fives

DESIGNING THE FACTORIES OF THE FUTURE, TODAY

2018
FINANCIAL REPORT
#2017 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 8,700 employees across six continents, the Group is known for its technological expertise and competence in executing large-scale international projects.

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TO THE ANNUAL ORDINARY GENERAL MEETING ON JUNE 28, 2018

1. GROUP ACTIVITY IN 2017

1.1. Business overview and activity

According to IMF estimations, growth in global output was 3.7% in 2017 - the highest rate since 2011 (3.9%): economic activity has become stronger, with "the broadest synchronized global growth upsurge since 2010", to quote the IMF. In parallel, industrial production and industrial order indexes have improved reaching levels over the course of the year that had not been achieved since the end of 2014.

In this context, the exceptional momentum on the logistics market is becoming clear, with the demand of sorting and storage centers being driven by the development of e-commerce - both in developed countries and in China. Furthermore, the stabilization and subsequent increase in the price of oil and raw materials has resulted in the conformation of major projects expected in the aluminium and steel sectors, as well as the resumption of investment in energy following the standstill in 2015 and 2016. Only the automotive sector is stagnating, after it has benefited in recent years from a wave of projects linked to the launch of new models or engines, particularly in the US.

In 2017, order intake for the Group reached a record high of €2,117 million - an increase of €652 million (+ 45%) on 2016 (€1,465 million).

1.2. External growth

On July 19 2017, Fives acquired the subgroup Syleps (now Fives Syleps), which specializes in solutions for the automation of warehouse internal logistics flows and logistics platforms, serving distribution, agri-food and courier industries. As a result, the logistics division of the Group, the portfolio of which had focused mainly on high-speed sorting systems, has been provided with its own technological building blocks in the areas of warehousing and order preparation (making up heterogeneous pallets), while also acquiring high-level software and robotics expertise.

Syleps employs 228 people and has full-year sales of €40 million, with an EBITDA of approximately €5 million.

1.3. Commercial environment by market

Logistics

This division designs automated sorting systems for postal, courier and logistics companies, and e-commerce actors. It also provides automated warehouse management systems, which are aimed primarily at the distribution sector.

The logistics segment continues to grow at an exceptional pace. The increased volumes of shipped goods due to the expansion of e-commerce, and the associated handling and throughput management constraints, are supporting demand for sorting center automation. Express courier and national postal operators are pursuing the programs launched several years ago in Europe, Japan and Northern America, while new new players from the e-commerce sector such as Amazon or JD.Com are changing their business models to include merchandise warehousing and distribution downstream of their web platforms. Finally, the acquisition of Syleps opens up new possibilities in the distribution sector for the Group.

In this regard, order intake for 2017 was €420 million - double the figure for 2016 (€210 million), which shows the ability of the Group to business as a supplier of leading technology for this growing market.

Automotive

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

In the automotive sector, commercial activity stagnated in 2017 after strong growth in 2016. On the one hand, the automated production systems segment was impacted by the downturn in the American automotive market, where new vehicle sales dropped for the first time in seven years. On the other hand, in the machining system segment, which specializes in particular in the production of powertrain grinding machines for combustion engines, ongoing strategic considerations with regard to electric engines are driving the large global manufacturers to make limited investments in refurbishing existing equipment rather than buying new equipment with a longer service life. Robust investment in Europe and China, also in the filling systems segment, has failed to fully reverse this trend.
Order intake for 2017 reached €331 million, a decrease of 15% on 2016 (€387 million).

Aerospace and industry

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

In the aerospace sector, where the wave of investments linked with the launch of the Boeing 737 Max and the Airbus A320 Neo have now passed, the lasting drop in the price of oil has changed the playing field for airlines, whose current fleets are becoming sufficiently profitable again to allow them to delay the purchase of new-generation aircraft that consume less kerosene. As a result, aircraft manufacturers are experiencing orders delays or cancellations, which has resulted in a slowdown in the rate of production and the related ramping-up of the subcontracting chain over the past two years. China, which has committed to accelerating the development of its own aerospace industry (identified as one of the 10 industrial priorities of the plan announced in 2015), and which made the first of its significant investments in this area in 2016, also slackened in 2017, having postponed numerous programs to 2018.

In the general industry sector, there was no improvement in the oil segment or in the mining or construction machinery segments, where investment remained weak. The industrial maintenance segment, in which the Group operates mainly in France, continues to progress year-on-year.

Total Group order intake for the aerospace and industry sector was €256 million, down €11 million from 2016 (€267 million), with industrial maintenance activities compensating in part for the delay of the Chinese aerospace programs.

Metals

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

In the primary aluminium sector, global demand continued to grow at a steady rate. On the supply side, after a nearly four-year trough, the aluminium market has finally rebounded, culminating in the launch of a new capacity project in Bahrain, where the Group won three major orders. In addition, the increase in the price of aluminium over 2017 to more than 2,000 dollars per ton has stimulated growth in service activities.
Order intake in the aluminium segment therefore reached €342 million in 2017 - a strong increase on 2016 (€122 million).

In the steel sector, the market is still being impacted by structural overcapacities. After two years of substantial restructuring, commercial activities recovered somewhat in 2017, improving all over the globe, albeit to a very small extent. More symbolic investments were also achieved in several niches, particularly high value-added steels for the automotive industry, where the Group's disruptive innovation enabled it to secure several orders, including one substantial order for a complete annealing and galvanizing line in the US.
Order intake in the steel segment therefore reached €243 million in 2017 - a strong increase on 2016 (€79 million).

Total Group order intake for the metal sector in 2017 was €585 million - almost three times higher than the figure for 2016 (€201 million). This indicates both a general recovery in investment and the confirmation of a number of major projects after a trough in the cycle lasting for years.

Energy

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

In the energy sector, the business environment was still marked by continuing low oil prices (under 60 dollars per barrel until the very end of the year) and by a reduction in production facilities as a result of the shutdown of numerous installations since 2015. However, in the wake of

ORDER INTAKE BY GEOGRAPHICAL AREA

€ million	2015	2016	2017
Americas	635.9	482.0	635.6
Asia and Oceania	364.0	328.8	345.2
Europe	532.5	550.2	785.6
Middle East & Africa	175.4	104.1	350.6
Total	**1,707.8**	**1,465.1**	**2,117.0**
Contribution from mature economies	62%	64%	67%
Contribution from emerging countries	38%	36%	33%

ORDER INTAKE BY END MARKET

€ million	2015	2016	2017
Automotive	314.5	386.9	330.9
Logistics	218.7	210.0	420.3
Metals (aluminium and steel)	259.2	201.0	584.8
Energy	334.9	301.0	445.1
Cement	232.7	84.4	75.5
Aerospace and industry	342.6	266.6	255.9
Holding and sourcing co.	5.2	15.2	4.5
Total	**1,707.8**	**1,465.1**	**2,117.0**

two extremely sluggish years, operations have clearly picked up in the cryogenic and tubes segments, supported by investments in the gas sector (extraction and processing) in the US in particular.

In the nuclear piping segment, after executing additional orders in 2016 that were received in 2015 in connection with new construction project for the EPR in Flamanville, France, the Group secured new orders for additional work, the commissioning of the plant being now closer.

For the energy sector as a whole, order intake was €445 million, an increase of €144 million on 2016 (€301 million). Independently of the industrial piping segment, which is linked with the French nuclear market, order intake has risen 35% in the other segments, reflecting a tangible recovery - although levels remain far from those achieved in 2012-2014.

Cement

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

In the cement sector, the increase in demand was slight (+2% in 2017), and existing installation utilization rates remain low worldwide. With the exception of a few supporting areas (Mexico, South-East Asia), few capacity-related projects are being discussed while the movement towards market concentration, symbolized by mergers between Lafarge and Holcim, Heidelberg and Italcementi or CNBM and Sinoma, favors a wait-and-see approach, with the new merged groups pursuing clear objectives to reduce their investments. In this context, the Group's commercial activity was mainly focused on modernizing existing capacities, supplying individual pieces of equipment and developing services, as in 2016.
Order intake for 2017 was €76 million a slight decrease on 2016 (€84 million), in the absence of a large capacity project for the second consecutive year.

1.4. Outstanding commercial successes

Logistics

In the logistics sector, the Group secured and implemented four orders from a major e-commerce company at very short notice. These orders were for three sorting centers (in the US and in France), one of which was equipped with a cross-belt sorter, and a returns management center (in Slovakia).

Furthermore, a major international player in the courier industry commissioned Fives with the mechanization of its first European hub, located on the site of Charles de Gaulle airport in Paris. This order consisted of supplying a fully-automated parcel sorting center, comprising three GENI-Belt™ and including 37 induction lines, various chute types, and over 5 kilometers of conveyors.

In Japan, one of the main Japanese express courier operators, a long-standing client of the Group, tasked it with the supply of four parcel sorting systems on two terminals, including two GENI-Belt™, which can sort up to 24,000 parcels per hour.

Automotive

In the automated production systems sector, PSA Group commissioned Fives with supplying the handling facilities for the new vehicle assembly line at its Rennes la Janais plant in France, with a rate of 30 vehicles per hour, to be used in the assembly of the Peugeot 5008 model and the Citroën Aircross SUV in the future.

In addition, Fives received an order from A123 Systems for the design and supply of two state-of-the-art lithium-ion battery assembly lines (lithium iron phosphate) in China and the Czech Republic.

Aerospace and industry

In the aerospace sector, Fives received an order from Boeing for the design and supply of eight additional Stringer Forming Cells as well as a second Radius Filler Cell to support the continued ramp up of the 777X Composite Wing Center in Everett, Washington State.

Metals

In the aluminium sector, Aluminium Bahreïn B.S.C. (Alba) concluded three contracts with Fives as part of its extension project for line 6 of its smelter: one Green Anode Plant (GAP), two Gas Treatment Centers (GTC), and twelve Pot Tending Machines (PTM).

In the steel sector, Fives won a major order in the US for the design and supply of a NeoKoil® continuous hot dip galvanizing line (CGL) dedicated to the prime quality automotive industry. This line will be equipped with Fives' proprietary disruptive innovations, including Flash Cooling® rapid cooling technology and Eco-TransFlux® high flux induction technology.

Energy

In the cryogenics sector, the Group has established itself on the American market, securing two symbolic orders: one from CB&I, whose end customer is Total, for a 400-ton cold box to be used for ethylene processing and the other from UOP Russel, for 24 natural gas treatment units.

2. FINANCIAL PERFORMANCE

2.1. Accounting principles and consolidation scope

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

The consolidation perimeter includes six months of activity of the Syleps subgroup, acquired in July; Fives Syleps has contributed €23 million to the total sales figure for the financial year. Conversely, the rise of the euro against other functional currencies of the Group in 2017 is affecting the main aggregates of the Group compared to 2016, with a €22 million negative impact on sales. Overall, perimeter and foreign exchange effects compensate for each other.

The company AddUp, a joint venture owned 50-50 by Fives and Michelin, created to develop and sell machines and workshops for industrial production using "metal additive manufacturing" (better known as 3D metal printing) worldwide, was accounted for using the equity method. The launch of this company was supported by substantial investment, which will continue for some years to come until the company breaks even. Therefore its contribution to the Group's net result for 2017 is a loss, presented under the heading "Share of profit (loss) of associates."

2.2. Summary of results in 2017

Sales

Sales for 2017 amounted to €1,896 million, which is an increase of €117 million (+6.6 %) on 2016 (€1,779 million).

Sales remained stable in "upstream" segments, where renewed investments in metals and energy, particularly through the return of major projects, resulted in an increase in activities in 2017. This compensated for the decline in the cement segment, where no new major contract was concluded, while the order book to be executed in 2017 also decreased, since the three complete cement plants currently being realized had progressed significantly in 2015 and 2016.

By contrast, sales made strong progress in "downstream" segments, driven by the exceptionally robust logistics market as well as the automotive segment, which benefited from its good backlog from 2016. Activity remained stable in the aerospace and industry segments.

Gross profit

The 2017 gross profit was 20.9%, down by 0.6 points compared to 2016 (21.5%). This decline is due mainly to difficulties in completing several complex automation contracts in the US within the automotive sector.

Overheads

Overheads were €307 million in 2017 - an increase of 2.5% on 2016 (€300 million). They remained contained compared to sales growth (+6.6%).
The increase is due in full to the logistics division, both as a result of the strenghtening its structure in order to support the strong growth in the market on the one hand, and the acquisition of Syleps on the other.
Overheads remained stable in the other divisions with the exception of the automotive division, which saw strong growth in sales, and the metals division, which continues to reduce its overheads.

SUMMARY OF CONSOLIDATED FIGURES

€ million	2016	2017
Sales	**1,779.2**	**1,896.1**
Gross profit	383.0	395.6
Overheads	(299.8)	(307.2)
Other operating income and expenses	8.8	24.9
Employee profit sharing and bonus schemes	(2.3)	(4.3)
EBITA	**89.7**	**109.0**
Profit from recurring operations (EBIT)	**64.1**	**86.5**
EBITDA	**115.6**	**135.0**
	6.5 %	*7.1 %*
Operating profit	**49.1**	**84.2**
Net financial result	(13.9)	(44.0)
Profit before income tax	**35.2**	**40.1**
Income tax expense	(31.1)	(30.2)
Share of profit (loss) of associates	(0.1)	(8.0)
Net profit	**4.0**	**1.9**
Net profit (Group Share)	3.2	1.4

SALES BY GEOGRAPHICAL AREA

€ million	2016	2017
Americas	567.3	561.8
Asia and Oceania	384.8	357.7
Europe	570.0	679.3
Middle East and Africa	257.1	297.3
Total	**1,779.2**	**1,896.1**
Contribution from mature economies	60 %	61 %
Contribution from emerging countries	40 %	39 %

SALES BY END MARKET

€ million	2016	2017
Automotive	318.5	376.3
Logistics	238.7	299.8
Metals (aluminium and steel)	274.9	318.8
Energy	375.5	399.1
Cement	278.0	211.7
Aerospace and industry	285.2	278.7
Holding and sourcing co.	8.4	11.7
Total	**1,779.2**	**1,896.1**

Other operating income and expenses

Other operating income and expenses including a €29 million income with respect to the reassessment of earn-out liabilities connected with the acquisitions of Fives ECL and, to a lesser extent, Fives Lund LLC: taking into account the most recent estimations of the underlying items, the Group balance sheet does not include any liabilities relative to these two acquisitions any longer. It should be noted that income of €11 million was already recognized in 2016.

EBITDA

The Group's EBITDA for 2017 was €135 million (7.1% of sales), compared to the 2016 figure of €116 million (6.5% of sales).

Profit from recurring operations (EBIT)

The Group's profit from recurring operations for 2017 was €86 million, compared to €64 million in 2016. In addition to the improvement in EBITDA, the Group also benefited from the decrease in the amortization expense, with some intangible assets recognized as part of the acquisitions in recent years now fully amortized.

Operating profit

The Group's operating profit for 2017 was €84 million, compared to €49 million in 2016. It should be noted that in 2016, this figure included non-recurrent expenses of almost €15 million (compared to expenses of €1 million in 2017), mainly in connection with actions implemented by the Group with the aim of lowering the break-even points in its operations in the metals and energy segments.

Net financial result

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

Net financial result was in the red by €44 million in 2017, compared to a €14 million loss in 2016. That represents a drop of €30 million, of which €26 million was due to foreign exchange rate losses (€29 million loss in 2017 *vs.* €3 million loss in 2016).

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

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

Due to the decrease in the closing rate for the two currencies as compared with the euro between December 31, 2016 and December 31, 2017, a foreign exchange loss of €24 million was recorded in 2017 on these foreign currency loans and borrowings. It should be noted that a foreign exchange loss of €3 million was recorded in 2016 due to the decrease in the pound sterling closing rate compared to the euro between December 31, 2015 and December 31, 2016, which was compensated for in part by the increase in the rate of the dollar.

The net foreign exchange loss of €24 million recorded in 2017 on intragroup foreign currency loans breaks down into a €9 million realized gain (thanks to the implementation of hedging and reimbursement flows) and an unrealized loss of €33 million. Since the borrowings and loans were originated, the Group has recorded a cumulative net foreign exchange gain of €42 million (including €36 million in realized net gains and €6 million in unrealized net gains.

Excluding the foreign exchange gains and losses, net financial result mainly comprises:

- financial debt cost: €-5 million, stable compared to 2016;
- discounting effect of the earn-out liabilities and commitments to purchase non-controlling interests for Fives ECL and Fives Lund LLC; €-9 million, compared with €-4 million in 2016 (due to the reduction of these commitments);
- miscellaneous: €-1 million, compared with €-2 million in 2016.

Income taxe

The total income tax expense (current and deferred taxes) for the 2017 fiscal year was €30 million (including €6 million in French Corporate added Value tax (CVAE) and Italian Regional Production Tax (IRAP)). This figure decreased by €1 million compared to 2016 (€31 million), the decline in the taxable result linked with the foreign exchange losses, offsetting the negative impact on deferred taxes of tax cuts decided on for future financial years in the US and France.

Share of profit (loss) of associates

The expense of €8 million recorded in 2017 corresponds to the share of the net result of the first financial year of the company AddUp.

Net profit

Net income for the entire consolidated scope was therefore €2 million in 2017, compared to €4 million in 2016.

2.3. Contribution of each division to Group results

LOGISTICS

€ million	2016	2017
Order book at January 1	165.2	143.8
Order intake	210.0	420.3
Order book at Dec. 31	143.8	319.8
Sales	238.7	299.8
EBITDA	22.2	29.9
Headcount at Dec. 31	544	855

In the logistics segment, sales for 2017 amounted to €300 million – a substantial increase (+25%) on 2016 (€239 million) thanks to the record number of orders received during the year and, to a lesser extent, the contribution of Fives Syleps.

The EBITDA margin rate rose to 10.0% in 2017 (up from 9.3% in 2016). The growth in business was supported by an improvement in margins, but also by reinforcement and structuring measures aimed at equipping the division with the means to achieve its ambitions within a sustainably dynamic market.

AUTOMOTIVE

€ million	2016	2017
Order book at January 1	188.1	257.0
Order intake	386.9	330.9
Order book at Dec. 31	257.0	196.9
Sales	318.5	376.3
EBITDA	30.6	28.1
Headcount at Dec. 31	1,521	1,595

Sales in the automotive segment were €376 million, an increase of 18% on 2016 (€319 million) due to a sharp increase in the opening order book (+37 %).

Across three quarters, this trend was linked to automation and assembly activities, where margins are naturally much lower than those observed in the other operations of the division (machining and filling systems) on the one hand and in which the Group had difficulties in completing some complex contracts in the US on the other. The EBITDA margin was therefore 7.5%, 2 points lower than in 2016 (9.6%).

AEROSPACE AND INDUSTRY

€ million	2016	2017
Order book at January 1	237.8	222.9
Order intake	266.6	255.9
Order book at Dec. 31	222.9	189.5
Sales	285.2	278.7
EBITDA	6.6	10.8
Headcount at Dec. 31	1,555	1,569

Sales for the aerospace and industry division were €279 million, remaining stable (-2%) compared to 2016.

The EBITDA margin improved for the second consecutive year, confirming the company's better control of margins and the progress it has made with regard to its service activities.

METALS

€ million	2016	2017
Order book at January 1	262.2	186.6
Order intake	201.0	584.8
Order book at Dec. 31	186.6	438.3
Sales	274.9	318.8
EBITDA	12.4	31.7
Headcount at Dec. 31	1,592	1,574

Sales for the metals division were €319 million in 2017, an increase of 16% on 2016 (€275 million). This increase came from the aluminium segment, in which the Group most notably won substantial orders at the beginning of the year in connection with an extension project for an aluminium plant in the Middle East.

Excluding effects linked with other operating income and expenses mentioned above for 2017 and 2016, the EBITDA margin was 2.0% for 2017 – an increase of almost 1 point on 2016 (1%). This was due partly to the recovery in business activity in the aluminium sector and partly to the better absorption of fixed costs thanks to actions taken in recent years to lower break-even points. Despite securing a substantial order in the US at the end of the year (which contributed a little to the result for the financial year), the steel segment continued to suffer in 2017, recording a slight loss.

ENERGY

€ million	2016	2017
Order book at January 1	250.5	175.9
Order intake	301.0	445.1
Order book at Dec. 31	175.9	215.8
Sales	375.5	399.1
EBITDA	18.3	20.6
Headcount at Dec. 31	2,263	2,217

The energy division recorded sales of €399 million in 2017. The 6% increase on 2016 (€375 million) came from three segments: cryogenics, in which the Group notably achieved good penetration on the US market, sugar, which benefited from the rise in prices, and the nuclear segment, in which sales grew through contracts linked with the EPR in Flamanville (France).

The EBITDA margin improved very slightly (+0.3 points on 2016), rising to 5.2% in 2017.

CEMENT

€ million	2016	2017
Order book at January 1	447.6	249.5
Order intake	84.4	75.5
Order book at Dec. 31	249.5	113.0
Sales	278.0	211.7
EBITDA	22.8	19.9
Headcount at Dec. 31	586	560

Sales for the cement division were €212 million in 2017, a net decrease (-24%) on 2016 (€278 million). On the one hand, the three complete cement plants currently being implemented, which contributed significantly to operations in 2015 and 2016, are now at a very advanced stage and the remaining related order book to be fulfilled has therefore decreased, while on the other, no substantial new capacity orders were implemented over 2017.

The EBITDA margin improved by over one point to 9.4% in 2017 (compared to 8.2% in 2016), thanks to improvement in the margins of the large contracts currently in progress.

ORDER BOOK BY GEOGRAPHICAL AREA

€ million	31.12.15	31.12.16	31.12.17
Americas	400.9	317.0	355.8
Asia and Oceania	359.6	312.0	281.2
Europe	394.4	369.9	537.0
Middle East and Africa	401.0	247.8	302.6
Total	**1,555.9**	**1,246.7**	**1,476.6**
Contribution from mature economies	45%	47%	59%
Contribution from emerging countries	55%	53%	41%

ORDER BOOK BY END MARKET

€ million	31.12.15	31.12.16	31.12.17
Automotive	188.1	257.0	196.9
Logistics	165.2	143.8	319.8
Metals (aluminium and steel)	262.2	186.6	438.3
Energy	250.5	175.9	215.8
Cement	447.6	249.5	113.0
Aerospace and industry	237.8	222.9	189.5
Holding and sourcing co.	4.5	11.0	3.3
Total	**1,555.9**	**1,246.7**	**1,476.6**

3. GROUP FORECASTS

3.1. Trends and outlook

The outlook for the global economy in 2018 is positive, especially in developed countries: favorable financial conditions, the recent tax reforms and the US fiscal stimulus policy are all factors that should help sustain the growth in demand and particularly investment. Developing countries should also see growth in exports, while also benefiting from the rise in the prices of oil and raw materials.

However, the escalation in global geopolitical tensions (Middle East, North Korea), the strong appreciation of the euro compared with all other major global currencies, and the potential repercussions of US policy (increased rates, reconsideration of the NAFTA) on global trade could have a negative effect on the economic landscape, contributing to the return of "wait-and-see" approaches on the part of numerous customers.

3.2. Closing order book and business outlooks for 2018

The Group ended 2017 with an order book of €1,477 million, up €230 million (+18%) from 2016 (€1,247 million).

Based on the order book and the commercial outlook, activity should be strong in the logistics, metals and energy divisions in 2018. In the cement segment, the Group has signed a large contract in Mexico, which should come into force in the first half of 2018 and bring additional load, taking over the current contracts in progress which are now close to completion. Finally, the effects of the slowdown in the automotive market should be offset by the rebound in the aerospace segment, where Chinese investment programs are expected to be launched. Therefore, the activities of the Group are expected to increase further in 2018.

CORPORATE GOVERNANCE

THE EXECUTIVE BOARD

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

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

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

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

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

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

Composition of the Executive Board

Frédéric Sanchez, 58 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.
Director of Mirion Technologies (Topco) Ltd.
Member of the Supervisory Board of STMicroelectronics.

Martin Duverne, 61 years old, member of the Executive Board.
Appointed on October 3, 2002, his term of office was renewed by the Supervisory Board on September 29, 2014 and will expire on September 28, 2020.
Main positions held:
Various positions in companies affiliated to the Fives group.

THE SUPERVISORY BOARD

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

With seven members since June 27, 2017, the Supervisory Board exercises permanent control over the management of the company by the Executive Board. It meets at least four times per year to consider the quarterly report submitted by the Executive Board. It inspects and verifies the documents associated with the corporate and consolidated financial statements submitted to it by the Executive Board within three months of the financial year end.

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

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, 69 years old, Chairman and member of the Supervisory Board.
Appointed these roles on March 28, 2014, and June 25, 2013 respectively, his term of office will expire at the end of the General Meeting called to approve the 2018 financial statements.
Main positions held:
Managing Director of Gestao Empresarial.
Member of the Supervisory Board of PSA Peugeot Citroën.
Member of the Supervisory Board of Lhoist Do Brasil Ltda.
Director of Latam Airlines Group.
Director of Tam linhas Aereas.

Jacques Lefèvre, 80 years old, Honorary Chairman and member of the Supervisory Board.
Appointed these roles on December 20, 2012, and June 25, 2013 respectively, his term of office 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 Société Nationale d'Investissement Maroc.

Dominique Gaillard, 58 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 of office will expire at the end of the General Meeting called to approve the 2018 financial statements.
Main positions held:
Various roles within companies affiliated to Ardian Holding.
Director, member of the Strategy Committee, member of the Remuneration and Nomination Committee of Mersen.
Non-voting director of Club Med Holding.

Lise Fauconnier, 52 years old, member of the Surpervisory Board.
Appointed on October 17, 2012, and renewed on June 25, 2015, her term of office will expire at the end of the General Meeting called to approve the 2020 financial statements.
Main positions held:
Various roles within companies affiliated to Ardian Holding.

Antonio Marcegaglia, 54 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 Group.
Director of Luigi Lavazza Spa.

Jean-Georges Malcor, 61 years old, member of the Supervisory Board.
Appointed on June 25, 2013, his term of office will expire at the end of the General Meeting called to approve the 2018 financial statements.
Main positions held:
CEO and member of the Board of Directors of CGG.
Member of the Supervisory Board of STMicroelectronics.
Director of Arabian Geophysical & Surveiying Company.

Laurence Parisot, 59 years old, member of the Supervisory Board.
Appointed on June 27, 2017, her term of office will expire at the end of the General Meeting called to approve the 2022 financial statements.
Main positions held:
Director of BNP Paribas.
Director of EDF.
Director of Foxintelligence.

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 for improvement put forward by the Country Coordination and Steering Committees. Its tasks include monitoring the implementation of Group policies.

In 2017, it discussed, among other subjects:
- establishment of consolidated results;
- human resources;
- health, safety, environment;
- innovation;
- export compliance and prevention of corruption matters;
- action plans for sales development of spare parts.

Composition of the Executive Committee

(Dec., 31, 2017)

Suresh Abye, 39 years old,
Chief Financial Officer.

Xavier Becquey, 48 years old,
Head of Operational Performance.

Daniel Brunelli-Brondex, 57 years old,
Country Director - India.

Jean-Marie Caroff, 56 years old,
Head of International Development.

Alain Cordonnier, 57 years old,
Head of the Cement Business Line.

Sylvain Dulude, 55 years old,
Country Director - North America.

Denis Hugelmann, 59 years old,
Head of the Automotive and Aerospace Business Lines.

Arnaud Lecœur, 47 years old,
General Counsel.

Yannick Leprêtre, 48 years old,
Head of Innovation and Digital.

Guillaume Mehlman, 53 years old,
Head of the Steel and Glass Business Lines.

Frédéric Renaud, 65 years old,
Country Director - Italy.

Luigi Russo, 44 years old,
Head of the Combustion and Intralogistics Business Lines.

Michelle XY Shan, 52 years old,
Country Director - China.

Paule Viallon, 52 years old,
Head of Human Resources.

Hugues Vincent, 62 years old,
Head of the Aluminium Business Line.

THE HEAD OF COUNTRY

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

THE COUNTRY COORDINATION AND STEERING COMMITTEES

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

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

The Country Coordination and Steering Committees meet three or four times per year, and are chaired by:
- The Country Directors for North America, China, India and Italy;
- 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 Group Consolidation and Accounting Director, the Consolidation 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 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.

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 at the end of the General Meeting called to 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, 2017, 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 2017 the share capital is not subject to any evolution.

Share ownership
Fives' main shareholder at December 31, 2017 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, 2017.

Dividends / Distribution of reserves
No dividends were paid in 2015, 2016 and 2017.

LEGAL INFORMATION

Company name and registered office
Fives, 3 rue Drouot, 75009 Paris - France.

Legal form
A French limited company (Société anonyme) with an Executive Board and a 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, æronautics, 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	2017	2016
Sales	6.2	**1,896,053**	**1,779,199**
Cost of sales		(1,500,474)	(1,396,168)
Gross profit		**395,579**	**383,031**
Selling expenses		(113,436)	(110,580)
Administrative expenses		(166,129)	(156,416)
Research and development expenses	6.4	(27,621)	(32,811)
Employee profit sharing and bonus schemes		(4,320)	(2,327)
Other operating income and expenses	6.5	24,877	8,820
Amortization of intangible assets related to acquisitions	6.6	(22,510)	(25,658)
Profit from recurring operations		**86,440**	**64,059**
Restructuring costs	6.7	(1,253)	(14,734)
Impairment of fixed assets		(548)	(210)
Gain (loss) on disposals and acquisition costs	6.8	(472)	29
Operating profit		**84,167**	**49,144**
Cost of net financial debt	6.9	(4,843)	(4,679)
Other financial income and expense	6.9	(39,206)	(9,262)
Net financial income (expense)		**(44,049)**	**(13,941)**
Profit before income tax		**40,118**	**35,203**
Income tax expense	6.10	(30,198)	(31,141)
Share of profit (loss) of associates		(8,037)	(100)
Profit (loss) for the year		**1,883**	**3,962**
Attributable to owners of the Group		1,352	3,216
Attributable to non-controlling interests		531	746

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In thousands of euros	Notes	2017	2016
Profit for the year		**1,883**	**3,962**
Net change in fair value of available-for-sale financial assets		1,172	136
Deferred tax on net change in fair value of available-for-sale financial assets		(452)	(3)
Foreign currency translation differences		(19,237)	7,164
Total Items subsequently recycled through profit and loss		**(18,517)**	**7,297**
Actuarial gains (losses)	6.22	(289)	(3,349)
Deferred tax on actuarial gains and losses		(233)	289
Total Items that may not be recycled through profit and loss		**(522)**	**(3,060)**
Total comprehensive income		**(17,156)**	**8,199**
Attributable to:			
- Owners of the Group		(17,015)	7,332
- Non-controlling interests		(141)	867

CONSOLIDATED BALANCE SHEET

ASSETS

In thousands of euros	Notes	31.12.17	31.12.16
Goodwill	6.11	240,992	245,048
Intangible assets	6.12	103,181	114,870
Property, plant and equipment	6.13	179,277	184,983
Non-current financial assets	6.14	28,584	17,438
Deferred tax assets	6.10	32,079	39,578
Non-current assets		**584,113**	**601,917**
Inventories and work in progress	6.15	181,574	177,509
Construction contracts in progress, assets	6.16	130,355	127,270
Trade receivables	6.17	438,658	409,264
Other current assets	6.18	91,531	96,289
Current financial assets	6.14	6,578	5,510
Current tax assets		11,409	8,319
Cash and cash equivalents	6.19	129,969	122,627
Current assets		**990,074**	**946,787**
Total assets		**1,574,187**	**1,548,704**

SHAREHOLDERS' EQUITY AND LIABILITIES

In thousands of euros	Notes	31.12.17	31.12.16
Share capital		102,724	102,724
Share premium and reserves		314,782	305,440
Foreign currency translation reserve		15,086	33,643
Profit attributable to owners of the Group		1,352	3,216
Shareholders' equity attributable to owners of the Group		**433,944**	**445,023**
Non-controlling interests		9,607	10,805
Shareholders' equity	6.21	**443,551**	**455,828**
Non-current provisions	6.22	64,360	71,081
Non-current financial debt	6.23	46,645	41,863
Other non-current liabilities	6.24	8,511	37,233
Deferred tax liabilities	6.10	9,573	7,807
Non-current liabilities		**129,089**	**157,985**
Current provisions	6.22	79,209	83,540
Current financial debt	6.23	86,538	99,816
Construction contracts in progress, liabilities	6.16	271,608	213,457
Trade and related payables		349,137	318,966
Current tax liabilities		10,879	18,019
Other current liabilities	6.24	204,176	201,094
Current liabilities		**1,001,547**	**934,891**
Total shareholders' equity and liabilities		**1,574,187**	**1,548,704**

CONSOLIDATED CASH FLOW STATEMENT

In thousands of euros	Notes	2017	2016
Cash and cash equivalents at January 1		**119,590**	**175,962**
Operating activities			
Profit for the year		**1,883**	**3,962**
Adjustments for:			
Change in non-current provisions		(8,161)	654
Amortization, depreciation and impairment		49,133	51,743
Net gain (loss) on disposals of assets and acquisition costs		472	(25)
Profit of equity-accounted associates		8,037	100
Other non-cash income and expense items		16,458	3,681
Income tax benefit		30,198	31,141
Cost of net financial debt		4,843	4,679
Operating cash flow before change in working capital and income tax		102,863	95,935
Change in working capital	*6.20*	24,839	(53,209)
Income tax paid		(35,604)	(17,938)
Net cash provided by operating activities		**92,098**	**24,788**
Investing activites			
Acquisitions of property, plant and equipment and intangible assets		(29,017)	(27,581)
Disposals of property, plant and equipment and intangible assets		2,474	2,262
Change in financial assets		(18,141)	(5,193)
Acquisitions of subsidiaries after deduction of acquired cash		(25,770)	(1,195)
Net cash used in investing activities		**(70,454)**	**(31,707)**
Financing activites			
Dividends paid to owners of non-controlling interests		(1,047)	(646)
Net increase (decrease) in borrowings		1,848	(34,589)
Net interest paid		(5,452)	(4,700)
Net interest received		1,119	839
Net cash used in financing activities		**(3,532)**	**(39,096)**
Effect of exchange rate fluctuations		(10,241)	(10,356)
Net increase (decrease) in cash and cash equivalents		**7,871**	**(56,371)**
Cash and cash equivalents at December 31	*6.20*	**127,461**	**119,590**

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	Available-for-sale financial assets - fair value reserve	**Equity attributable to owners of the Group**	Non-controlling interests	**Total equity**
Shareholders' equity at January 1, 2016	**102,724**	**314,289**	**(7,785)**	**26,767**	**717**	**436,712**	**10,391**	**447,103**
Profit for the year		3,216				**3,216**	746	**3,962**
Other comprehensive income			(3 010)	6,993	133	**4,116**	121	**4,237**
Profit (loss) and other comprehensive income		**3,216**	**(3,010)**	**6,993**	**133**	**7,332**	**867**	**8,199**
Dividends paid							(646)	**(646)**
Change in consolidation scope		127	(84)	(118)		**(75)**	128	**53**
Change in carrying amount of obligation to purchase non-controlling interests		518				**518**		**518**
Other changes		535		1		**536**	65	**601**
Shareholders' equity at December 31, 2016	**102,724**	**318,685**	**(10,879)**	**33,643**	**850**	**445,023**	**10,805**	**455,828**

In thousands of euros	Share capital	Premiums, retained earnings and reserves	Actuarial gains (losses) on pensions	Foreign currency translation 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, 2017	**102,724**	**318,685**	**(10,879)**	**33,643**	**850**	**445,023**	**10,805**	**455,828**
Profit for the year		1,352				**1,352**	531	**1,883**
Other comprehensive income			(530)	(18,557)	720	**(18,367)**	(672)	**(19,039)**
Profit (loss) and other comprehensive income		**1,352**	**(530)**	**(18,557)**	**720**	**(17,015)**	**(141)**	**(17,156)**
Dividends paid							(1,047)	**(1,047)**
Change in consolidation scope		(23)	23					
Change in carrying amount of obligation to purchase non-controlling interests		5,939				**5,939**		**5,939**
Other changes		(3)				**(3)**	(10)	**(13)**
Shareholders' equity at December 31, 2017	**102,724**	**325,950**	**(11,386)**	**15,086**	**1,570**	**433,944**	**9,607**	**443,551**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL PRESENTATION

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

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

The 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 16, 2018. They will be final when approved by the shareholders at their General Meeting on June 28, 2018.

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, 2017 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, 2017. 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, 2017:
- Amendments to IAS 7 already applied by the Group;
- Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses";
- Annual improvements 2014-2016.

These standards do not significantly affect the Group's financial statements.

2.2. Changes in standards

The new standards adopted by the European Union with a potential impact on the Group's financial statements and which are mandatory for financial periods beginning on or after January 1, 2018 or for which early implementation is permitted are as follows:

IFRS 15 - Revenue from Contracts with Customers

IFRS 15 "Revenue from Contracts with Customers" is the new standard governing revenue recognition. It will replace IAS 11 "Construction Contracts" and IAS 18 "Revenue", and the associated interpretations.

The analyses performed by the Group, which included reviewing contracts for significant transactions and the contractual arrangements for the various business segments, confirmed that the provisions of IFRS 15 do not call into question the current revenue recognition model. There is no significant effect on the Group. The analyses concluded that:
- "remaining performance obligations" correspond to the Group's reported order book;
- the Group uses the notion of complex or integrated equipment to determine percentage-of-completion revenue recognition in line with IFRS 15 criteria of an asset not having "an alternative use to the entity". Under the contract terms the Group has an enforceable right to payment for performance completed to date;
- Revenue from construction contracts and services is recognized as a single performance obligation with control transferred to the customer over time;
- The Group determines the stage of completion applicable to each contract by measuring the costs incurred to date over estimated costs at completion;
- The primary purpose of advances received by Group companies is to guarantee payment for services performed on behalf of customers. As they are used over limited periods, there is no significant financing component (practical expedient set out in IFRS 15.63).

These approaches comply with the provisions of IFRS 15.
IFRS 15 will apply to annual reporting periods beginning on or after January 1, 2018. With regard to the afore-mentioned items, the Group will elect to use the simplified retrospective transition method without restating comparative period information (2017).

Consequently, shareholders' equity reported in the opening balance sheet at January 1, 2018 will not need to be adjusted significantly when the new standard is applied.

In the first half of 2018, the Group will complete work to meet all the new requirements under the standard in terms of disclosures in the notes to the financial statements.

IFRS 9 - Financial instruments

As of January 1, 2018, IFRS 9 "Financial Instruments" will replace IAS 39 "Financial Instruments".

The new standard sets forth new principles in terms of:
- Classification and measurement of financial instruments: the main potential impact is on equity instruments not held for trading. The Group has not yet decided on the option it will use for various types of securities.

- Impairment of financial assets for credit risk: IFRS 9 introduces a single model, based on forward-looking expected credit loss (ECL). Given its credit risk management policy (payment terms, insurance and guarantees), the Group believes that credit losses will not be significant and does not expect a material impact on its financial statements. The detailed analysis will be completed during the first half of 2018.
- Hedge accounting: the aim is to more closely align hedge accounting with the entity's risk management activities. While the Group dœs not expect any impact on its financial statements, applying the new standard should facilitate documenting the Group's hedging transactions.

IFRS 16 - Leases

IFRS 16 "Leases", adopted by the European Union on October 31, 2017, is mandatory for reporting periods beginning on or after January 1, 2019.

IFRS 16 changes the lease recognition method for lessees, requiring lessees to recognize a right-of-use asset and a lease liability representing its obligation to make lease payments for all leases, unless the lease term is 12 months or less, or the underlying asset has a low value. The right-of-use asset is depreciated on a straight-line basis while the lease liability is amortized using the actuarial method over the lease term.

The Group's leases that qualify as "operating leases" are currently presented as off-balance sheet commitments. They essentially relate to real estate assets (tertiary and industrial), vehicles, and handling, transport and various IT equipment.
The amount recognized for lease liabilities relating to operating leases largely depends on assumptions used in terms of discount rate and lease term. Renewal, extension and early termination options are also included when calculating the lease liability if the lessee is reasonably certain to exercise those options when the lease is signed.

The Group plans an early application of IFRS 16 as of January 1, 2018. As a result, the main leases identified at December 31, 2016 have been reviewed to determine the impact of applying the standard, and this review was updated at December 31, 2017.

The Group has already selected an IT solution to collect and process data at a fine granular level.

Based on provisional discount rate and lease term assumptions, the Group estimates that the main impact of IFRS 16 on its consolidated figures for 2018 will be as follows:
- Lease expenses: €14 million
- Lease liabilities: €45 million

The Group plans to use the modified retrospective approach (IFRS.16.C5) when applying IFRS 16 for the first time.

2.3. 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.

2.4. 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.

2.5. Consolidation methods

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

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

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

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

2.6. 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.

2.7. 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.

2.8. 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".

2.9. 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.

2.10. Business combinations and goodwill

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

- the identifiable assets acquired and liabilities assumed are measured at their fair value at the acquisition date (except for deferred tax assets and liabilities and assets and liabilities relating to employee benefits, which are measured and recognized in accordance with IAS 12 "Income Taxes" and IAS 19 "Employee Benefits", respectively);

– non-controlling interests are measured either at fair value (full goodwill) or at the proportionate share of the acquiree's identifiable net assets (partial goodwill). The accounting policy choice is made on a transaction-by-transaction basis.

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

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

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

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

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

The methods used to test for impairment are described in note 2.15.

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.

2.11. 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".

2.12. Intangible assets

Separately acquired intangible assets are recognized at their acquisition cost.

Software and IT licenses are amortized on a straight-line basis over their expected useful lives (generally between 1 and 10 years).

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

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

2.13. Property, plant and equipment

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

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

2.14. 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.

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

The carrying amount of non-current assets (excluding financial assets) is reviewed using impairment testing to identify any impairment losses:

- for intangible assets with indefinite useful lives and goodwill, impairment testing is performed at each reporting date, or more frequently when there is an indication of impairment;
- for all other assets, impairment testing is performed whenever there is an indication of impairment.

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

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

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

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

The discounted future cash flows are determined on the basis of management's economic assumptions and operating forecasts in accordance with the following principles:

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

Details of the assumptions used are provided in note 6.11.

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

2.16. 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.

2.17. 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.

2.18. Derivative instruments

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

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

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

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

Derivative instruments eligible for hedge accounting

The Group uses the criteria 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 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.

2.19. 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 fulfilment 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 fulfilment or non-fulfilment 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.

2.20. 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.

2.21. 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.

2.22. Provisions

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

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

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

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

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

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

Provisions are described in note 6.22.

2.23. 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.

2.24. 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.

2.25. 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 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

Economic activity strengthened in 2017 with "the broadest synchronized global growth upsurge since 2010", according to the IMF. At the same time, manufacturing and industry demand indices improved considerably, reaching unprecedented levels since year-end 2014.

The remarkable buoyancy of the logistics market was sustained by growth in e-commerce, which boosted demand for sorting centers and warehouses both in developed countries and China. The stability and subsequent increase in oil and raw material prices triggered the launch of major aluminium and steel projects along with renewed investment in energy, after the slump in 2015 and 2016. Only automotive sector demand weakened, after several buoyant years driven by a wave of projects to launch new models and engines, particularly in the United States.

As a result, Group order intake for 2017 reached record levels (€2,117 million), up €652 million (+45%) compared with 2016 (€1,465 million).

4. YEAR-ON-YEAR COMPARABILITY

The Group revised the opening balance sheet of Daisho Seiki and its subsidiaries, acquired on December 7, 2016, with no impact on equity, goodwill or profit for 2016.

5. CONSOLIDATION SCOPE

The list of companies included in the consolidation scope at December 31, 2017 is provided in note 6.32.

5.1. Takeover of the Syleps sub-group

On July 19, the Group finalized the acquisition of the Syleps sub-group, the French leader in internal automated logistical flow solutions for warehouses and logistics platforms.

The sub-group has developed proprietary technology to design and implement integrated Intralogistics solutions (equipment and software). Syleps has developed order picking robots, which are fully automated solutions for preparing orders and heterogeneous pallets for medium and large-scale distribution platforms.

Its customers primarily comprise major players in the agri-business and retail industries.

Following the acquisition, Fives Syleps SA and Fives Syleps Robotics SAS were consolidated in the second half of 2017, and reported in the Logistics operating segment.

Consideration transferred for the 99.64% stake in Syleps was €37.9 million. The Group has received a firm sale agreement for the remaining 0.36% stake, exercisable between March 1 and July 31, 2018. Directly-related acquisition costs incurred in 2017 amounted to €0.4 million before tax. They are included in the line item "Gain (loss) on disposals and acquisition costs".

The identifiable assets acquired and liabilities and contingent liabilities assumed that meet IFRS 3 recognition criteria were recognized in the opening balance sheet on the basis of the provisional estimate of acquisition-date fair value. The difference between the acquisition price and identifiable assets resulted in provisional goodwill of €19.6 million. Under IFRS 3, the Group is required to finalize purchase price allocation within a 12-month measurement period.

The contribution of the Syleps sub-group to the Group's key operating metrics in 2017 was as follows:

- Sales: €23.2 million (€43 million on a full-year basis)
- Profit from recurring operations: €2.6 million (€2.7 million on a full-year basis)
- Depreciation, amortization/impairment – increase (included in profit or loss from recurring operations): €1.3 million (€2.7 million on a full-year basis)

5.2. Investment in AddUp

In 2016, Fives and Michelin created AddUp, a joint venture aimed at developing and marketing machines and industrial production lines worldwide, using metal additive manufacturing technology, known as metal 3D printing. Fives and Michelin each hold a 50% stake. AddUp provides manufacturers in various sectors (ærospace, automotive and medical) with global industrial solutions, from the design and supply of machines or complete production lines to associated services (re-design of components, definition of manufacturing processes, installation, support and training). The company has been accounted for using the equity method since January 1, 2017.

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

6.1. Operating segment information

The Group's operating segments are the following:

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

Logistics: The division designs automated sorting systems for postal services, e-merchants and courier and transport companies. It also provides automated warehouse management solutions for the distribution sector.

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 ærospace, 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

	2017	2016
Automotive	330,919	386,857
Logistics	420,307	209,951
Cement	75,529	84,399
Energy	445,113	300,985
Metals	584,753	201,032
Aerospace and Industry	255,901	266,619
Other	4,433	15,223
Total order intake	**2,116,955**	**1,465,066**
Automotive	376,274	318,514
Logistics	299,803	238,665
Cement	211,721	277,975
Energy	399,142	375,523
Metals	318,738	274,903
Aerospace and Industry	278,676	285,239
Other	11,699	8,380
Total sales	**1,896,053**	**1,779,199**
Automotive	21,638	25,225
Logistics	26,765	20,158
Cement	18,817	21,530
Energy	6,565	2,024
Metals	24,534	4,636
Aerospace and Industry	(4,375)	(10,967)
Other	(7,504)	1,453
Total profit from recurring operations	**86,440**	**64,059**
Automotive	28,074	30,619
Logistics	29,862	22,187
Cement	19,936	22,831
Energy	20,636	18,338
Metals	31,673	12,376
Aerospace and Industry	10,824	6,624
Other	(5,980)	2,613
Profit from recurring operations before depreciation and amortization	**135,025**	**115,588**

The breakdown of assets by operating segment is as follows:

Dec. 31, 2017	Automotive	Logistics	Cement	Energy	Metals	Aero. & Industry	Other	Total
Goodwill	25,050	37,210	1,844	73,994	34,382	68,512		240,992
Intangible assets, property, plant and equipment	50,673	33,477	7,146	76,499	42,682	61,712	10,269	282,458
Total allocated assets	**75,723**	**70,687**	**8,990**	**150,493**	**77,064**	**130,224**	**10,269**	**523,450**
Other assets								1,050,737
Total assets								**1,574,187**

Dec. 31, 2016	Automotive	Logistics	Cement	Energy	Metals	Aero. & Industry	Other	Total
Goodwill	28,511	17,590	1,967	84,649	34,382	77,949		245,048
Intangible assets, property, plant and equipment	58,204	17,238	7,290	89,070	44,733	80,207	3,112	299,853
Total allocated assets	**86,715**	**34,828**	**9,257**	**173,719**	**79,115**	**158,156**	**3,112**	**544,901**
Other assets								1,003,803
Total assets								**1,548,704**

6.2. Sales

Sales comprised the following:

	2017	2016
Construction contract revenue (IAS 11)	1,166,026	1,112,961
Services rendered (IAS 18 - percentage of completion)	270,898	222,845
Sales of goods (IAS 18 - contract completion)	459,129	443,393
Total	**1,896,053**	**1,779,199**

Sales by geographical destination

	2017	2016
Europe	679,335	569,979
Africa and Middle East	297,282	257,128
Americas	561,791	567,303
Asia and Oceania	357,645	384,789
Total	**1,896,053**	**1,779,199**

Sales by geographical origin

	2017	2016
Europe	1,173,274	1,089,699
Africa and Middle East	27,556	22,457
Americas	487,394	477,626
Asia and Oceania	207,829	189,417
Total	**1,896,053**	**1,779,199**

Information on major customers

As in 2016, no single Group customer accounted for more than 5% of consolidated sales in the reporting period ended December 31, 2017.

6.3. Personnel expenses and headcount

Personnel expenses

	2017	2016
Personnel expenses	574,952	574,146
Total headcount at reporting date	8,666	8,365

Headcount at December 31

By category	2017	2016
Engineers and management	3,863	3,668
Supervisory and office staff	3,124	3,194
Other employees	1,679	1,503
Total	**8,666**	**8,365**

By type of contract	2017	2016
Permanent contracts	8,126	7,894
Fixed-term contracts	329	312
Apprenticeships and internships	211	159
Total	**8,666**	**8,365**

6.4. Research and development costs

	2017	2016
Research and development expenses, gross	(34,939)	(36,692)
Research tax credits and grants received	7,318	3,881
Total	**(27,621)**	**(32,811)**

6.5. Other operating income and expense

Other operating income and expense for 2017 amounted to €24.9 million, compared with €8.8 million in 2016. It included a remeasurement gain of €28.5 million reflecting a decrease in the Group's earn-out liabilities. At the reporting date, no earn-out liabilities were recognized for Lund as the associated thresholds were not met in 2017, the last period concerned, or for ECL, where sales volumes were lower than expected for its service business, reflecting the slower than expected upturn in the aluminium market in 2017. Other operating income and expense for 2016 also included a remeasurement gain of €11.2 million, reflecting a decrease in the Group's earn-out liabilities.

6.6. Amortization and depreciation included in profit from recurring operations

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

	2017	2016
Included in cost of sales	(16,985)	(15,719)
Included in overheads and other operating items	(9,090)	(10,151)
Amortization of intangible assets related to acquisitions	(22,510)	(25,658)
Total	**(48,585)**	**(51,528)**

6.7. Restructuring costs

This line item includes the costs of restructuring operations carried out by the Group. In 2016, restructuring costs mainly reflected the closure of Fives Industries (Metals operating segment).

6.8. Gain (loss) on disposals and acquisition costs

	2017	2016
Gain (loss) on disposals	(78)	590
Acquisition costs	(394)	(561)
Total	**(472)**	**29**

6.9.Net financial income and expense

Cost of net financial debt

	2017	2016
Financial expenses relating to:		
- bank debt	(4,292)	(3,150)
- finance leases	(15)	(17)
Other interest expense	(900)	(1,341)
Deferred transaction costs	(790)	(1,155)
Interest and related expenses	**(5,997)**	**(5,663)**
Interest and related income	**1,154**	**984**
Total	**(4,843)**	**(4,679)**

Other financial income and expense

	2017	2016
Income from associates	176	169
Foreign exchange gains (losses)	(28,787)	(3,220)
- Foreign exchange gains (losses)	*(25,946)*	*(2,570)*
- Impact of forward points on changes in fair value of foreign exchange derivatives and swap points	*(2,841)*	*(650)*
	(1,146)	(1,437)
Expenses for retirement and related benefits	(88)	(336)
Net financial provisions	(9,224)	(4,218)
Other financial items	(136)	(220)
Total	**(39,206)**	**(9,262)**

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

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

Details of the loans are provided in note 6.26.

Accretion expense arises from remeasuring the present value of earn-out and other liabilities and the purchase of non-controlling interests.

6.10. Current and deferred tax

Analysis of income tax expense

	2017	2016
French value-added business tax (CVAE) and Italian production tax (IRAP)	(6,247)	(5,439)
Current tax	(21,108)	(21,142)
Subtotal current tax	**(27,355)**	**(26,581)**
Deferred tax	**(2,843)**	**(4,560)**
Total	**(30,198)**	**(31,141)**

Effective tax rate

	2017	2016
Profit before income tax	**40,118**	**35,203**
Parent company tax rate	*34,43%*	*34,43%*
Theoretical tax expense	(13,812)	(12,120)
Effect of:		
Tax rate differences	4,069	3,191
Change in unrecognized deferred tax assets and unrecognized losses	(9,969)	(9,420)
Projected change in French and EU tax rates (2017)	(9,912)	(1,493)
Permanent differences and other items	3,761	(7,458)
Income tax gain/(expense)	**(25,864)**	**(27,301)**
Effective tax rate	**64,47%**	**77,55%**
Effect of French value-added business tax (CVAE) and Italian production tax (IRAP)	(4,334)	(3,841)
Income tax gain/(expense)	**(30,198)**	**(31,141)**

The impact of tax rate changes was mainly due to the decrease in the US federal income tax rate from 35% to 21%.

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, the parent company of Fives (detailed in note 6.30). The tax savings resulting from offsetting the taxable losses of loss-making companies with the taxable profit of profit-making companies, when calculating consolidated tax, is reported in the financial statements of Novafives.

Consolidated tax groups

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

Deferred tax

The offsetting methods used are described in note 2.25.

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, 2016						Dec. 31, 2017	
	Deferred tax assets	Deferred tax liabilities	Change recognized in income statement	Change recognized in equity	Scope	Translation differences and other	Deferred tax assets	Deferred tax liabilities
Provisions for retirement benefits	13,754		(1,087)	(233)	494	(1,377)	11,550	
Tax loss carryforwards	15,153		634		444	(1,044)	15,186	
Revaluations	9,434	(29,181)	3,541		(4,393)	1,096	8,140	(27,643)
Other temporary differences	33,034	(8,588)	(6,067)	(452)	143	(1,030)	21,388	(4,348)
Deferred tax assets (liabilities), gross	**71,375**	**(37,769)**	**(2,979)**	**(685)**	**(3,312)**	**(2,355)**	**56,264**	**(31,991)**
Deferred tax asset limit	(1,835)		136			(68)	(1,767)	
Offsetting	(29,962)	29,962					(22,418)	22,418
Deferred tax assets (liabilities) recognized	**39,578**	**(7,807)**	**(2,843)**	**(685)**	**(3,312)**	**(2,423)**	**32,079**	**(9,573)**
Net deferred tax	**31,771**						**22,506**	

6.11. Goodwill

	Dec. 31, 2016 Net	**Change in consolidation scope**	**Transfert**	**Translation differences and others**	**Dec. 31, 2017 Nett**
Automotive	28,511			(3,461)	25,050
Logistics	17,590	19,620			37,210
Cement	1,967			(123)	1,844
Energy	84,649			(10,655)	73,994
Metals	34,382				34,382
Aerospace and Industry	77,949			(9,437)	68,512
Total	**245,048**	**19,620**		**(23,676)**	**240,992**

The consolidation scope effect of €19.6 million was due to the acquisition of the Syleps sub-group.

In compliance with IAS 36, an impairment test was performed at December 31, 2017 on each operating segment CGU.
The following assumptions were used:
- 2018-2020 medium-term plan;
- Terminal value growth rate: 2% (identical to assumptions used in 2016 test);
- Discount rate: 10% (identical to assumptions used in 2016 test).

The test did not result in the recognition of impairment at December 31, 2017.

Sensitivity analysis

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

6.12. Intangible assets

	Dec. 31, 2017			Dec. 31, 2016		
	Gross	Accumulated amortization/ Impairment	Net	Gross	Accumulated amortization/ Impairment	Net
Technologies, R&D acquired	104,272	(49,944)	54,327	105,042	(45,425)	59,617
Brands acquired	24,532	(18,125)	6,407	26,878	(14,627)	12,251
Customer relationships, order book and other intangibles acquired	68,768	(48,409)	20,359	70,670	(46,272)	24,398
Concessions, patents and licenses	44,510	(29,586)	14,924	35,117	(28,409)	6,707
Other intangible assets	19,085	(11,921)	7,164	25,281	(13,384)	11,897
Total	**261,167**	**(157,986)**	**103,181**	**262,988**	**(148,118)**	**114,870**

At December 31, 2017, the analysis of changes in intangible assets was as follows:

	Gross	Accumulated amortization / Impairment	Net
Solde au 31.12.16	**262,988**	**(148,118)**	**114,870**
Acquisitions	8,084		8,084
Deconsolidations and disposals	(1,064)	873	(191)
Amortization / Impairment		(26,173)	(26,173)
Reclassified items	(156)	(60)	(216)
Change in consolidation scope	11,750	2,697	14,447
Translation differences	(20,435)	12,795	(7,640)
Balance at December 31.12.17	**261,167**	**(157,986)**	**103,181**

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

	Gross	Accumulated amortization / Impairment»	Net
Solde au 31.12.15	**247,475**	**(113,254)**	**134,221**
Acquisitions	7,793		7,793
Deconsolidations and disposals	(514)	708	194
Amortization / Impairment		(29,751)	(29,751)
Reclassified items	3,240	(2,747)	493
Change in consolidation scope	(187)	298	111
Translation differences	5,182	(3,373)	1,809
Solde au 31.12.16	**262,988**	**(148,118)**	**114,870**

6.13. Property, plant and equipment

	Dec. 31, 2017			Dec. 31, 2016		
	Gross	Accumulated depreciation / Impairment	Net	Gross	Accumulated depreciation / Impairment	Net
Land and developments	27,763	(226)	27,537	28,111	(169)	27,942
Leasehold land	237		237	237		237
Buildings	154,788	(79,288)	75,500	157,122	(77,249)	79,873
Leasehold buildings	8,014	(4,260)	3,754	8,014	(3,972)	4,042
Plant, equipment and machinery	180,268	(133,325)	46,943	179,673	(132,284)	47,389
Other assets	59,982	(42,011)	17,971	59,035	(41,652)	17,383
Other leasehold assets	1,124	(361)	763	747	(164)	583
Assets under construction	6,268		6,268	3,613		3,613
Advances on fixed assets	304		304	3,920		3,920
Total	**438,748**	**(259,471)**	**179,277**	**440,472**	**(255,489)**	**184,983**

At December 31, 2017, the analysis of changes in property, plant and equipment was as follows:

	Gross	Accumulated depreciation / Impairment	Net
Balance at December 31, 2016	**440,472**	**(255,489)**	**184,983**
Acquisitions	21,229		21,229
Deconsolidations and disposals	(8,776)	8,233	(543)
Depreciation / Impairment		(23,068)	(23,068)
Reclassified items	1,268	(145)	1,123
Change in consolidation scope	2,272	587	2,859
Translation differences	(17,717)	10,411	(7,306)
Balance at December 31, 2017	**438,748**	**(259,471)**	**179,277**

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

	Gross	Accumulated depreciation / Impairment	Net
Balance at December 31, 2015	**450,718**	**(262,829)**	**187,889**
Acquisitions	18,497		18,497
Deconsolidations and disposals	(12,040)	10,642	(1,398)
Depreciation / Impairment		(21,892)	(21,892)
Reclassified items	(9,587)	7,673	(1,914)
Change in consolidation scope	(5,927)	11,362	5,517
Translation differences	(1,190)	(446)	(1,636)
Balance at December 31, 2016	**440,472**	**(255,489)**	**184,983**

6.14. Current and non-current financial assets

Non-current financial assets

	Dec. 31, 2017			Dec. 31, 2016		
	Gross	Impairment	Net	Gross	Impairment	Net
Available-for-sale securities	10,291	(1,757)	8,534	9,840	(1,643)	8,197
Equity-accounted associates	3,872		3,872	981		981
Loans related to investments in associates	10,860	(64)	10,796	3,618	(154)	3,464
Other financial assets	5,603	(221)	5,382	5,024	(228)	4,797
Total	**30,626**	**(2,042)**	**28,584**	**19,463**	**(2,025)**	**17,438**

At December 31, 2017, the change in gross value of available-for-sale securities included an increase in fair value of €1,172 thousand (€720 thousand, net of tax).

The consolidation of the joint venture AddUp at the beginning of the period (see paragraph 5.2) accounted for €2.8 million of the balance of equity-accounted associates at December 31, 2017 (investment net of profit for the period) and €10.5 million of loans related to investments in associates (current accounts, and convertible bonds for €6.3 million).

At December 31, 2017, the repayment and maturity schedule (excluding available-for-sale securities and equity-accounted investments) was as follows:

	Dec. 31, 2017		
	Carrying amount	Between 1 and 5 years	More than 5 years
Loans related to investments in associates	10,796	98	10,698
Other financial assets	5,382	2,138	3,244
Total	**16,178**	**2,236**	**13,942**

Current financial assets

	Dec. 31, 2017			Dec. 31, 2016		
	Gross	Impairment	Net	Gross	Impairment	Net
Derivatives	3,592		3,592	1,150		1,150
Loans related to investments in associates	199	(136)	63	188	(64)	124
Loans	769		769	150		150
Accrued interest	52	(4)	48	3		3
Other	2,175	(68)	2,107	4,083		4,083
Total current financial assets	**6,786**	**(208)**	**6,578**	**5,574**	**(64)**	**5,510**

6.15. Inventories and work in progress

	Dec. 31, 2017			Dec. 31, 2016		
	Gross	Impairment	Net	Gross	Impairment	Net
Raw materials	70,960	(13,504)	57,456	74,113	(16,422)	57,691
Work in progress under completed-contract method	92,924	(3,014)	89,910	97,133	(6,129)	91,003
Semi-finished and finished goods	45,782	(11,574)	34,208	37,992	(9,177)	28,815
Total	**209,666**	**(28,092)**	**181,574**	**209,237**	**(31,728)**	**177,509**

6.16. Construction contracts

	Dec. 31, 2017	Dec. 31, 2016
Construction contracts in progress, assets	130,355	127,270
Construction contracts in progress, liabilities	(271,608)	(213,457)
Net	**(141,253)**	**(86,184)**

Cumulative information on construction contracts in progress was as follows:

	Dec. 31, 2017	Dec. 31, 2016
Costs and profit recognized on a percentage-of-completion basis	2,042,887	1,699,509
Progress billings	(2,181,260)	(1,783,594)
Provisions for loss at completion	(2,880)	(2,099)
Net	**(141,253)**	**(86,184)**

6.17. Trade receivables

	Dec. 31, 2017			Dec. 31, 2016		
	Gross	Impairment	Net	Gross	Impairment	Net
Total trade receivables	**445,763**	**(7,105)**	**438,658**	**418,220**	**(8,956)**	**409,264**

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

	Opening balance	Allowances	Reversals	Translation differences	Other*	Closing balance
2017	(8,956)	(417)	2,021	343	(96)	(7,105)
2016	(11,265)	(1,589)	3,625	121	152	(8,956)

* resulting mainly from changes in consolidation scope

At December 31, 2017 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
2017	438,658	338,550	49,981	30,222	19,905
2016	409,264	322,875	46,039	20,641	19,709

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 specific collection risk.

6.18. Other current assets

	Dec. 31, 2017	Dec. 31, 2016
Tax receivables	54,974	49,012
Advances and progress payments	19,787	30,130
Other receivables	7,990	9,319
Prepaid expenses	8,780	7,828
Total	**91,531**	**96,289**

6.19. Cash and cash equivalents

	Dec. 31, 2017	Dec. 31, 2016
Cash equivalents	9,999	9,830
Cash	119,970	112,797
Total trésorerie et équivalents de trésorerie active	**129,969**	**122,627**

Cash equivalents comprise money market funds, negotiable certificates of deposit and term deposits of less than three months.
Cash includes interest-bearing current accounts.

Breakdown of cash and cash equivalents per currency

	Euro	USD	GBP	CNY	JPY	CAD	Other	Total
Cash equivalents	114	7,510			670		1,705	9,999
Cash	70,684	8,931	2,347	21,051	5,249	2,889	8,818	119,970
Total at Dec. 31, 2017	**70,798**	**16,441**	**2,347**	**21,051**	**5,919**	**2,889**	**10,523**	**129,969**
Foreign exchange swaps	(7,716)	(24,282)	(11,484)	2,197	25,185	13,618	2,482	
Total at Dec. 31, 2017 (before swaps)	**63,082**	**(7,841)**	**(9,137)**	**23,248**	**31,104**	**16,507**	**13,005**	**129,969**

At December 31, 2016, the breakdown of cash and cash equivalents was as follows:

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

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

6.20. Statement of cash flows

Cash and cash equivalents, net

	Dec. 31, 2017	Dec. 31, 2016
Cash equivalents	9,999	9,830
Cash	119,970	112,797
Total cash and cash equivalents	**129,969**	**122,626**
Bank overdrafts	(2,508)	(3,036)
Total	**127,461**	**119,590**

Changes in WCR

	Dec. 31, 2017	Dec. 31, 2016	Changes	
			Operating activities	Other*
Inventories and work in progress	(181,574)	(177,509)	(12,715)	8,650
Construction contracts in progress, assets	(130,355)	(127,270)	(11,942)	8,857
Trade receivables	(438,658)	(409,264)	(40,922)	11,528
Other current/non-current assets included in working capital	(91,627)	(96,546)	13	4,906
Construction contracts in progress, liabilities	271,608	213,457	57,864	287
Trade and related payables	349,137	318,966	39,179	(9,008)
Other current/non-current liabilities included in working capital	205,972	205,045	(3,452)	4,379
Working capital requirements before current provisions	**(15,497)**	**(73,121)**	**28,026**	**29,598**
Current provisions	79,209	83,540	(3,187)	(1,144)
Working capital requirements	**63,712**	**10,419**	**24,839**	**28,454**

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

6.21. Shareholders' equity

Financial capital management policy

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

Share capital

Share capital at December 31, 2017 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, 2017.

Dividend payments

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

6.22. Current and non-current provisions

	Dec. 31, 2016	Allowances	Utilization	Unutilized reversals	Translation difference	Other	Dec. 31, 2017
Warranties	40,330	28,605	(9,743)	(19,233)	(1,870)	4,220	**42,309**
Contract litigation	3,872	1,698	(298)	(1,364)	(106)	78	**3,880**
Future losses on contracts	414	1,152	(324)	(24)	(17)	101	**1,302**
Completed contract expenses	25,127	18,454	(11,671)	(8,366)	(422)	(549)	**22,573**
Other contingency and expense provisions	13,797	7,236	(5,883)	(3,424)	(670)	(1,911)	**9,145**
Total current provisions	**83,540**	**57,145**	**(27,919)**	**(32,411)**	**(3,085)**	**1,939**	**79,209**
Retirement benefits	53,558	4,559	(5,840)	(350)	(1,696)	1,271	**51,502**
Other post-employment benefits	6,211	625	(461)	(353)	(59)	152	**6,115**
Other provisions - non-current portion	11,312	3,895	(6,329)	(2,889)	(212)	966	**6,743**
Total non-current provisions	**71,081**	**9,079**	**(12,630)**	**(3,592)**	**(1,967)**	**2,389**	**64,360**

Current provisions

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

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

Non-current provisions

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

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

Actuarial assumptions

Dec. 31, 2017	France	United Kingdom	United States of America	Japan	Germany	India
Discount rate	1.5%	2.4 - 2.7%	3.3%	0.3%	1.7%	7.2 - 7.7%
Expected return on plan assets	NA	2.4 - 2.7%	NA	NA	NA	7.0 - 7.2%
Salary increase rate	1.5%	NA	NA	2%	NA	5 - 8.5%

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

The present value of future obligations (defined benefit obligations) amounted to €98,427 thousand at December 31, 2017. Given the fair value of all plan assets, the net obligation at December 31, 2016 totaled €51,502 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 €3,264 thousand, of which €2,117 thousand were recognized in profit from recurring operations, and €1,146 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 -€289 thousand, excluding tax.

	Retirement obligations at Dec. 31, 2017						Total
	France	United States of America	United Kingdom	Eurozone	Japan	India	
CHANGE IN PRESENT VALUE OF OBLIGATION							
Present value of obligation at January 1, 2017 (restated)	24,428	8,978	60,626	3,717	1,499	508	99,756
Current service cost	1,594		244	24	193	62	2,117
Interest cost	371	281	1,658	101		31	2,442
Employee contributions paid							
Plan amendments							
Plan curtailments / settlements			(244)				(244)
Newly consolidated	1,612						1,612
Benefits paid	(2,344)	(822)	(3,068)	(133)	(150)	(18)	(6,536)
Actuarial (gain) loss	(559)	(237)	2,760	413		18	2,395
Foreign exchange gains and losses and other		(1,042)	(2,135)	230	(131)	(37)	(3,116)
Present value of obligation at December 31, 2017	**25,102**	**7,158**	**59,841**	**4,352**	**1,410**	**563**	**98,427**
CHANGE IN FAIR VALUE OF PLAN ASSETS							
Fair value of plan assets at January 1, 2017			45,765			433	46,198
Net return on plan assets			3,371			31	3,402
Employer contributions paid			1,519			39	1,558
Employee contributions paid							
Plan curtailments / settlements			(244)				(244)
Newly consolidated							
Benefits paid			(3,068)			(18)	(3,087)
Foreign exchange gains and losses and other			(1,619)	747		(30)	(902)
Fair value of plan assets at December 31, 2017			**45,724**	**747**		**454**	**46,925**
COMPONENTS OF AMOUNTS RECOGNIZED IN THE FINANCIAL STATEMENTS							
Net obligation (obligation less plan assets)	25,102	7,158	14,117	3,605	1,410	109	51,502
Net provision recognized in the balance sheet at December 31, 2017	**25,102**	**7,158**	**14,117**	**3,605**	**1,410**	**109**	**51,502**
COMPONENTS OF NET EXPENSE RECOGNIZED FOR FINANCIAL YEAR 2017							
Current service cost	1,594		244	24	193	62	2,117
Interest cost	371	281	1,658	101		31	2,442
Expected return on plan assets			(1,265)			(31)	(1,296)
(Gain) loss on plan curtailments / settlements							
Net expense recognized in the income statement for financial year 2017	**1,965**	**281**	**638**	**125**	**193**	**62**	**3,264**
CHANGE IN PROVISIONS FOR RETIREMENT AND OTHER							
Provisions recognized in the balance sheet at January 1 (restated)	24,428	8,978	14,861	3,717	1,499	75	53,558
Employer contributions paid			(1,519)			(39)	(1,558)
Net expense recognized	1,965	281	638	125	193	62	3,264
Benefits paid directly by the employer	(2,344)	(822)		(133)	(150)		(3,449)
Newly consolidated	1,612						1,612
Net actuarial (gains) and losses	(559)	(237)	654	413		18	289
Foreign exchange gains and losses		(1,042)	(516)	(517)	(131)	(7)	(2,213)
Provisions recognized in the balance sheet at December 31, 2017	**25,102**	**7,158**	**14,117**	**3,605**	**1,410**	**109**	**51,502**

	Retirement obligations at Dec. 31, 2016						Total
	France	United States of America	United Kingdom	Eurozone	Japan	India	
CHANGE IN PRESENT VALUE OF OBLIGATION							
Present value of obligation at January 1, 2016 (restated)	23,769	9,620	60,057	3,630	845	433	98,355
Current service cost	1,477		300	22	139	69	2,008
Interest cost	527	329	2,147	49	4	39	3,095
Employee contributions paid							
Plan amendments							
Plan curtailments / settlements		(169)	(300)				(469)
Newly consolidated	46				465		511
Benefits paid	(2,815)	(824)	(3,772)	(85)		(71)	(7,567)
Actuarial (gain) loss	1,761	(248)	11,183	101		29	12,826
Foreign exchange gains and losses and other	(337)	270	(8,989)		45	9	(9,001)
Present value of obligation at December 31, 2016	**24,428**	**8,978**	**60,626**	**3,717**	**1,499**	**508**	**99,756**
CHANGE IN FAIR VALUE OF PLAN ASSETS							
Fair value of plan assets at January 1, 2016			43,787			372	44,159
Net return on plan assets			11,101			33	11,134
Employer contributions paid			1,574			102	1,676
Employee contributions paid							
Plan curtailments / settlements			(300)				(300)
Newly consolidated							
Benefits paid			(3,772)			(80)	(3,852)
Foreign exchange gains and losses and other			(6,625)			6	(6,619)
Fair value of plan assets at December 31, 2016			**45,765**			**433**	**46,198**
COMPONENTS OF AMOUNTS RECOGNIZED IN THE FINANCIAL STATEMENTS							
Net obligation (obligation less plan assets)	24,428	8,978	14,861	3,717	1,499	75	53,558
Net provision recognized in the balance sheet at December 31, 2016	**24,428**	**8,978**	**14,861**	**3,717**	**1,499**	**75**	**53,558**
COMPONENTS OF NET EXPENSE RECOGNIZED FOR FINANCIAL YEAR 2016							
Current service cost	1,477	329	300	22	139	69	2,008
Interest cost	527		2,147	49	4	39	3,095
Expected return on plan assets			(1,624)			(34)	(1,658)
(Gain) loss on plan curtailments / settlements		(169)					(169)
Net expense recognized in the income statement for financial year 2016	**2,004**	**160**	**823**	**71**	**143**	**74**	**3,276**
CHANGE IN PROVISIONS FOR RETIREMENT AND OTHER							
Provisions recognized in the balance sheet at January 1 (restated)	23,769	9,620	16,270	3,630	845	61	54,195
Employer contributions paid			(1,574)			(102)	(1,676)
Net expense recognized	2,004	160	823	71	143	74	3,276
Benefits paid directly by the employer	(2,815)	(824)		(85)		9	(3,715)
Newly consolidated	46				465		511
Net actuarial (gains) and losses	1,761	(248)	1,706	101		30	3,350
Foreign exchange gains and losses	(337)	270	(2,364)		45	3	(2,382)
Provisions recognized in the balance sheet at December 31, 2016	**24,428**	**8,978**	**14,862**	**3,717**	**1,499**	**75**	**53,558**

Plan assets by investment type

	2017		2016	
	Amount	%	Amount	%
Shares	36,819	78%	37,967	82%
Bonds and other debt securities	7,594	16%	6,994	15%
Money market investments	2,249	5%	997	2%
Diversified funds	263	1%	240	1%
Fair value of invested plan assets	**46,925**	**100%**	**46,198**	**100%**

Present value of obligation

	Dec. 31, 2017	Dec. 31, 2016
Defined benefit obligation	98,427	99,756
Fair value of invested plan assets	(46,925)	(46,198)
Present value of obligation	**51,502**	**53,558**

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:

	2017		2016	
	In thousands of euros	DBO as a %	In thousands of euros	DBO as a %
France	831	3.38%	845	3.56%
United States of America	125	1.75%	332	3.77%
United Kingdom	2,728	4.56%	3,130	5.16%
Germany	131	3.02%	137	3.70%
Japan	1	0.07%	1	0.10%
India	7	0.56%	1	0.13%

6.23. Current and non-current financial debt

	Dec. 31, 2017			Dec. 31, 2016		
	Non-current	Current	Total	Non-current	Current	Total
Bank loans	44,977	22,535	67,512	41,028	31,313	72,341
Deferred transaction costs	(896)		(896)	(1,633)		(1,633)
Finance leases	2,564	424	2,988	2,468	296	2,765
Other bank loans and borrowings		6,743	6,743			
Accrued interest		256	256		384	384
Derivative instruments, liabilities		1,194	1,194		5,550	5,550
Other financial debt		52,878	52,878		59,236	59,236
Bank overdrafts		2,507	2,507		3,036	3,036
Total financial debt	**46,645**	**86,537**	**133,183**	**41,863**	**99,815**	**141,678**

Bank loans

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

Other financial debt

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

Change in financial debt, by type

	Dec. 31, 2017	Dec. 31, 2016	Changes					
			Financing flows	Scope	Translation	IAS 39 measure-ment effect	New finance lease	Interest expense
Bank loans	67,512	72,341	2,190	706	(7,725)			
Deferred transaction costs	(896)	(1,633)	(73)		20			790
Finance leases	2,988	2,765	(654)		(31)		908	
Other bank loans and borrowings	6,743		6,743					
Other financial debt	52,878	59,236	(6,358)					
Accrued interest	256	384	(5,452)		(5)			
Derivative instruments, liabilities	1,194	5,550			(123)	(4,233)		5,329
Bank overdrafts	2,507	3,036						
Total financial debt	**133,183**	**141,678**	**(3,604)**	**706**	**(7,864)**	**(4,233)**	**908**	**6,119**

Breakdown of fixed and floating rate financial debt

	Dec. 31, 2017			Dec. 31, 2016		
	Fixed rate	Floating rate	Total	Fixed rate	Floating rate	Total
Bank loans	8,716	58,796	67,512	3,335	69,006	72,341
Deferred transaction costs	(896)		(896)	(1,633)		(1,633)
Finance leases	1,201	1,787	2,988	703	2,062	2,765
Other bank loans and borrowings		6,743	6,743			
Other financial debt		52,878	52,878		59,236	59,236
Accrued interest	256		256	384		384
Total financial debt	**9,277**	**120,204**	**129,481**	**2,789**	**130,304**	**133,093**

Breakdown of financial debt by currency

	Dec. 31, 2017				Dec. 31, 2016			
	Euros	USD	Other	Total	Euros	USD	Other	Total
Bank loans	7,863	51,949	7,700	67,512	10,485	53,222	8,634	72,341
Deferred transaction costs	(767)	(129)		(896)	(1,336)	(297)		(1,633)
Finance leases	2,555	384	49	2,988	2,653	42	70	2,765
Other financial debt	52,878			52,878	59,236			59,236
Other bank loans and borrowings	6,743			6,743				
Accrued interest	97	159		256	173	211		384
Total financial debt	**69,369**	**52,363**	**7,749**	**129,481**	**71,211**	**53,178**	**8,704**	**133,093**

6.24. Other current and non-current liabilities

Other non-current liabilities

	Dec. 31, 2017	Dec. 31, 2016
Profit sharing	2,540	3,619
Estimated obligation to purchase non-controlling interests	3,719	8,618
Estimated earnout liability	535	22,545
Other liabilities	1,164	1,486
Prepaid income	553	965
Total	**8,511**	**37,233**

Other current liabilities

	Dec. 31, 2017	Dec. 31, 2016
Tax and social security payables	123,452	119,896
Amounts due on acquisitions of fixed assets	1,519	1,631
Advances received on contracts	38,094	49,289
Amounts due on acquisitions of equity interests	136	
Estimated earnout liability	499	
Other liabilities	31,826	21,343
Prepaid income	8,650	8,935
Total	**204 176**	**201,093**

6.25. Leases

Finance leases

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

	Dec. 31, 2017			Dec. 31, 2016		
	Gross	Accumulated depreciation / Impairment	Net	Gross	Accumulated depreciation / Impairment	Net
Leasehold land	237		237	237		237
Leasehold buildings	8,014	(4,260)	3,754	8,014	(3,972)	4,042
Other leaseholds	1,124	(361)	763	747	(164)	583
Total leaseholds	**9,375**	**(4,621)**	**4,754**	**8,998**	**(4,136)**	**4,862**

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

	Dec. 31, 2017	Dec. 31, 2016
Less than one year	424	295
Between one and five years	2,490	2,389
More than five years	74	10
Value of future minimum lease payments	**2,988**	**2,695**

Operating leases

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

	Dec. 31, 2017	Dec. 31, 2016
Less than one year	14,689	12,895
Between one and five years	27,768	33,377
More than five years	11,657	12,107
Value of future minimum lease payments	**54,114**	**58,379**

6.26. Financial risk management

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

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

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

	Dec. 31, 2017		Dec. 31, 2016	
	Assets	Liabilities	Assets	Liabilities
Foreign exchange derivative instruments Fair value hedging derivative instruments Derivative instruments not eligible for hedge accounting	3,591	1,194	1,150	5,550

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	74,255	41,652	15,542	12,425	502	442	3 693
Other financial debt	52,878	52,878					
Finance leases	2,988	236	2,752				
Total gross non-current financial liabilities	**130,121**	**94,766**	**18,294**	**12,425**	**502**	**442**	**3,693**
Deferred transaction costs	(4,309)	(3,033)	(927)	(349)			
Total non-current financial liabilities	**125,812**	**91,733**	**17,367**	**12,076**	**502**	**442**	**3,693**
Interest on non-current financial liabilities		2,873	1,662	242	74	66	241

This analysis excludes financial assets such as cash and cash equivalents and trade receivables, which amounted to €130 million and €439 million respectively at December 31, 2017. The Group also has a revolving credit line of €90 million at its disposal until January 2020. The credit line can be drawn down freely within a limit of €30 million, above which it is subject to a quarterly leverage ratio test, which was not triggered in 2017. At December 31, 2017, the credit line had not been drawn down.

Interest rate risk

Floating rate debt amounted to €120.2 million, close to cash and cash equivalents of €130 million at the reporting date.

The loan taken out with Novafives in 2013 was fully repaid in July 2017. The funds used by Fives to repay the loan were provided by Novafives under the Group's cash pooling arrangements.

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

Cash and cash equivalents are mainly invested in floating rate funds, including money market funds indexed to Eonia. Fixed-rate instruments comprise term deposits and certificates of deposit of less than three months.

Interest rate risk is essentially backed by interest from cash invested at floating rates.

A similar position has been adopted for local bank loans, as the Group currently believes that exposure to interest rate risk is preferable to the cost of carry of fixed-rate hedging.

Analysis of interest rate sensitivity

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

The sensitivity analysis of 2017 earnings to interest rate risk was based on the following assumptions:
- The amount of loans and borrowings at December 31, 2017 less repayments due during 2018, without additional hedging;
- Cash and cash equivalents, per currency and exchange rate, 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	42	(897)
Cash invested at floating rates		1,049
Effect on profit	**42**	**152**

Currency risk

Loans and borrowings denominated in foreign currencies

In 2015 and 2017, 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 38.3 million.

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

In the fourth quarter of 2016, the Group decided to reduce the debt of the US sub-group through a capital increase of Fives Group's American holding company Fives Inc. The transaction, which took place on March 23, 2017, reduced the outstanding loan principal exposed to currency risk by USD 60.

On December 15, 2017, Fives Inc accepted the assignment of the short-term loan of USD 40 million contracted by its subsidiary FMS Inc with Fives (under the cash pooling system), and transformed it into a long-term loan.
As a result of these two transactions, the outstanding loan principal exposed to currency risk amounted to USD 239.3 million at December 31, 2017.

The Group's net exposure is therefore USD 201 million.

In December 2012, the Group began restructuring its activities in the United Kingdom by reclassifying its operating assets under a single holding company, Fives UK Holding Ltd. The latter contracted a loan from Fives to repurchase the assets. Following a debt reduction of GBP 15 million in June 2017 (through a capital increase), the outstanding loan principal exposed to currency risk amounted to GBP 29.6 million at December 31, 2017.

Exchange rate risk on operating profit

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

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

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

The net residual exchange rate risk is hedged when the risks arise, mainly through currency forwards and/or by entering into insurance contracts with the French export credit insurance company Bpifrance Assurance, Change, 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, 2017 of USD and GBP loans, principal and interest for 2018

Acquisition loan principal denominated in USD totaled USD 239.3 million at December 31, 2017, with 2018 interest income of USD 16.1 million, representing a total exposure of USD 252.4 million, or €210.4 million after translation using the exchange rate effective at the reporting date and deduction of hedges. The acquisition loans are backed by external loans with outstanding loan principal of USD 38.3 million and interest expense of USD 1.1 million for 2018, representing a net position of USD 39.4 million, or €32.9 million after translation using the exchange rate effective at the reporting date.

The position of the acquisition loans denominated in USD net of the external loans, including net interest, amounted to USD 213 million, or €177.6 million after translation using the exchange rate effective at the reporting date and deduction of hedges.

Acquisition loan principal for Fives UK Holding Ltd. amounted to GBP 29.6 million, with interest income of GBP 1.3 million for 2018, representing a total exposure of GBP 30.9 million, or €34.8 million after translation using the exchange rate effective at the reporting date.

A 10 basis point increase or decrease in the EUR/USD and/or EUR/GBP exchange rates would have the following impact on profit for 2018:

	ER-10bp	ER	ER+10bp
USD loans			
Exchange rate at Dec. 31	1.0993	1.1993	1.2993
Net debt after hedging	193.7	177.6	163.9
Effect on 2017 profit	16.1		(13.7)
GBP loans			
Exchange rate at Dec. 31	0.7872	0.8872	0.9872
Net debt after hedging	39.2	34.8	31.3
Effect on 2017 profit	4.4		(3.5)
Total effect on profit for 2017	**20.5**		**(17.2)**

Net exposure at December 31, 2017 of USD and GBP loans, estimated cash flows for 2018

Expected cash flows in 2018 relating to intercompany acquisition loans denominated in USD (interest payments and repayment of principal), and given the loan repayment schedules, amount to USD 28.4 million. In addition, repayment in 2018 of principal and interest on external loans denominated in USD amounts to USD 19.4 million.

Cash exposure on expected cash flows in USD in 2018 is therefore USD 6.1 million, or €5 million after translation using the exchange rate effective at the reporting date and deduction of hedges.

Expected cash flows relating to the Fives loan to Fives Holding UK in 2018 amount to GBP 4.5 million or €5 million after translation using the exchange rate effective at the reporting date.

Sales contracts

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

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

Credit risk

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

Risks relating to trade receivables

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

Risks relating to other financial assets

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

Risks relating to cash and cash equivalents

At December 31, 2017, all cash and cash equivalents were invested through the top-ranking commercial banks that finance the Group's activities.

6.27. Value of financial assets and liabilities, by category

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

The Group distinguishes three categories of financial instruments based on two fair value measurement methods (quoted prices and other valuation techniques):

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

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

6.28. Off-balance sheet commitments

Guarantees, sureties and other

	Dec. 31, 2016	Dec. 31, 2016
Commitments given	287,074	253,878
Commitments received	65,516	79,079

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

6.29. Related parties

Related parties mainly comprise:

- Fives' shareholders;
- associates;
- unconsolidated entities.

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

Remuneration of the executive officers

In 2017, the remuneration paid by Fives and its subsidiaries to the nineteen members of the Group's Executive Committee amounted to €4,857 thousand.

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

6.30. Statutory audit fees

Total fees charged by the statutory auditors of Fives and its subsidiaries, as presented in the consolidated financial statements for the periods ended December 31, 2017 and 2016, amounted to:

	2017			2016		
	Statutory audit	Other work	Total	Statutory audit	Other work	Total
Deloitte	1,143	136	**1,279**	562	234	**796**
Ernst & Young	770	170	**940**	778	235	**1,014**
Grant Thornton	49	6	**55**	708	59	**767**
Total	**1,963**	**312**	**2,275**	**2,048**	**529**	**2,577**

6.31. Subsequent events

No significant events have occurred since the reporting date.

6.32. Consolidated companies at December 31, 2017

Consolidated companies	Location	Consolidation method	Percentage controlling/ownership	Percentage interest
HOLDINGS AND SUBSIDIARIES NOT ALLOCATED TO OPERATING SEGMENTS				
Fives *	Paris, France		Parent company	
FI 2006 *	Paris, France	FC	100.00	100.00
Fives UK Holding Ltd.	United Kingdom	FC	100.00	100.00
Fives Inc.	United States	FC	100.00	100.00
Fives Italy S.r.l.	Italy	FC	100.00	100.00
Fives Engineering (Shanghai) Co., Ltd.	China	FC	100.00	100.00
Shanghai Fives Mechanical and Electrical Equipment Co., Ltd.	China	FC	100.00	100.00
Fives India Engineering & Projects Pvt. Ltd.	India	FC	100.00	100.00
Fives Japan KK	Japan	FC	100.00	100.00
AUTOMOTIVE				
Fives Conveying *	Montévrain, France	FC	100.00	100.00
Fives Cinetic *	Héricourt, France	FC	100.00	100.00
Fives Cinetic Corp.	United States	FC	100.00	100.00
Fives Cinetic Mexico SA de CV	Mexico	FC	100.00	100.00
Fives Filling & Sealing K.K.	Japan	FC	100.00	100.00
Fives DyAG Corp.	United States	FC	100.00	100.00
Fives Filling & Sealing *	Le Bignon, France	FC	100.00	100.00
Fives Giustina S.r.l.	Italy	FC	100.00	100.00
Daisho Seiki Corporation	Japan	FC	100.00	100.00
Daisho Seiki Korea Co., Ltd.	South Korea	FC	100.00	85.46
Daisho Seiki American Corporation	United States	FC	100.00	100.00
Fives Landis Corp.	United States	FC	100.00	100.00
Fives Landis Limited	United Kingdom	FC	100.00	100.00
Fives Landis GmbH	Germany	FC	100.00	100.00
Fives Conveying Iberica	Spain	FC	100.00	100.00
LOGISTICS				
Fives Intralogistics Corp.	United States	FC	100.00	100.00
Fives Intralogistics K.K.	Japan	FC	100.00	100.00
Fives Intralogistics S.p.a.	Italy	FC	100.00	100.00
Fives Intralogistics SAS *	Grigny, France	FC	100.00	100.00
Fives Syleps SA	Lorient, France	FC	100.00	99.64
Fives Syleps Robotics SAS	Lorient, France	FC	100.00	99.64
CEMENT				
Fives FCB *	Villeneuve d'Ascq, France	FC	100.00	100.00
Fives FCB Services Mexico S.A. de C.V.	Mexico	FC	99.90	99.90
Fives Pillard	Marseilles, France	FC	85.18	85.18
Fives Pillard España	Spain	FC	85.18	85.18
Fives Pillard (Tianjin) International Trading Co., Ltd.	China	FC	85.18	85.18
Fives Pillard Combustion System Equipment (Beijing) Co., Ltd.	China	FC	85.18	85.18
Fives Pillard Deutschland GmbH	Germany	FC	47.50	40.46
Fives Combustion Systems Private Limited	India	FC	100.00	100.00

Consolidated companies	Location	Consolidation method	Percentage controlling/ownership	Percentage interest
ENERGY				
Fives Cail *	Ronchin, France	FC	100.00	100.00
Fives Cail KCP Ltd.	India	EM	40.00	40.00
Fives Fletcher Ltd.	United Kingdom	FC	100.00	100.00
Fives Lille do Brasil Ltda.	Brazil	FC	100.00	100.00
Fletcher Smith Inc.	United States	FC	100.00	100.00
Fives North American Combustion France *	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	100.00
Fives North American Combustion Canada, Inc.	Canada	FC	100.00	100.00
North American Construction Services, Ltd.	United States	FC	100.00	100.00
Fives Cryo*	Golbey, France	FC	100.00	100.00
Fives Cryo (Suzhou) Co., Ltd.	China	FC	100.00	100.00
Fives Cryomec A.G.	Switzerland	FC	100.00	100.00
Fives Cryo Inc.	United States	FC	100.00	100.00
Fives Nordon *	Nancy, France	FC	100.00	100.00
Fives Itas S.p.a.	Italy	FC	100.00	100.00
Fives Bronx, Inc.	United States	FC	100.00	100.00
Fives Bronx Ltd.	United Kingdom	FC	100.00	100.00
Fives OTO S.p.a.	Italy	FC	100.00	100.00
METALS				
F.L. Métal *	Seclin, France	FC	100.00	100.00
Fives DMS *	Seclin, France	FC	100.00	100.00
Fives ST Corp.	United States	FC	100.00	100.00
Fives Keods *	Maisons-Alfort, France	FC	100.00	100.00
Fives Stein *	Maisons-Alfort, France	FC	100.00	100.00
Fives Celes *	Lautenbach, France	FC	100.00	100.00
Fives Stein Belgium	Belgium	FC	100.00	100.00
Fives Stein Bilbao	Spain	FC	100.00	100.00
Fives Stein Inc.	United States	FC	100.00	100.00
Fives Stein India Projects Private Limited	India	FC	100.00	100.00
Fives Stein Metallurgical Technology (Shanghai) Co, Ltd.	China	FC	100.00	100.00
Fives Stein Ltd.	United Kingdom	FC	100.00	100.00
Fives Stein Manufacturing *	Bar-Le-Duc, France	FC	100.00	100.00
Fives Solios *	Le Pecq, France	FC	100.00	100.00
PSA 2000 *	Le Pecq, France	FC	100.00	100.00
PSA 2000 Saudi Arabia Ltd.	Saudi Arabia	FC	100.00	100.00
Fives Services Gulf SPC	Bahrain	FC	100.00	100.00
Fives Solios Corp.	United States	FC	100.00	100.00
Fives Solios Inc.	Canada	FC	100.00	100.00
Fives Services Southern Africa (Proprietary) Ltd.	South Africa	FC	100.00	100.00
Fives Solios Ltd.	United Kingdom	FC	100.00	100.00
Fives ECL*	Ronchin, France	FC	100.00	100.00
ECL Services, Inc.	Canada	FC	100.00	100.00
ECL Services Middle East DMCC	United Arab Emirates	FC	100.00	100.00
Fives Services Australia PTY Ltd.	Australia	FC	100.00	100.00
ECL Shanghai Co., Ltd.	China	FC	100.00	100.00

Consolidated companies	Location	Consolidation method	Percentage controlling/ownership	Percentage 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
Fives Lund LLC	United States	FC	75.00	75.00
Fives Machining *	Saint-Laurent-les-Tours, France	FC	100.00	100.00
Fives Liné Machines Inc.	Canada	FC	100.00	100.00
4192567 Canada Inc.	Canada	FC	100.00	100.00
Sogelire Inc.	Canada	FC	100.00	100.00
Fives Maintenance *	Montévrain, France	FC	100.00	100.00
AddUp SAS	Cebezat, France	EM	50.00	50.00

* Companies included in the Novafives tax group.

FC: fully consolidated

EM: accounted for by the equity method

STATUTORY AUDITORS' REPORT CONSOLIDATED FINANCIAL STATEMENTS

Year ended december 31, 2017

ERNST & YOUNG ET AUTRES
Tour First - TSA 14444
92037 Paris-La Défense Cedex
S.A.S. à capital variable
Statutory Auditors
Member of the compagnie régionale de Versailles

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

To the Shareholders,

Opinion

In compliance with the appointment entrusted to us by your annual general meeting, we performed an audit on the Fives consolidated accounts for the financial year ending December 31, 2017, as attached to this report.

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

Basis for opinion

Audit reference

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

Our responsibilities with regards to these standards are indicated in the section "Responsibilities of statutory auditors regarding audit of the consolidated accounts" in this report.

Independence

We performed our audit assignment in accordance with the applicable independence requirements for the period from January 1, 2017 to the issue of our report, and we have not provided services prohibited by the statutory auditors' code of ethics.

Justification of our assessments

In accordance with the requirements of article L.823-9 and R. 823-7 of the French Commercial Code (Code de commerce) relating to the justification of our assessments, we inform you of the following assessments which, in our professional opinion, were the most significant for the audit of the financial year's consolidated accounts.

The following assessments are part of the consolidated account audit as a whole and the opinion we formed which is indicated above. We do not issue an opinion on elements of the consolidated accounts viewed in isolation.

- Goodwill is tested using the method described in the notes 2.6, 2.15 and 6.11 to the consolidated financial statements. We have examined the implementation of this impairment test, the estimation of the future cash flows and the assumptions made, and we have ensured that notes 2.6, 2.15 and 6.11 to the consolidated financial statements provide adequate information in this regard.

- Income or losses on construction contracts and long-term service contracts are recognized using to the percentage of completion method, based on the estimated costs at completion that are reviewed periodically and regularly throughout the life of the contract following to the principles detailed in notes 2.6 and 2.19 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 2.6 and 2.25 to the consolidated financial statements. We have examined the financial forecasts and the assumptions used, and we have ensured that notes 2.6 and 2.25 to the financial statements provide adequate information in this regard.

Verifying information relating to the group given in the management report

As required by law we have also verified, in accordance with professional standards applicable in France, the information presented in the Executive Board's management report.

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

Responsibilities of management and people responsible for corporate governance with regards to the consolidated accounts

In accordance with the IFRS standard adopted in the EU, it is Management's responsibility to prepare consolidated accounts which give a true image, as well as to implement internal controls which it deems necessary to prepare the consolidated accounts without material misstatements, whether due to fraud or error.

When preparing the consolidated accounts, it is Management's responsibility to assess the company's ability to continue as a going concern, to present information relating to continued operations in these accounts where applicable, and to apply the going concern accounting principle unless the plan is to liquidate the company or cease trading.

These consolidated financial statements have been approved by the Executive Board.

Responsibilities of statutory auditors regarding audit of the consolidated accounts

We are responsible for preparing a report about the consolidated accounts. Our objective is to have reasonable assurance that the consolidated accounts as a whole are free from material misstatements. Reasonable assurance corresponds to a high level of assurance, without guaranteeing that an audit performed in accordance with industry standards can always detect any material misstatement. Misstatements can be due to fraud or error and are considered material when we can reasonably expect that individually or together they can influence the economic decisions made by users which rely on them.

As indicated in article L. 823-10-1 of the Commercial Code, our assignment to certify the accounts dœs not include guaranteeing the viability or quality of your company's management.

As part of an audit performed in accordance with industry standards applicable in France, the statutory auditor exercises their professional judgment throughout the audit.

In addition:

– They identify and assess the risks that the consolidated accounts contain material misstatements, whether due to fraud or error, define and implement audit procedures for these risks, and collect elements that they believe sufficient and appropriate to establish their opinion. The risk of not detecting a material misstatement due to fraud is higher than a material misstatement due to error, as fraud can imply collusion, falsification, intentional omissions, false declarations or bypassing internal controls.

– They consider the relevant internal control for the audit in order to define appropriate audit procedures in the circumstances, and not with the aim of expressing an opinion on the effectiveness of the internal control.

– They assess the appropriateness of accounting methods used and the reasonable nature of accounting estimates made by Management, as well as relevant information contained in the consolidated accounts.

– They assess the appropriateness of the application of the going concern accounting principle by Management and, based on the collected elements, the existence of significant uncertainty regarding events or circumstances likely to undermine the company's ability to continue as a going concern. This assessment is based on elements collected up to the report date, it being noted, however, that subsequent events or circumstances could question this going concern. If there is significant uncertainty, they draw the report reader's attention to the information provided in the consolidated accounts regarding this uncertainty, or if this information is not provided or is not relevant, it establishes a qualified opinion or a disclaimer of opinion.

– They assess the presentation of all consolidated accounts and assess if the consolidated accounts reflect the underlying operations and events in order to give a true image.

– Regarding the financial information of individuals or entities included within the scope of consolidation, they collect elements they deem sufficient and appropriate to express an opinion on the consolidated accounts. They are responsible for management, supervision and performing an audit on the consolidated accounts, as well as the opinion expressed on these accounts.

Neuilly-sur-Seine and Paris-La Défense, March, 23, 2018
The Statutory auditors

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

DRAFT RESOLUTIONS (extract)

First resolution

The General Meeting,

– having heard the Executive Board's management report, the Supervisory Board's corporate governance report, and the Statutory auditors' report on the financial statements;

– and after reviewing the company financial statements;

approves the company's financial statements for the year ended December 31, 2017 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 €38,087,568.81.

The General Meeting also approves the total amount of certain non-tax-deductible expenses, €60,179, and the corresponding tax of €20,060.

Second resolution

Following the proposal by the Executive Board, the General meeting hereby allocates the entire annual profit of €38,087,568.81 to the balance of retained earnings, bringing it up to €238,061,563.41.

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

Third resolution

The General Meeting,

– having heard the Executive Board's management report, the Supervisory Board's corporate governance report, and the Statutory auditors' report on the consolidated accounts as of December 31, 2017,

– and after reviewing the consolidated financial statements;

approves the consolidated financial statements for the year ended December 31, 2017 as presented to the meeting and the transactions reflected in such financial statements or described in the reports, showing net profit, Group share of €1,352 thousand.

Fourth resolution

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

Fifth resolution

On the basis of the preceding resolutions, the General Meeting fully and unreservedly discharges the Members of the Executive Board from their management duties in respect of the financial year ended December 31, 2017, and the members of the Supervisory Board in respect of their appointments and duties.

Sixth resolution

The General Meeting:

– decides to renew, for a term of six financial years, i.e. to the end of the Ordinary AGM which will rule on the accounts of the 2023 financial year, the mandate of the statutory auditors:
  • ERNST & YOUNG ET AUTRES, with headquarters at Paris La Défense 1, 1-2 place des Saisons, 92400 Courbevoie, registered with the Companies Register of Nanterre under number 438 476 913,
  • DELOITTE & ASSOCIES, with headquarters at 185 C avenue Charles de Gaulle, 92200 Neuilly-sur-Seine, registered with the Companies Register of Nanterre under number 572 028 041,

– decides not to renew the mandate of the alternate statutory auditors AUDITEX and BEAS.

Fives

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