**1,555.9**
Contribution from mature economies	48%	40%	45%
Contribution from emerging countries	52%	60%	55%

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 three 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, 56 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, 59 years old, member of the Executive Board.
Appointed on October 3, 2002, his term of office was renewed by the Supervisory Board on September 29, 2014 and will expire on September 28, 2020.
Main positions held:
Various positions in companies affiliated to the Fives group.

Lucile Ribot, 49 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.

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 2015, the Supervisory Board met on: March 27, June 25, September 25 and December 21.

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

Jacques Lefèvre, 78 years old, Honorary Chairman and member of the Supervisory Board. Appointed these roles on December 20, 2012, and June 25, 2013 respectively, his term will expire at the end of the General Meeting called to approve the 2017 financial statements.
Main positions held:
Member of the Board of Directors of the National Investment Company, Morocco.

Dominique Gaillard, 56 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, 50 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, 52 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, 59 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:
Member of the Board of Directors and CEO of CGG.
Member of the Board of Directors 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 functional managers.

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

The Executive Committee meets at least four times per year.

In 2015, the Executive Committee met on the following dates: April 2, June 22, September 21 and December 8 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

Xavier Becquey, 46 years old,
Head of the Operational Performance Department.

Daniel Brunelli-Brondex, 55 years old,
Country Director - India.

Benoît Caratgé, 62 years old,
Head of the Steel and Glass Business Lines.

Bruno Carbonaro, 49 years old,
Head of the Automotive Business Line.

Jean-Marie Caroff, 54 years old,
Head of the International Development Department.

Alain Cordonnier, 55 years old,
Head of the Cement Business Line.

Sylvain Dulude, 53 years old,
Country Director - North America.

Arnaud Lecœur, 45 years old,
Group General Counsel.

Fabrizio Mazzoni, 59 years old,
Head of the Logistics Business Line.

Frédéric Renaud, 63 years old,
Country Director - Italy.

Luigi Russo, 42 years old,
Head of the Combustion Business Line.

Michelle XY Shan, 50 years old,
Country Director - China.

Paule Viallon, 50 years old,
Head of the Group Human Resources Department.

Hugues Vincent, 60 years old,
Head of the Aluminium Business Line.

THE HEAD OF COUNTRY

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

- chairing the Country Coordination and Steering Committee (where appropriate);
- acting as the initial point of contact for Fives' central functional services;
- ensuring that Fives' instructions and directives are understood and enforced;
- informing Fives of any difficulties encountered in applying its instructions and directives as a result of specific regional issues;
- support Fives in the process of integrating newly acquired companies;
- managing the relationship between Fives and local stakeholders and coordinating the relationship between these stakeholders and subsidiary companies;
- contributing proactively to regional synergies.

THE COUNTRY COORDINATION AND STEERING COMMITTEES

These Committees are responsible for the broad coordination of Fives' strategy and situation, as well Group-wide policy for each geographic zone.

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

The Country Coordination and Steering Committees meet three or four times per year, and are chaired by:

- The Country Directors for North America, China, India and Italia.
- The Chairman of the Executive Board for France.

THE ACCOUNTS COMMITTEE

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

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

The Chairman of the Executive Board, the Chief Financial Officer, the Director of Consolidation and Corporate Accounting, the 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 2015, it met on March 27 and on September 25.

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 2015, the appointments and remuneration committee met on March 27 and on October 30.

INTERNAL CONTROL

The internal control procedures applied within the Group are intended:

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

With the prevention and management of the risks deriving from the Group's activities and the conduct of its staff, the Group's organization is based on:

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

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

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

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

- implementing professional accounting and financial procedures throughout the Fives group by building on the experience of its staff;
- uniform guidelines, accounting methods and consolidation rules;
- a common integrated consolidation and management application, thus ensuring the consistency of accounting data and management information.

EXTERNAL CONTROL

The Company's Independent Auditors are:

- Ernst & Young et Autres, represented by Pierre Jouanne. Statutory Auditor, appointed on June 27, 2012.
- Deloitte & Associés, represented by Pascal Colin. Statutory Auditor, whose term of office was renewed on June 27, 2012.
- Auditex, Substitute Statutory Auditor, whose term of office was renewed on June 27, 2012.
- Beas, Substitute Statutory Auditor, whose term of office was renewed on June 27, 2012.

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

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

FINANCIAL AND LEGAL INFORMATION

FINANCIAL INFORMATION

Share capital
At December 31, 2015, 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 2015 the share capital is not subject to any evolution.

Share ownership
Fives' main shareholder at December 31, 2015 was Novafives, which held 99.99% of the share capital.

Stock options and allocation of bonus shares
The company had not set in place any stock option plan or allocation of bonus shares at December 31, 2015.

Dividends / Distribution of reserves
No dividends were paid in 2013, 2014 and 2015.

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*	2015	2014
Sales	*6.2*	**1,718,164**	**1,560,489**
Cost of sales		(1,340,755)	(1,167,133)
Fair value adjustment of acquired work in progress			(376)
Gross profit		**377,409**	**392,980**
Selling expenses		(105,590)	(93,287)
Administrative expenses		(161,815)	(154,347)
Research and development expenses	*6.4*	(26,743)	(29,633)
Employee profit sharing and bonus schemes		(2,542)	(3,603)
Other operating income and expenses	*6.5*	9,992	117
Amortization of intangible assets related to acquisitions	*6.6*	(26,678)	(19,581)
Profit from recurring operations		**64,033**	**92,646**
Restructuring costs		(5,415)	(3,910)
Impairment of fixed assets			
Gain (loss) on disposals and acquisition costs		(2,108)	(390)
Operating profit		**56,510**	**88,346**
Cost of net financial debt	*6.7*	(5,253)	(5,192)
Other financial income and expense	*6.7*	24,446	28,280
Net financial income		**19,193**	**23,088**
Profit before income tax		**75,703**	**111,434**
Income tax expense	*6.8*	(20,857)	(36,324)
Share of profit of associates		770	298
Profit for the year		**55,616**	**75,408**
Attributable to owners of the Group		54,416	74,908
Attributable to non-controlling interests		1,200	500

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In thousands of euros	*Notes*	2015	2014
Profit (loss) for the year		**55,616**	**75,408**
Net change in fair value of available-for-sale financial assets		(118)	257
Deferred tax on net change in fair value of available-for-sale financial assets		32	(105)
Foreign currency translation differences		11,730	12,801
TOTAL Items subsequently recycled through profit and loss		**11,644**	**12,953**
Actuarial gains (losses)	*6.20*	4,888	(2,842)
Deferred tax on actuarial gains and losses		(1,635)	945
TOTAL Items not to be recycled through profit and loss		**3,253**	**(1,897)**
Total comprehensive income		**70,513**	**86,464**
Attributable to:			
- Owners of the Group		68,989	86,020
- Non-controlling interests		1,524	444

CONSOLIDATED BALANCE SHEET

ASSETS

In thousands of euros	*Notes*	**31.12.15**	**31.12.14***
Goodwill	*6.9*	242,891	214,253
Intangible assets	*6.10*	134,221	110,995
Property, plant and equipment	*6.11*	187,889	166,595
Non-current financial assets	*6.12*	11,595	8,880
Deferred tax assets	*6.8*	41,234	28,261
Non-current assets		**617,830**	**528,984**
Inventories and work in progress	*6.13*	187,516	171,633
Construction contracts in progress, assets	*6.14*	118,656	104,052
Trade receivables	*6.15*	395,740	332,192
Other current assets	*6.16*	99,914	64,091
Current financial assets		3,332	7,787
Current tax assets		8,648	18,424
Cash and cash equivalents	*6.17*	178,096	165,607
Current assets		**991,902**	**863,786**
Total assets		**1,609,732**	**1,392,771**

* The carrying amounts reported at December 31, 2014 have been adjusted (see note 4)

SHAREHOLDERS' EQUITY AND LIABILITIES

In thousands of euros	Notes	31.12.15	31.12.14*
Share capital		102,724	102,724
Share premium and reserves		252,747	182,135
Foreign currency translation reserve		26,766	15,172
Profit attributable to owners of the Group		54,417	74,908
Shareholders' equity attributable to owners of the Group		**436,654**	**374,939**
Non-controlling interests		10,391	2,165
Shareholders' equity	*6.19*	**447,045**	**377,104**
Non-current provisions	*6.20*	69,250	64,989
Non-current financial debt	*6.21*	79,496	97,572
Other non-current liabilities	*6.22*	44,495	4,996
Deferred tax liabilities	*6.8*	4,678	6,412
Non-current liabilities		**197,919**	**173,969**
Current provisions	*6.20*	107,737	104,229
Current financial debt	*6.21*	83,955	52,030
Construction contracts in progress, liabilities	*6.14*	207,708	214,026
Trade and related payables		325,751	258,321
Current tax liabilities		9,958	12,478
Other current liabilities	*6.22*	229,659	200,614
Current liabilities		**964,768**	**841,698**
Total shareholders' equity and liabilities		**1,609,732**	**1,392,771**

* The carrying amounts reported at December 31, 2014 have been adjusted (see note 4)

CONSOLIDATED CASH FLOW STATEMENT

In thousands of euros	Notes	2015	2014
Cash and cash equivalents at January 1		**163,975**	**242,404**
Operating activities			
Profit for the year		**55,616**	**75,408**
Adjustments for:			
Change in non-current provisions		(1,866)	(4,082)
Amortization, depreciation and impairment		51,921	42,058
Net loss on disposals of assets and acquisition costs		2,311	46
Profit of equity-accounted associates		(770)	(298)
Other non-cash income and expense items		(31,787)	(33,564)
Income tax expense/(benefit)		20,857	36,324
Cost of net financial debt		5,253	5,192
Operating cash flow before change in working capital and income tax		101,535	121,084
Change in working capital	*6.18*	(30,749)	(44,130)
Income tax paid		(29,339)	(39,212)
Net cash provided by operating activities		**41,447**	**37,742**
Investing activities			
Acquisitions of property, plant and equipment and intangible assets		(22,253)	(21,935)
Disposals of property, plant and equipment and intangible assets		5,761	808
Change in financial assets		(1,110)	(498)
Acquisitions of subsidiaries after deduction of acquired cash		(12,306)	(4,930)
Net cash used in investing activities		**(29,908)**	**(26,555)**
Financing activities			
Dividends paid to owners of non-controlling interests		(640)	(695)
Transactions with non-controlling interests			(540)
Net increase (decrease) in borrowings		4,510	(91,857)
Net interest paid		(3,914)	(5,673)
Net cash used in financing activities		**(44)**	**(98,765)**
Effect of exchange rate fluctuations		492	9,149
Net increase (decrease) in cash and cash equivalents		**11,987**	**(78,429)**
Cash and cash equivalents at December 31	*6.18*	**175,962**	**163,975**

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

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

In thousands of euros	Share capital	Premiums, retained earnings and reserves	Actuarial gains (losses) on pensions	Foreign currency translation reserve	Hedging reserve	Available-for-sale financial assets - fair value reserve	Equity attributable to owners of the Group	Non-controlling interests	Total equity
Shareholders' equity at January 1, 2014	**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)**
Effect of IFRIC 21 adjustment		686					**686**		**686**
Adjusted shareholders' equity at January 1, 2014	**102,724**	**192,223**	**(9,269)**	**2,560**		**537**	**288,775**	**3,021**	**291,796**
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**	**86,020**	**444**	**86,464**
Dividends paid								(725)	**(725)**
Change in consolidation scope		59					**59**	(570)	**(511)**
Other changes		32	73	(131)		111	**85**	(5)	**80**
Shareholders' equity at December 31, 2014	**102,724**	**267,222**	**(10,979)**	**15,172**		**800**	**374,939**	**2,165**	**377,104**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL PRESENTATION

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

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

The Fives group's companies design and supply process equipment and turnkey production lines and plant facilities for major industrial players worldwide. The Group is uniquely positioned due to its command of proprietary technologies and its expertise in engineering and complex project management.
The consolidated financial statements have been prepared under the responsibility of the Management Board, which approved them on March 25, 2016. They will be final when approved by the shareholders at their General Meeting on June 30, 2016.
The main accounting methods used to prepare the consolidated financial statements are described hereafter.

2. ACCOUNTING POLICIES

2.1. Statement of compliance

The consolidated financial statements of Fives for the reporting period ended December 31, 2015 have been prepared in accordance with the international standards issued by the International Accounting Standards Board (IASB) and adopted by the European Union at December 31, 2015. 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, 2015:
- Annual improvements 2011-2013, which do not affect the Group's financial statements;
- IFRIC 21 "Levies", which requires a liability to be recognized for a levy when the activity that triggers payment occurs, but not for a future obligation. The effect on the consolidated financial statements is detailed in note 4 "Year-on-year comparability".

The Group did not opt for the early implementation of the following standards, which are not yet mandatory and have not yet been approved by the European Union, for the consolidated financial statements at December 31, 2015:
- IFRS 9 and amendments "Financial Instruments";
- IFRS 15 "Revenue from Contracts with Customers";
- IFRS 16 "Leases" (applicable to annual reporting periods beginning on or after January 1, 2019, but not yet adopted by the European Union);
- Amendments to IAS 19 "Defined Benefit Plans: Employee Contributions";
- Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture";
- Amendments to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations";
- Amendments to IAS 1 "Disclosure Initiative";
- Amendments to IFRS 7 "Statement of Cash Flows" – Disclosure Initiative (applicable to annual reporting periods beginning on or after January 1, 2017 but not yet adopted by the European Union);
- Amendments to IFRS 12 "Income Taxes" – Recognition of Deferred Tax Assets for Unrealized Losses (applicable to annual reporting periods beginning on or after January 1, 2017 but not yet adopted by the European Union);
- Amendments to IAS 19 "Employee Benefits" – Defined Benefit Plans: Employee Contributions (applicable to annual reporting periods beginning on or after February 1, 2015);
- Amendments to IAS 16 and IAS 38 – "Clarification of Acceptable Methods of Depreciation and Amortization";
- Annual improvements 2010-2012;
- Annual improvements 2012-2014.

The Group 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/finance/company-reporting/index_en.htm

2.2. Basis of preparation of the consolidated financial statements

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

2.3. Presentation of financial statements

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

2.4. Consolidation methods

Subsidiaries are companies that are controlled by the Group. They are fully consolidated. The Group exercises control when it has exposure to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect the amount of the returns. Control is presumed when the Group holds, either directly or indirectly, more than 50% of voting rights. In assessing control, the Group takes into consideration all potential voting rights that are exercisable at the reporting date, including those held by another party.

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

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

The list of subsidiaries and associates is provided in note 6.30.

2.5. Significant estimates and judgments

The preparation of the consolidated financial statements requires Group and division management to use judgments, estimates and assumptions, including expectations of future events, which affect the reported amounts of certain financial statement items.
These assessments and estimates are reviewed at each reporting date and the underlying assumptions are adjusted, where appropriate, based on actual results, experience and any other relevant factors given the economic circumstances. The effects of such adjustments are recognized when made.
The items reported in the Group's future financial statements may differ from current estimates due to changes in the assumptions made and economic circumstances at the reporting date.

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

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

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

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

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

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

Estimates of provisions for litigation

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

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

Impairment of non-financial assets

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

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

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

Deferred tax assets

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

Employee benefits

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

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

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

2.6. Foreign currency transactions

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

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

The Group's financial statements are presented in euros, which is the parent company's reporting and functional currency. All financial data is rounded to the nearest thousand euros.
An entity's functional currency is the currency used in the primary economic environment in which it operates. In the majority of cases, the functional currency is the local currency.
However, an entity may use a functional currency that differs from the local currency if its main transactions are denominated in a foreign currency.

The financial statements of foreign entities whose functional currency is not the euro are translated into euros as follows:
- balance sheet items are translated into euros using the exchange rate effective at the reporting date;
- income statement and cash flow items are translated using the average exchange rate for the reporting period;
- foreign currency translation differences are recognized directly in equity in the line item "Foreign currency translation reserve".

2.8. Segment information

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

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

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

Operating segment information is presented in note 6.1.

2.9. Business combinations and goodwill

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

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

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

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

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

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

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

In addition, the following principles apply to business combinations:
- Goodwill is allocated to each cash generating unit likely to benefit from the business combination as of the acquisition date.
- Contingent consideration in a business combination is recorded at fair value as of the acquisition date and any subsequent adjustment occurring after the purchase price allocation period is recognized in the income statement.
- Acquisition-related costs are recognized as expenses when incurred, under "gains or losses on disposals and acquisition costs" on the income statement.
- Any acquisition or disposal of ownership interests that dœs not affect control subsequent to a business combination is accounted for as an equity transaction and recognized directly in equity, in accordance with IFRS 10.
- In the event of the acquisition of additional ownership interests

- in an associate without obtaining control, the Group maintains the assets acquired and liabilities assumed previously at their carrying amount in the consolidated financial statements.
- In the event that control is obtained in a step acquisition, the cost of the business combination includes the previously held equity interest in the acquiree remeasured at its acquisition-date fair value.

2.10. Research and development costs

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

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

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

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

2.11. Intangible assets

Separately acquired intangible assets are recognized at their acquisition cost.
Software and IT licenses are amortized on a straight-line basis over their expected useful lives (between one and five years).
Intangible assets (technologies, brands, customer relationships and order book) acquired as part of business combinations are reported on the balance sheet at fair value, which is determined on the basis of external valuations for the most significant assets and internal appraisals for other assets. The valuation process is performed in accordance with generally accepted accounting principles, based on the income approach. Intangible assets are amortized on a straight-line basis over their useful lives, including, where appropriate, any period of protection provided by law or regulations. Their estimated useful lives generally range from five to ten years.
Allowances for amortization of intangible assets acquired as part of a business combination are shown under "Amortization of intangible assets related to acquisitions" in the consolidated income statement.

2.12. Property, plant and equipment

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

The useful lives are generally the following:
- Main structure of buildings (shell and brickwork), depending on the type of construction: 30 to 50 years;
- Facades, roofing and secondary construction: 20 to 30 years;
- Technical and general improvements: 15 to 20 years;
- Fixtures and fittings: 10 to 15 years;
- Heavy industrial equipment, depending on the type of machinery: 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 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 6.9.

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

2.15. Financial assets (excluding derivative instruments)

Initial measurement

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

Classification and measurement at the reporting date

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

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

Loans, receivables and held-to-maturity financial assets

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

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

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

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

Available-for-sale assets

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

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

2.16. Financial liabilities (excluding derivative instruments)

Loans and borrowings

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

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

Earn-out clauses

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

Commitments to purchase non-controlling interests

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

2.17. Derivative instruments

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

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

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

Derivative instruments eligible for hedge accounting

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

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

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

Fair value hedges

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

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

Cash flow hedges

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

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

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

Derivative instruments not eligible for hedge accounting

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

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

2.18. Revenue recognition

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

Construction contracts

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

Revenue and profit are recognized on a percentage-of-completion basis, as the contract is performed. The stage of completion of each contract is determined by measuring the costs incurred to date over estimated costs at completion.
Profit at completion is estimated based on analyses of costs and revenue at completion, which are revised periodically and regularly over the life of the contract.

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

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

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

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

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

Sales of goods and rendering of services

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

- Revenue from the sale of goods such as single pieces of equipment or machinery is recognized when the company has transferred to the buyer the significant risks and rewards incidental to ownership of the equipment;

- Revenue from the rendering of services is recognized by reference to the stage of completion of the service rendered.

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

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

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

2.20. Cash and cash equivalents

Cash and cash equivalents are composed of immediately available cash and short-term investments. Cash and cash equivalents comprise bank balances, cash on hand, demand deposits, 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 6.20.

2.22. Retirement benefits

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

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

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

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

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

2.23. Provisions for long-service awards

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

2.24. Income tax

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

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

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

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

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

Treatment of different tax credits relating to research and intellectual property

The Group analyses each scheme to determine if it can be assimilated to a grant, and recognized in profit from recurring operations in accordance with IAS 20, or to a tax deduction in

relation to intellectual property, and recognized in income tax in accordance with IAS 12.

Deferred taxes

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

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

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

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

3. SIGNIFICANT EVENTS OF THE PERIOD

The slump in oil prices adversely affected the business environment in 2015, strongly impacting industrial investment in the United States, and limiting the principal sources of financing in the main oil producing areas (Russia, Middle East, Africa). More generally, falling commodity prices brought growth to a halt in emerging countries, while in China financing difficulties combined with structural overcapacity in several industrial sectors, hindered investment.

Compared with 2014, the weakening of the euro against the dollar and other functional currencies of Group companies had a favorable impact on the main aggregates for 2015.

Group sales amounted to €1,718 million in 2015, with the change in consolidation scope accounting for €48 million and the favorable foreign exchange effect for €96 million. On a like-for-like basis, sales were up slightly (+€16 million) from 2014 (€1,560 million).

Gross margin declined due to a different sales mix (fewer recurring orders as a result of the sluggish business environment, offset by revenue from major turnkey plant contracts) and pressure on profit margins in the operating segments most affected by the business slowdown, in particular steel (Metals division) and energy.

Profit from recurring operations reflected the trend, amounting to €64 million in 2015, down €29 million from 2014, despite the consolidation scope effect of €11 million, and favorable foreign currency exchange effect of €6 million.

4. YEAR-ON-YEAR COMPARABILITY

The first application of IFRIC 21 lead the Group to defer recognition of the French social solidarity tax (Organic) in other current liabilities. At January 1, 2014, the Organic levy liabilities previously provisioned in 2013 were reversed, resulting in an increase in equity (before tax) of €0.7 million.

At December 31, 2014, the impact on profit was not significant.

At December 31, 2015, implementation of IFRIC 21 resulted in the recognition of an additional €0.5 million expense, which was reported in profit from recurring operations.

5. CONSOLIDATION SCOPE

The list of companies included in the consolidation scope at December 31, 2015 is provided in note 6.30.

5.1. ECL

Acquisition of the ECL sub-group

On July 9, the Group completed the acquisition of ECL, now Fives ECL, a company specialized in designing and installing machines to produce primary aluminium, with a focus on Pot Tending Machines (PTMs), Furnace Tending Assembly (FTA) machines, and Anode Rodding equipment.

Fives ECL, whose registered office is in Ronchin (northern France), also provides a range of high value-added services (spare parts, maintenance, upgrading) supported by specialized subsidiaries located in the main aluminium producing areas: Canada, Australia, South Africa and the Middle East.

The technical, industrial and commercial synergies of Fives and Fives ECL, in the field of aluminium, will enable the newly combined group to offer a large range of key process equipment. The Group's financial statements include the financial statements of the ECL group from July 1, 2015, as ECL's closest reporting date to the acquisition date was June 30.

Purchase price and other information on the transaction

The consideration transferred for the 100% ownership interest in the ECL group was €16.1 million, with an earn-out clause based on sales volumes in reporting periods 2016 to 2020.

Acquisition costs incurred in 2015 amounted to €1.7 million before tax. They are included in the line item "Gain (loss) on disposals and acquisition costs".

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 Group has finalized the purchase price allocation.

The restatements to the acquisition-date balance sheet have been recognized on the basis of measurements performed by the Company to harmonize accounting methods and assess contingent liabilities. Acquired intangible assets have been recognized on the basis of measurements performed by an external valuation firm.

The main items identified were as follows:

Harmonization of accounting methods

All contracts in the order book, in progress or guaranteed, have been reviewed to ensure that they have been accounted for in compliance with Group policies.

Fair value of brands and technologies

The fair value of brands and technologies was determined using the relief from royalty method based on discounted cash flows (DCF) net of tax, market data and the estimated royalty rates that would be paid to use the brands and technologies measured.

The main assumptions related to the volume of sales and margins generated by the technologies identified, the effectiveness of intellectual property protection, the degree of difficulty in penetrating the market and obsolescence risk.

Fair value of order book

The value of order book was determined based on legitimate expectations of future gains or losses on the associated contracts.

Estimate of contingent liabilities

The Group reviewed the company's commitments and provisioned items with probable outflows of resources.

The difference between the purchase price and the identified assets resulted in badwill of €11.3 million, recognized in the line item "Other operating income and expense" on the income statement. Badwill reflects the operating losses expected over the next two years due to low aluminium market demand.

After accounting for badwill, the contribution of the Fives ECL group to the Group's profit from recurring operations for the reporting period was as follows:

In thousands of euros	Contribution to consolidated financial statements (6 months)
Sales	**40,283**
Profit from recurring operations	**11,439**
Depreciation and amortization included in operating profit	(2,514)

ECL is part of the Metals operating segment.

5.2. Lund

Acquisition of Lund Engineering Inc.

On August 31, the Group completed the acquisition of a 75% stake in Lund Engineering, which specializes in engineering, designing and building electromechanical equipment for the manufacture of composite aerospace structures.

Based in Seattle (United States), Lund Engineering, now Fives Lund LLC, is a preferred partner of industry leaders, notably Boeing, particularly for the design and production of new machines and manufacturing processes.

The acquisition enables Fives to expand its automation offer for manufacturing composite structures, through a complementary range of equipment and process expertise.

The Group's financial statements include the financial statements of Fives Lund LLC from September 1, 2015.

Purchase price and other information on the transaction

The consideration transferred for the 75% ownership interest was USD 22.7 million, with an earn-out clause based on sales volumes in reporting periods 2015 to 2017.

The Group has also agreed to purchase the remaining 25% non-controlling interests at the latest by 2019, at a price based on profit in reporting periods 2017 and 2018.

Acquisition costs incurred in 2015 amounted to €0.6 million before tax. They are recognized in the line item "Gain or loss on disposals and acquisition costs".

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 purchase price allocation.

The 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:

Harmonization of accounting methods

All contracts in the order book, in progress or guaranteed, have been reviewed to ensure that they have been accounted for in compliance with Group policies.

Fair value of customer relationships

Fair value of customer relationships was determined using the multi-period excess earnings method. The main assumptions applied in the calculation include the volume of sales and margins generated by the relationships identified, and the churn rate (customer attrition).

Fair value of order book.
The value of order book was determined based on legitimate expectations of future gains or losses on the associated contracts.

Estimate of contingent liabilities
The Group reviewed the company's commitments and provisioned items with probable outflows of resources.

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

In thousands of euros	Contribution to consolidated financial statements (4 months)
Sales	**6,731**
Profit from recurring operations	**13**
Depreciation and amortization included in operating profit	(779)

Lund is included in the Aerospace and Industry operating segment.

5.3. Other changes in consolidation scope

In March 2015, the Group acquired full ownership of Ernst Polack GmbH, which supplies and maintains orbital grinding machines manufactured by Fives Landis, in Germany. Ernst Polack GmbH is included in the Automotive operating segment.

The fully-owned companies Fives Cinetic Mexico SA de CV, Shanghaï Fives Mechanical & Electrical Equipment Co Ltd and Fives Keods were consolidated for the first time at January 1, 2015. These companies reflect expansion of the Group's business activity in the automotive industry in Mexico, in the automotive/logistics sector in China, and in process expertise for the steel industry, respectively.

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

6.1. Operating segment information

In 2015, the Group revised its operating segments in order to better reflect its target markets, in line with its management structure. Four changes were made:

- **The Automotive/Logistics** division has been separated into two divisions.
- **The Industrial Maintenance business activity,** which was historically linked to Logistics, has been reclassified to the Aerospace and Industry division.
- **Tube manufacturing and finishing equipment business,** previously presented in the Metals division has been reclassified to the Energy division.
- **Fives ITAS's business activity** (company purchased in 2014 specializing in the supply of combustion systems), previously presented in the Cement division, has been reclassified to the Energy division.

For comparability purposes, these reclassifications have also been applied to the figures presented in this document for reporting period 2014.

The Group's operating segments are the following:

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

Logistics: The division designs automated sorting systems for postal services and courier, transport and distribution companies.

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

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

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

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

Other: Holding activities or those shared with other activities.

Operating segment information

	2015	2014
Automotive	314,459	273,554
Logistics	218,713	180,301
Cement	232,703	587,852
Energy	334,886	398,082
Metals	259,189	213,070
Aerospace and industry	342,638	212,173
Other	5,198	
Total order intake	**1,707,786**	**1,865,032**
Automotive	333,025	356,588
Logistics	179,194	146,020
Cement	318,514	150,627
Energy	364,522	408,826
Metals	277,879	262,062
Aerospace and industry	239,941	236,366
Other	5,089	
Total sales	**1,718,164**	**1,560,489**
Automotive	28,812	34,685
Logistics	14,508	10,581
Cement	19,482	17,574
Energy	5,298	14,784
Metals	20,665	27,349
Aerospace and industry	(19,707)	(5,035)
Other	(5,025)	(7,292)
Total profit from recurring operations	**64,033**	**92,646**
Automotive	34,051	38,821
Logistics	16,386	12,256
Cement	21,119	18,861
Energy	22,324	30,809
Metals	28,057	30,636
Aerospace and industry	(2,001)	10,419
Other	(3,982)	(6,722)
Profit from recurring operations before depreciation and amortization	**115,954**	**135,080**

The breakdown of assets by operating segment is as follows:

Dec. 31, 2015	Automotive	Logistics	Cement	Energy	Metals	Aero. & industry	Other	Total
Goodwill	29,475	17,590	1,956	82,560	33,674	77,636		242,891
Intangible assets, property, plant and equipment	51,992	14,649	7,402	100,790	52,493	92,258	2,526	322,110
Total allocated assets	**81,467**	**32,239**	**9,358**	**183,350**	**86,167**	**169,894**	**2,526**	**565,001**
Other assets								1,044,731
Total assets								**1,609,732**

6.2. Sales

Sales comprised the following:

	2015	2014
Construction contract revenue	1,039,153	867,327
Services rendered	203,877	173,571
Sales of goods	475,134	519,591
Total	**1,718,164**	**1,560,489**

Sales by geographical destination

	2015	2014
Europe	511,609	546,992
Africa and Middle East	316,489	166,688
Americas	521,091	450,373
Asia and Oceania	368,975	396,436
Total	**1,718,164**	**1,560,489**

Sales by geographical origin

	2015	2014
Europe	1,083,251	987,690
Africa and Middle East	20,321	26,351
Americas	461,363	418,213
Asia and Oceania	153,229	128,234
Total	**1,718,164**	**1,560,489**

Information on major customers

As in 2014, no single Group customer accounted for more than 5% of consolidated sales in the reporting period ended December 31, 2015.

6.3. Personnel expenses and headcount

Personnel expenses

	2015	2014
Personnel expenses	544,390	489,690
Total headcount at reporting date[1]	8,298	7,745

(1) of which 631 for ECL and Lund at Dec. 31, 2015

The change in personnel expenses includes a foreign exchange effect of €32 million, and a consolidation scope effect of €30 million.

Headcount at December 31

By category	2015	2014
Engineers and management	3,491	3,205
Supervisory and office staff	3,204	2,833
Other employees	1,603	1,707
Total	**8,298**	**7,745**

By type of contract	2015	2014
Permanent contracts	7,844	7,357
Fixed-term contracts	294	255
Apprenticeships and internships	160	133
Total	**8,298**	**7,745**

6.4. Research and development costs

	2015	2014
Research and development expenses, gross	(36,155)	(33,104)
Research tax credits and grants received	9,412	3,471
Total	**(26,743)**	**(29,633)**

6.5. Other operating income and expense

Other operating income and expense for 2015 amounted to €10.0 million, mainly comprising badwill of €11.3 million recognized upon the acquisition of the ECL group (see note 5.1).

6.6. Amortization and depreciation included in profit from recurring operations

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

	2015	2014
Included in cost of sales	(15,509)	(12,652)
Included in overheads and other operating items	(9,734)	(9,825)
Amortization of intangible assets related to acquisitions	(26,678)	(19,581)
Total	**(51,921)**	**(42,058)**

6.7. Net financial income and expense

Cost of net financial debt

	2015	2014
Financial expenses relating to:		
- bank loans	(3,074)	(2,487)
- finance leases	(47)	(82)
Other interest expense	(2,017)	(3,497)
Deferred transaction costs	(1,261)	(1,106)
Interest and related expenses	**(6,399)**	**(7,172)**
Interest and related income	**1,146**	**1,980**
Total	**(5,253)**	**(5,192)**

Other financial income and expense

	2015	2014
Income from associates	88	38
Foreign exchange gains	28,262	31,695
- Foreign exchange gains	*28,295*	*32,246*
- Impact of forward points on changes in fair value of foreign exchange derivatives	*(33)*	*(552)*
Expenses for retirement and related benefits	(1,609)	(1,743)
Net financial provisions	64	(1,042)
Other financial items	(2,359)	(668)
Total	**24,446**	**28,280**

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

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

Details of the loans are provided in note 6.24.

6.8. Current and deferred tax

Analysis of income tax expense

	2015	2014
French value-added business tax (CVAE) and Italian production tax (IRAP)	(5,030)	(5,716)
Current tax	(24,505)	(31,112)
Subtotal current tax	**(29,535)**	**(36,828)**
Deferred tax	**8,678**	**(504)**
Total	**(20,857)**	**(36,324)**

Effective tax rate

	2015	2014
Profit before income tax	**75,703**	**111,434**
Parent company tax rate	*34.43%*	*34.43%*
Theoretical tax expense	(26,065)	(38,367)
Effect of:		
Tax rate differences	3,078	4,852
Change in unrecognized deferred tax assets	(266)	2,163
Permanent differences and other items	5,868	(986)
Income tax income/(expense)	**(17,384)**	**(32,338)**
Effective tax rate	**22.96%**	**29.02%**
Effect of French value-added business tax (CVAE) and Italian production tax (IRAP)	(3,473)	(3,986)
Income tax income/(expense)	**(20,857)**	**(36,324)**

French companies' current tax

Fives and its French subsidiaries that are directly or indirectly more than 95%-owned are included in the tax group established on January 1, 2013 by Novafives (detailed in note 6.30). The tax savings resulting from offsetting the 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.

Consolidated tax groups

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

Deferred tax

The offsetting methods used are described in note 2.24.

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

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

	Dec. 31, 2014		Change recognized in income statement	Change recognized in equity	Scope	Translation differences and other	Dec. 31, 2015	
	Deferred tax assets	Deferred tax liabilities					Deferred tax assets	Deferred tax liabilities
Provisions for retirement benefits	16,673		(1,174)	(1,636)	1,280	779	15,922	
Tax loss carryforwards			10,378		5,869	1,520	17,767	
Revaluations	2,166	(17,016)	(1,020)		(5,236)	(2,922)	6,497	(30,525)
Other temporary differences	39,721	(17,280)	760	31	499	5,217	37,677	(8,728)
Deferred tax assets (liabilities), gross	**58,560**	**(34,296)**	**8,944**	**(1,605)**	**2,412**	**4,595**	**77,863**	**(39,253)**
Deferred tax asset limit	(2,415)		(266)			627	(2,054)	
Offsetting	(27,884)	27,884					(34,575)	34,575
Recognized deferred tax assets	**28,261**	**(6,412)**	**8,678**	**(1,605)**	**2,412**	**5,222**	**41,234**	**(4,678)**
Net deferred tax	**21,849**						**36,556**	

6.9. Goodwill

	Dec. 31, 2014 Net	Change in consolidation scope	Transfer	Translation differences and other	Dec. 31, 2015 Net
Automotive	41,364		(17,590)	5,701	29,475
Logistics			17,590		17,590
Cement	6,676		(4,835)	115	1,956
Energy	66,131		17,535	(1,106)	82,560
Metals	44,147		(12,700)	2,227	33,674
Aerospace and industry	55,935	14,812		6,889	77,636
Total	**214,253**	**14,812**		**13,826**	**242,891**

In line with the changes outlined in note 6.1, the Group reallocated goodwill based on the relative value of the reorganized cash generating units (CGU).
In compliance with IAS 36, an impairment test was performed at December 31, 2015 on each operating segment CGU.
The following assumptions were used:
– 2016-2019 medium-term plan;
– terminal value growth rate: 2% (identical to assumptions used in 2014 test);
– discount rate: 10% (identical to assumptions used in 2014 test).

No impairment was necessary. The reallocation of goodwill did not affect the conclusions of the tests;

Sensitivity analysis

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

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

6.10. Intangible assets

	Dec. 31, 2015			Dec. 31, 2014		
	Gross	Accumulated amortization / impairment	Net	Gross	Accumulated amortization / impairment	contracts
Technologies, research and development acquired	104,968	(36,019)	68,949	82,812	(23,638)	59,175
Brands acquired	26,262	(9,005)	17,257	19,324	(3,865)	15,459
Customer relationships, order book and other intangibles acquired	68,788	(34,890)	33,898	48,212	(20,825)	27,387
Concessions, patents and licenses	33,499	(25,406)	8,093	26,499	(20,821)	5,678
Other intangible assets	13,958	(7,934)	6,024	10,166	(6,868)	3,298
Total	**247,475**	**(113,254)**	**134,221**	**187,013**	**(76,018)**	**110,995**

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

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

Au 31 décembre 2014, l'évolution de la valeur des immobilisations incorporelles s'analysait comme suit:

	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**

6.11. Property, plant and equipment

	Dec. 31, 2015			Dec. 31, 2014		
	Gross	Accumulated depreciation / impairment	Net	Gross	Accumulated depreciation / impairment	Net
Land and developments	25,800	(340)	25,460	20,592	(308)	20,284
Leasehold land	1,260		1,260	1,541		1,541
Buildings	158,477	(76,307)	82,170	144,372	(67,595)	76,777
Leasehold buildings	9,647	(4,324)	5,323	11,758	(6,017)	5,741
Plant, equipment and machinery	189,533	(140,679)	48,854	171,714	(126,582)	45,131
Other assets	56,887	(41,094)	15,793	51,433	(38,077)	13,356
Other leasehold assets	430	(29)	401			
Assets under construction	7,846	(56)	7,790	3,303	(56)	3,247
Advances on fixed assets	838		838	518		518
Total	**450,718**	**(262,829)**	**187,889**	**405,231**	**(238,636)**	**166,595**

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

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

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

	Gross	Accumulated depreciation / 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**

6.12. Current and non-current financial assets

Non-current financial assets

	Dec. 31, 2015			Dec. 31, 2014		
	Gross	Impairment	Net	Gross	Impairment	Net
Available-for-sale securities	7,758	(1,637)	6,121	6,748	(2,641)	4,107
Equity-accounted associates	1,079		1,079	298		298
Loans related to investments in associates	190	(84)	106	110	(88)	22
Other financial assets	4,487	(198)	4,289	4,643	(190)	4,453
Total	**13,514**	**(1,919)**	**11,595**	**11,799**	**(2,919)**	**8,880**

At December 31, 2015, the decline in gross value of available-for-sale securities included a decrease in fair value of €118 thousand (€86 thousand, net of tax).

At December 31, 2015, the repayment and maturity schedule (excluding available-for-sale securities) was as follows:

	Dec. 31, 2015		
	Carrying amount	Between 1 and 5 years	More than 5 years
Loans related to investments in associates	106		106
Other financial assets	4,289	2,750	1,539
Total	**4,395**	**2,750**	**1,645**

Current financial assets

	Dec. 31, 2015			Dec. 31, 2014		
	Gross	Impairment	Net	Gross	Impairment	Net
Derivatives	1,514		1,514	5,220		5,220
Loans related to investments in associates	225	(80)	145	360	(68)	292
Loans	101		101	79		79
Accrued interest	5		5	1		1
Other	1,567		1,567	2,195		2,195
Total current financial assets	**3,412**	**(80)**	**3,332**	**7,855**	**(68)**	**7,787**

6.13. Inventories and work in progress

	Dec. 31, 2015			Dec. 31, 2014		
	Gross	Impairment	Net	Gross	Impairment	Net
Raw materials	75,283	(18,278)	57,005	65,829	(16,511)	49,318
Work in progress under completed-contract method	106,884	(5,056)	101,828	98,670	(4,379)	94,291
Semi-finished and finished goods	38,278	(9,595)	28,683	37,866	(9,842)	28,024
Total	**220,445**	**(32,929)**	**187,516**	**202,365**	**(30,732)**	**171,633**

6.14. Construction contracts

	Dec. 31, 2015	Dec. 31, 2014
Construction contracts in progress, assets	118,656	104,052
Construction contracts in progress, liabilities	(207,708)	(214,026)
Net	**(89,052)**	**(109,974)**

Cumulative information on construction contracts in progress was as follows:

	Dec. 31, 2015	Dec. 31, 2014
Costs and profit recognized on a percentage-of-completion basis	1,546,649	1,436,960
Progress billings	(1,632,746)	(1,544,339)
Provisions for loss at completion	(2,955)	(2,595)
Net	**(89,052)**	**(109,975)**

6.15. Trade receivables

	Dec. 31, 2015			Dec. 31, 2014		
	Gross	Impairment	Net	Gross	Impairment	Net
Total trade receivables	**407,005**	**(11,265)**	**395,740**	**343,095**	**(10,902)**	**332,192**

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

	Opening balance	Allowances	Reversals	Translation differences	Other*	Closing balance
2015	(10,902)	(4,888)	6,754	(408)	(1,821)	(11,265)
2014	(11,235)	(1,763)	2,730	(526)	(108)	(10,902)

* resulting mainly from changes in consolidation scope

At December 31, 2015 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
2015	395,740	309,900	48,039	17,166	20,635
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/or political risk) according to criteria relating to contract size, type of receivable, and country category;
- Regular monitoring of overdue payments during contract performance and early implementation of collection procedures for receivables due.

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

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

6.16. Other current assets

	Dec. 31, 2015	Dec. 31, 2014
Tax receivables	44,443	17,261
Advances and progress payments	32,811	26,245
Other receivables	13,719	9,889
Prepaid expenses	8,941	10,696
Total	**99,914**	**64,091**

6.17. Cash and cash equivalents

	Dec. 31, 2015	Dec. 31, 2014
Cash equivalents	66,248	50,774
Cash	111,848	114,833
Total cash and cash equivalents	**178,096**	**165,607**

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

At December 31, 2014, the breakdown of cash and cash equivalents was as follows:

	Euro	USD	GBP	CNY	JPY	CAD	Others	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**

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

6.18. Statement of cash flows

Cash and cash equivalents, net

	Dec. 31, 2015	Dec. 31, 2014
Cash equivalents	66,248	50,774
Cash	111,848	114,833
Total cash and cash equivalents	**178,096**	**165,607**
Bank overdrafts	(2,134)	(1,632)
Total	**175,962**	**163,975**

Changes in WCR

			Changes	
	Dec. 31, 2015	**Dec. 31, 2014**	Operating activities	Other *
Inventories and work in progress	(187,516)	(171,633)	7,341	(23,223)
Construction contracts in progress, assets	(118,656)	(104,052)	328	(14,933)
Trade receivables	(395,740)	(332,192)	(27,222)	(36,326)
Other current/non-current assets included in working capital	(99,498)	(64,186)	(24,139)	(11,172)
Construction contracts in progress, liabilities	207,708	214,026	(6,631)	313
Trade and related payables	325,751	258,321	46,012	21,417
Other current/non-current liabilities included in working capital	224,642	200,835	(6,275)	30,082
Working capital requirements before current provisions	**(43,311)**	**1,119**	**(10,587)**	**(33,843)**
Current provisions	107,737	104,229	(20,162)	23,670
Working capital requirements	**64,426**	**105,348**	**(30,749)**	**(10,173)**

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

6.19. Shareholders' equity

Financial capital management policy

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

Share capital

Share capital at December 31, 2015, as at December 31, 2014, was divided into 2,185,612 shares with a par value of €47. The shares are fully paid either in cash or in kind. Share capital amounts to €102,723,764.

Shareholding structure

The majority shareholder of Fives is Novafives, which held 99.99% of Fives' share capital at December 31, 2015 following the merger of FL Investco and Novafives in 2015.

Dividend payments

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

6.20. Current and non-current provisions

	Dec. 31, 2014	Allowances	Utilization	Unutilized reversals	Translation differences	Other*	Dec. 31, 2015
Warranties	60,981	30,660	(11,830)	(35,896)	2,825	4,137	**50,877**
Contract litigation	5,410	848	(661)	(3,014)	48	1,385	**4,016**
Future losses on contracts	2,267	517	(1,258)	(1,085)	44	210	**695**
Completed contract expenses	24,342	22,000	(14,155)	(9,986)	447	13,672	**36,320**
Other contingency and expense provisions	11,229	12,462	(5,472)	(3,292)	515	387	**15,829**
Total current provisions	**104,229**	**66,487**	**(33,376)**	**(53,273)**	**3,879**	**19,791**	**107,737**
Retirement benefits	53,547	5,748	(5,560)	(1,924)	2,154	230	**54,195**
Other post-employment benefits	6,628	595	(517)	(127)	51	641	**7,271**
Other provisions - non-current portion	4,814	2,500	(2,529)	(51)	434	2,616	**7,784**
Total non-current provisions	**64,989**	**8,843**	**(8,606)**	**(2,102)**	**2,639**	**3,487**	**69,250**

* resulting mainly from changes in consolidation scope

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

	2015	2014
Profit from recurring operations	24,667	16,392
Profit from non-recurring operations	(893)	(768)
Financial income (expense)	(1,746)	(1,882)
Total allowances and reversals	**22,028**	**13,742**

Current provisions

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

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

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

Non-current provisions

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

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

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

Actuarial assumptions

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

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%

The present value of future obligations (defined benefit obligations) amounted to €98,354 thousand at December 31, 2015. Given the fair value of all plan assets, the net obligation at December 31, 2015 totaled €54,195 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 €3,856 thousand, of which €2,248 thousand were recognized in profit from recurring operations, and €1,608 thousand were recognized in financial expense.

Net actuarial gains and losses generated during the reporting period and recognized directly in items of other comprehensive income amounted to €4,888 thousand, excluding tax.

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

In 2014, 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, adjusted	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 and other	933	1,134	4,485	(933)	(5)	40	5,654
Present value of obligation at December 31, 2014	**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 and other			3,413			26	3,440
Fair value of plan assets at December 31, 2014			**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 December 31, 2014	**24,864**	**9,543**	**16,002**	**2,304**	**711**	**122**	**53,547**
COMPONENTS OF NET EXPENSE RECOGNIZED FOR 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)
(Gain) loss on plan curtailments / settlements							
(Gain) loss on plan curtailments / settlements							
Net expense recognized in the income statement for 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, adjusted	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 December 31, 2014	**24,864**	**9,543**	**16,002**	**2,304**	**711**	**123**	**53,547**

Plan assets by investment type

	2015		2014	
	Amount	%	Amount	%
Shares	35,213	79.74%	26,476	50.11%
Bonds and other debt securities	7,356	16.66%	15,498	29.33%
Real estate investments		0.00%		0.00%
Money market investments	1,358	3.08%	4,727	8.95%
Diversified funds	232	0.52%	6,132	11.61%
Fair value of invested plan assets	**44,159**	**100.00%**	**52,833**	**100.00%**

Present value of obligation

	Dec. 31, 2015	Dec. 31, 2014
Defined benefit obligation	98,354	106,380
Fair value of invested plan assets	(44,159)	(52,833)
Present value of obligation	**54,195**	**53,547**

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:

	2015		2014	
	In thousands of euros	DBO as a %	In thousands of euros	DBO as a %
France	752	3.27%	1,008	4.23%
United States of America	179	1.86%	187	1.96%
United Kingdom	3,041	5.06%	2,961	4.32%
Germany	79	2.18%	91	3.94%
Japan	1	0.12%	1	0.14%
India	(83)	-17.00%	6	1.49%

6.21. Current and non-current financial debt

	Dec. 31, 2015			Dec. 31, 2014		
	Non-current	Current	Total	Non-current	Current	Total
Bank loans	51,380	37,050	88,430	50,458	16,181	66,639
Deferred transaction costs	(2,776)		(2,776)	(3,784)		(3,784)
Finance leases	2,542	2,310	4,852	4,548	915	5,463
Accrued interest		772	772		705	705
Derivative instruments, liabilities		4,457	4,457		4,348	4,348
Other bank loans and borrowings					2,083	2,083
Other financial debt	28,350	37,232	65,582	46,350	26,166	72,516
Bank overdrafts		2,134	2,134		1,632	1,632
Total financial debt	**79,496**	**83,955**	**163,451**	**97,572**	**52,030**	**149,602**

Bank loans

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

Other loans and borrowings

Other loans and borrowings relate to loans granted by the parent company, Novafives.

Breakdown of fixed and floating rate financial debt

	Dec. 31, 2015			Dec. 31, 2014		
	Fixed rate	Floating rate	Total	Fixed rate	Floating rate	Total
Bank loans		88,430	88,430		66,639	66,639
Deferred transaction costs	(2,776)		(2,776)	(3,784)		(3,784)
Finance leases	483	4,369	4,852	388	5,075	5,463
Other financial debt		65,582	65,582		72,516	72,516
Accrued interest	772		772	705		705
Total financial debt	**(1,521)**	**158,381**	**156,860**	**(2,691)**	**144,230**	**141,539**

Breakdown of financial debt per currency

	Dec. 31, 2015			Dec. 31, 2014		
	Euros	USD	Total	Euros	USD	Total
Bank loans	20,229	68,201	88,430	30,859	35,780	66,639
Capitalized issuance costs	(2,177)	(599)	(2,776)	(3,179)	(605)	(3,784)
Finance leases	4,781	71	4,852	5,374	89	5,463
Other financial debt	65,582		65,582	72,516		72,516
Accrued interest	533	239	772	649	56	705
Total financial debt	**88,948**	**67,912**	**156,860**	**106,219**	**35,320**	**141,539**

6.22. Other current and non-current liabilities

Other non-current liabilities

	Dec. 31, 2015	Dec. 31, 2014
Profit sharing	4,359	1,901
Estimated obligation to purchase non-controlling interests	7,871	
Estimated earn-out liability	30,353	
Other liabilities	1,490	2,621
Prepaid income	422	474
Total	**44,495**	**4,996**

Other current liabilities

	Dec. 31, 2015	Dec. 31, 2014
Tax and social security payables	121,623	107,739
Amounts due on acquisitions of fixed assets	2,267	1,605
Advances received on contracts	65,175	54,992
Amounts due on acquisitions of equity interests	915	
Estimated earn-out liability	2,206	
Other liabilities	26,041	29,447
Prepaid income	11,432	6,831
Total	**229,659**	**200,614**

6.23. Leases

Finance leases

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

	Dec. 31, 2015			Dec. 31, 2014		
	Gross	Accumulated depreciation / impairment	Net	Gross	Accumulated depreciation / impairment	Net
Leasehold land	1,260		1,260	1,541		1,541
Leasehold buildings	9,647	(4,324)	5,323	11,758	(6,017)	5,741
Other leaseholds	430	(29)	401			
Total leaseholds	**11,337**	**(4,353)**	**6,984**	**13,299**	**(6,017)**	**7,282**

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

	Dec. 31, 2015	Dec. 31, 2014
Less than one year	2,309	915
Between one and five years	2,461	3,270
More than five years	81	1,278
Value of future minimum lease payments	**4,852**	**5,463**

Operating leases

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

	Dec. 31, 2015	Dec. 31, 2014
Less than one year	14,057	14,240
Between one and five years	22,896	22,946
More than five years		2,490
Value of future minimum lease payments	**36,953**	**39,676**

6.24. Financial risk management

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

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

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

	Dec. 31, 2015		Dec. 31, 2014	
	Assets	Liabilities	Assets	Liabilities
Foreign exchange derivative instruments				
Fair value hedging derivative instruments	1,514	4,457	5,220	4,348
Derivative instruments not eligible for hedge accounting				

Interest rate risk

Floating rate debt amounted to €158.4 million, lower than cash of €178.1 million at the reporting date.

The floating-rate debt recorded on Fives' balance sheet comprises loans contracted from Novafives and various tranches of external bank loans.

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

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

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

Analysis of interest rate sensitivity

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

The sensitivity analysis of 2015 earnings to interest rate risk was based on the following assumptions:
- The amount of financial debt at December 31, 2015 will decrease reflecting repayments due during 2016; with no additional hedging set up.
- Cash and cash equivalents, per currency and exchange rate, will remain constant year on year.
- The Group will maintain access to current accounts that are not subject to negative interest rates.

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

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

	Sensitivity analysis effect	
	-1%	+1%
Floating rate debt	60	(1,155)
Cash invested at floating rates		1,781
Effect on profit	**60**	**626**

Currency risk

Loans and borrowings denominated in foreign currencies

In 2015, the Group contracted loans and borrowings in USD to finance its acquisitions and business activities in the United States. Loans and borrowings denominated in USD, held in France, represent an exposure to currency risk of USD 55 million.

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

The outstanding loan principal exposed to currency risk amounted to USD 294.3 million at December 31, 2015, of which USD 2.7 million was hedged, resulting in Group net exposure of USD 236.6 million.

In December 2012, the Group began restructuring its activities in the United Kingdom by reclassifying its operating assets under a single holding company, Fives UK Holding Ltd. The latter contracted a loan from Fives to purchase the assets. Outstanding loan principal exposed to risk amounted to GBP 53.3 million at December 31, 2015.

The annual interest payment and repayment of principal (total of GBP 8.9 million) due on June 30, 2016 was partially hedged (GBP 4 million) at December 31, 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, and JPY/EUR.

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

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

Analysis of exchange rate risk sensitivity

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

Exposure at December 31, 2015 of USD and GBP loans, estimated principal and interest for 2016.

Acquisition loan principal denominated in USD totaled USD 294.3 million at December 31, 2015, with 2016 interest income of USD 18.5 million, representing a total exposure of USD 312.8 million, reduced to USD 310.1 million after hedging at December 31, 2015, or €284.8 million after translation using the exchange rate effective at the reporting date. The acquisition loans are backed by external loans with outstanding loan principal of USD 55.0 million and interest expense of USD 1.2 million for 2016, representing a net position of USD 56.2 million, or €51.6 million after translation using the exchange rate effective at the reporting date.

The position of the acquisition loans denominated in USD net of the external loans, including net interest and after hedging, amounted to USD 253.9 million or €233.2 million after translation using the exchange rate effective at the reporting date.

Acquisition loan principal for Fives UK Ltd. amounted to GBP 53.3 million, with interest income of GBP 2.5 million for 2016, representing a total exposure of GBP 55.8 million, reduced to GBP 51.8 million after hedging at December 31, 2015, or €70.6 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 2016:

	ER-10bp	ER	ER+10bp
USD loans			
Exchange rate at Dec. 31	0.989	1.089	1.189
Net debt after hedging (EUR)	256.8	233.2	213.6
Effect on 2016 profit	23.6	-	19.6
GBP loans			
Exchange rate at Dec. 31	0.634	0.734	0.834
Net debt after hedging (EUR)	81.8	70.6	62.2
Effect on 2016 profit	11.2	-	8.4
Total effect on profit for 2016	**35**	-	**(28)**

Net exposure at December 31, 2015 of USD and GBP loans, estimated cash flows for 2016

Expected cash flows in 2016 relating to intercompany acquisition loans denominated in USD (interest payments and repayment of principal), net of hedges at December 31, 2015, and given the loan repayment schedules, amount to USD 20.5 million. In addition, repayment of principal and interest payments on external loans denominated in USD amounts to USD 19.4 million in 2016.

Cash exposure on expected cash flows in USD in 2016 is therefore USD 1.1 million, or €1.0 million after translation using the exchange rate effective at the reporting date.

Expected cash flows relating to the Fives loan to Fives Holding UK in 2016, amount to GBP 4.9 million after hedging or €6.6 million after translation using the exchange rate effective at the reporting date.

Sales contracts

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

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

Liquidity risk

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

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

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

The future cash flows presented below have not been discounted.

	Balance sheet carrying amount	< 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	> 5 years
Non-derivative financial instruments							
Bank loans	88,430	35,197	25,367	21,165	4,405	2,296	
Other financial debt	65,582	37,235	28,350				
Finance leases	4,852	2,309	382	365	362	1,352	81
Total gross non-current financial liabilities	**158,863**	**74,741**	**54,099**	**21,530**	**4,767**	**3,648**	**81**
Deferred transaction costs	(2,776)	(1,009)	(821)	(692)	(254)	(484)	
Total non-current financial liabilities	**156,087**	**73,732**	**53,278**	**20,838**	**4,513**	**3,164**	**81**
Interest on non-current financial liabilities		4,068	2,095	847	369	80	

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

This analysis excludes financial assets such as cash and cash equivalents and trade receivables, which amounted to €178.1 million and €395.7 million respectively at December 31, 2015. The Group also has a revolving credit line of €90 million at its disposal until January 2020.

Credit risk

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

Risks relating to trade receivables

The Group believes that there is limited risk that counterparty default could significantly affect its financial position and profit. The Group carefully manages credit risk relating to trade receivables, as detailed in note 6.15.

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, 2015, all cash and cash equivalents were invested through the top-ranking commercial banks that finance the Group's activities.

6.25. Value of financial assets and liabilities, by category

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

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

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

6.26. Off-balance sheet commitments

Guarantees and sureties

	Dec. 31, 2015	Dec. 31, 2014
Commitments given	358,364	363,948
Commitments received	53,314	71,261

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

6.27. 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 2015, the remuneration paid by Fives and its subsidiaries to the fifteen members of the Group's Executive Committee amounted to €3,664 thousand.

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

6.28. Statutory audit fees

Total fees charged by the statutory auditors of Fives and its subsidiaries, as presented in the consolidated financial statements for the periods ended December 31, 2015 and 2014 amounted to:

	2015			2014		
	Statutory audit	Other work	Total	Statutory audit	Other work	Total
Deloitte	646	83	**729**	690	119	809
Ernst & Young	711	123	**834**	643	196	839
Grant Thornton	750	309	**1,059**	455	158	613
Total	**2,107**	**515**	**2,622**	**1,788**	**473**	**2,261**

6.29. Post-balance sheet events

No significant events have occurred since the reporting date.

6.30. Consolidated companies at December 31, 2015

Consolidated companies	Location	Consolidation method	Percentage controlling interest	Percentage ownership interest
HOLDINGS AND SUBSIDIARIES NOT ALLOCATED TO OPERATING SEGMENTS				
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
Shanghai Fives Mechanical and Electrical Equipment Co., Ltd.	China	FC	100.00	100.00
Fives India Engineering & Projects Pvt. Ltd.	India	FC	100.00	99.99
AUTOMOTIVE				
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 Cinetic Mexico SA de CV	Mexico	FC	100.00	100.00
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
Ernst Polack GmbH	Germany	FC	100.00	100.00
Fives Conveying Iberica	Spain	FC	100.00	99.99
LOGISTICS				
Fives Manufacturing Industries*	Paris, France	FC	99.99	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	FC	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
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
Fives North American Combustion, Inc.	United States	FC	100.00	99.99

Consolidated companies	Location	Consolidation method	Percentage controlling interest	Percentage ownership interest
Fives North American Combustion Canada, Inc.	Canada	FC	100.00	99.99
North American Construction Services, Ltd.	United States	FC	100.00	99.99
Fives Cryo*	Golbey, France	FC	99.80	99.80
Fives Cryo (Suzhou) Co., Ltd.	China	FC	100.00	99.80
Fives Cryomec A.G.	Switzerland	FC	100.00	99.80
Fives Nordon *	Nancy, France	FC	99.99	99.99
Fives Itas S.p.a.	Italy	FC	100.00	100.00
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
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 Keods	Maisons-Alfort, France	FC	100.00	100.00
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 Metallurgical Technology (Shanghai) 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. *	Le Pecq, France	FC	99.99	99.99
FI 2006 *	Paris, France	FC	100.00	100.00
PSA 2000 *	Le Pecq, France	FC	100.00	99.99
PSA 2000 Saudi Arabia Ltd.	Saudi Arabia	FC	100.00	99.99
Fives Services Gulf SPC	Bahrain	FC	100.00	99.99
Fives Solios Corp.	United States	FC	100.00	99.99
Fives Solios Inc.	Canada	FC	100.00	99.99
Fives Services Southern Africa (Proprietary) Ltd.	South Africa	FC	100.00	99.99
Fives Proabd S.A.	Mulhouse, France	FC	99.99	99.99
Fives Solios Ltd.	United Kingdom	FC	100.00	100.00
Fives ECL	Ronchin, France	FC	100.00	100.00
ECL Services Africa Engineering (PTY) Limited	South Africa	FC	100.00	100.00
ECL Services, Inc.	Canada	FC	100.00	100.00
ECL Services Middle East DMCC	United Arab Emirates	FC	100.00	100.00
ECL Services PTY Limited	Australia	FC	100.00	100.00
ECL Engineering Services India Private Limited	India	FC	100.00	100.00
ECL Shanghai Co., Ltd.	China	FC	100.00	100.00

Consolidated companies	Location	Consolidation method	Percentage controlling interest	Percentage ownership interest
AEROSPACE AND INDUSTRY				
Cincinnati Machine International, LLC	United States	FC	100.00	100.00
Fives Giddings & Lewis, LLC	United States	FC	100.00	100.00
Fives Machining Systems Inc.	United States	FC	100.00	100.00
Fives Machining Systems International (Hong Kong) limited	China	FC	100.00	100.00
Fives Machining Systems Korea Inc.	South Korea	FC	100.00	100.00
Fives Machining Systems (Shanghai) Co., Ltd.	China	FC	100.00	100.00
G & L USA, LLC	United States	FC	100.00	100.00
Fives Lund LLC	United States	FC	74.99	74.99
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
4192567 Canada Inc.	Canada	FC	100.00	100.00
Sogelire Inc.	Canada	FC	100.00	100.00
Fives Maintenance *	Montévrain, France	FC	100.00	99.99

* Companies included in the Novafives tax group.

FC: fully consolidated

EM: accounted for by the equity method

STATUTORY AUDITORS' REPORT CONSOLIDATED FINANCIAL STATEMENTS

Year ended december 31, 2015

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 régionale de Versailles

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

To the Shareholders,

In compliance with the appointment entrusted to us by your annual general meeting, we hereby report to you, for the year ended 31 December 2015, 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 2015 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 6.9 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 6.9 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 4, 2016
The Statutory auditors

ERNST & YOUNG ET AUTRES
Pierre Jouanne

DELOITTE & ASSOCIÉS
Pascal Colin

DRAFT RESOLUTIONS

First resolution

The General Meeting,

- having heard the Executive Board's management report, the Supervisory Board's report, and the Statutory auditors' report;
- and after reviewing the company financial statements;

approves the company's financial statements for the year ended December 31, 2015 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 €28,618,958.42.

The General Meeting also approves the total amount of certain non-tax-deductible expenses, €56,670, and the corresponding tax of €18,890.

Second resolution

Following the proposal by the Executive Board, the General meeting hereby allocates the entire annual profit of €28,618,958.42 to the balance of retained earnings, bringing it up to €167,194,320.82.

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
2012	2,185,612	€18.30 [1]	€39,996,699.60
2013	2,185,612	/	/
2014	2,185,612	/	/

(1) 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 2012 was 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 Executive Board's management report and the Supervisory Board as well as the Statutory Auditors' report on the consolidated financial statements for the year ended December 31, 2015;
- and after reviewing the consolidated financial statements;

approves the consolidated financial statements for the year ended December 31, 2015 as presented to the meeting and the transactions reflected in such financial statements or described in the reports, showing net profit, Group share of €54,416 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, 2015, and the members of the Supervisory Board in respect of their appointments and duties.

Sixth 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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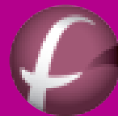

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