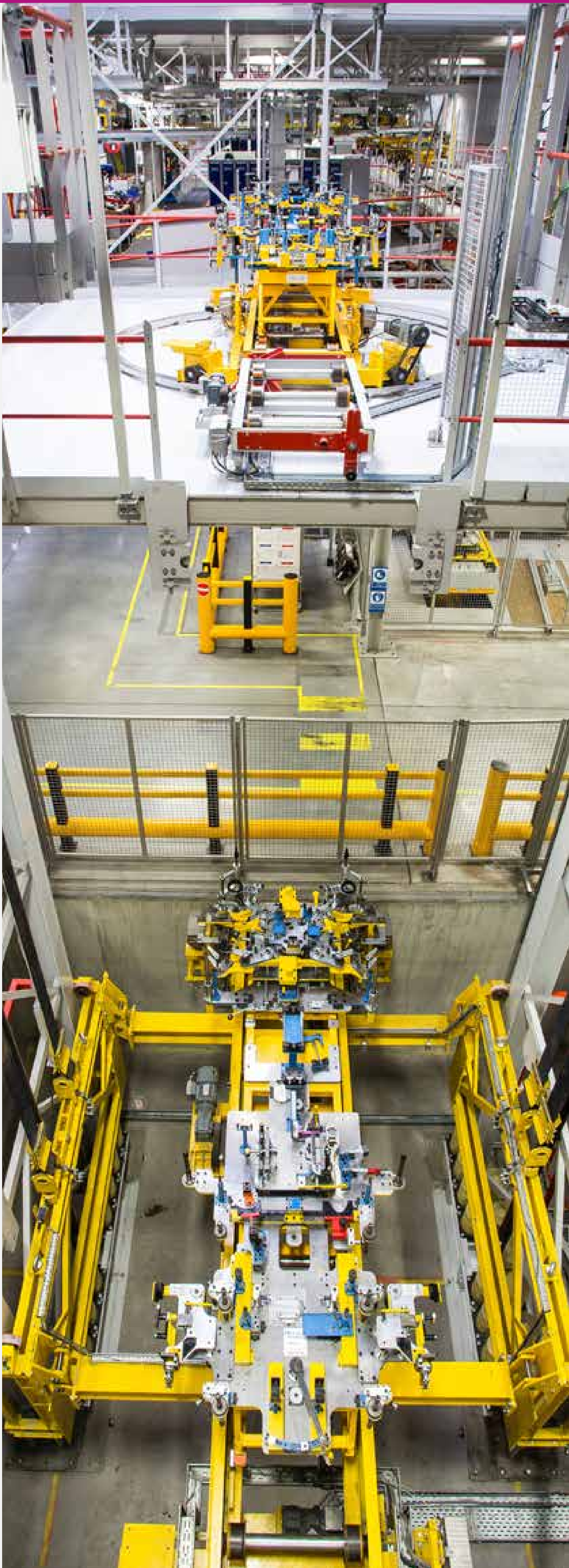
fives
Industry can do it

2021
FINANCIAL REPORT
#2020 Financial year



MORE THAN 200 YEARS OF HISTORY

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

KEY FIGURES

€1,610 M
sales

€1,612 M
order intake

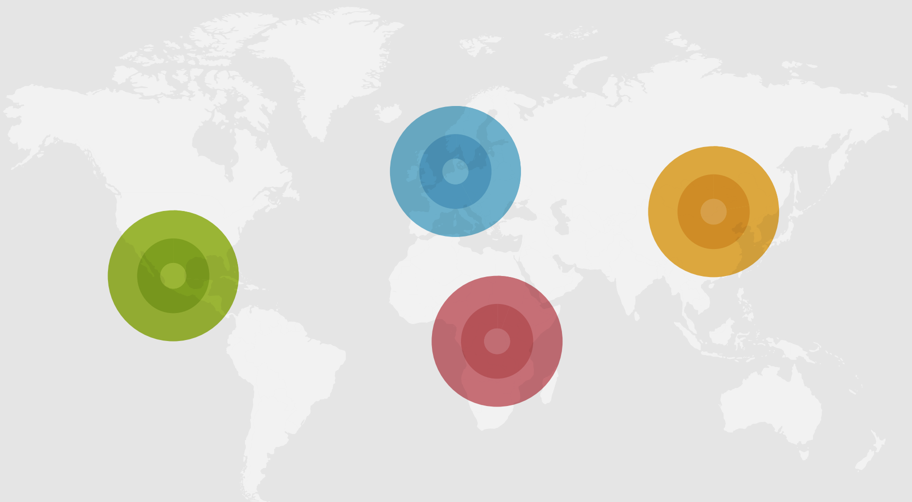
€300 M
net cash position

€1,372 M
backlog

Order intake by activity

HIGH PRECISION MACHINES	PROCESS TECHNOLOGIES	SMART AUTOMATION SOLUTIONS	OTHERS
17%	30%	42%	11%

Order intake by geographical area



AMERICAS	EUROPE	AFRICA MIDDLE-EAST	ASIA OCEANIA
35%	38%	7%	20%

DESIGN
MANUFACTURE
INSTALLATION
SERVICE
MAINTENANCE

+100
locations in **30 countries**

+8,000
employees of
79 different nationalities

2,016
patents in **612 families**,
of which **50 were filed in 2020**

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MANAGEMENT REPORT

TO THE COMBINED ORDINARY AND EXTRAORDINARY GENERAL MEETING ON APRIL 7, 2021

1. FIVES GROUP ACTIVITY IN 2020

1.1. Business environment

2020 opened to the COVID-19 pandemic, first in China and then above all in Europe, as well as in the majority of locations where the Group operates. This health crisis had immediate consequences, leading, for a period of almost universal lockdown, to paralysis in the global economy; then to more long-term effects, with the "second wave" that arrived at year-end putting paid to hopes of a return to normal at the end of an easier summer period. As a result, in 2020 the world experienced its worst recession in decades. Successive "stop & go" policies negatively impacted confidence for major industry, as did the lack of short-term prospects for the end of the crisis, with a real impact on the pandemic from mass vaccination not anticipated before mid-2021.

In this context, the majority of the Group's clients adopted a wait-and-see approach with regard to investment decisions, which were continually postponed; meanwhile, some service activities were affected by a number of plant shutdowns and the inability to go to customer sites. Only Smart Automation Solutions continued to grow, driven by underlying factors linked to e-commerce and distribution (automated logistics platforms), for which the potential was further enhanced by the constraints imposed by the health crisis.

In the light of these trends, orders placed with the Group in 2020 amounted to €1,612 million, down 12% on 2019 (€1,841 million), including a negative forex effect of €14 million. This figure masks more extensive disparities according to market segment, however, with Smart Automation Solutions up by 16%, whereas High Precision Machines and Process Technologies were down 22% and 36% respectively.

1.2. Commercial environment by market

Smart Automation Solutions

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

In the e-commerce and distribution segments, constraints associated with social distancing and lockdowns imposed by the COVID-19 health crisis have strengthened existing underlying trends around the automation of sorting centers and warehouse platforms. In this context, and after a short period of "wait-and-see" between March and June, the major clients (express courier services, national postal operators, e-commerce companies, wholesale distribution and food companies) confirmed all investment programs under consideration, from the end of the first quarter. The Group's commercial activity therefore continued, and even accelerated its growth trajectory, in particular achieving several notable successes on the North American market.

In the general industry segment - which the previous year had been buoyed by significant automation investments in the automotive sector in Europe - the slowdown has been notable across all the markets we serve. It was the same with airports - a segment where Fives historically has little penetration but had recently been awarded several orders, which in the end never came into force because of the impact of the health crisis on the sector.

Order intake for the Activity totaled €672 million. Carried by the growth in the e-commerce segment, and despite the slowdown in the general industry segment, orders were up 16% on 2019 (€581 million).

High Precision Machines

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

In the automotive and general industry sectors, commercial activity had already contracted significantly in 2019. While remaining lower than past levels, investment nevertheless held up in 2020 in the United States and in China, where the slowdown caused by the health crisis ultimately only lasted a few months: after a "wait-and-see" period, US manufacturers did confirm the expected orders, while in China the pro-active approach to accelerating recovery from the crisis has seen new projects emerge. In Europe, however, the fall in activity has been significant, as the historic drop in demand led to a fall in production, with many plants still a long way from regaining their pre-COVID-19 capacity usage levels.

In the aerospace segment, the collapse of global air traffic has had long term impacts for the air companies' finances and business models, with a knock-on effect for the whole ecosystem. For manufacturers and their suppliers, this is now a time for cutting costs, with major workforce reductions in North America and Europe, and for cashflow management: all new investments have therefore been frozen and there have been significant cuts to maintenance budgets, which is a drain on the Group's commercial activity, including services. This situation has however altered the Division's competitive landscape, with several actors not surviving the crisis, giving rise to opportunities: at the end of the year, in France, Fives acquired the assets and activities of Dufieux, providing an addition to its portfolio in the field of high technology machine-tools.

Order intake for High Precision Machines totaled €275 million, a sharp fall (-22%) from 2019 (€352 million), a year that was already down on historic levels (over €400 million). The impact of the health crisis on commercial activity has been especially felt in aerospace and on the European automotive market.

Process Technologies

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

In the cement and primary aluminum sectors - already suffering from local over-capacities and the financial difficulties confronting several major actors - the health crisis weighed on demand in 2020: circumstantially for cement, with construction site stoppages all over the world in the first six months, and more structurally for aluminium, with two end markets (aerospace and automotive) hard hit. This situation has doubly impacted the Group: first, all new equipment projects were suspended, while waiting for visibility to improve; second, service activities showed clear reductions, with many factories shifting to production levels far below their usual capacities, if not simply stopping altogether. Order intake for the Group in 2020 hit an all-time low.

The consequences of the health crisis were also felt **in the steel sector.** Despite confirmation of underlying trends of a shift towards products with higher added value and of regionalization around three major geographic areas (United States, China and Europe - Russia in particular), the anticipated investment projects have been postponed throughout the year. Order intake was therefore well down on 2019, a year in which a number of major contracts were booked.

In the energy sector, the collapse of the barrel price in March, in the wake of the global pandemic, negatively impacted the Group's activities in the oil industry, as well as projects for processing and liquefying natural gas. Commercial activity in cryogenics did however remain consistent in the air separation segment with an ongoing Chinese investment program aiming to make steel production units less polluting, and with a growing demand for pure nitrogen in Asia - a requisite for microprocessor production. Finally, for high performance industrial combustion systems, the promotion of solutions developed by the Group to improve the energy and environmental performance of industrial installations has been slowed down by travel restrictions and the difficulty of making site visits.

Order intake for Process Technologies stood at €490 million in 2020, a major decrease (-36%) on 2019 (€761 million). Hit by the absence of major projects and the shrinkage in services, orders were below the previous 2016 low point of €513 million, which followed the collapse of prices in oil and raw materials.

Transversal activities and other activities

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

In the industrial maintenance segment, business continues to grow year on year, with customers in defense, logistics and the transport sectors. In addition, a number of aerospace maintenance contracts were renewed at the start of the year and remained in force, even after the arrival of the pandemic.

In the nuclear pipes segment, apart from ongoing additional work on the Flamanville EPR, a number of major multi-year nuclear maintenance and service contracts were booked in 2020.

Order intake totaled €175 million, a sharp increase (up €29 million) on 2019 (€146 million), with these activities only marginally affected by the health crisis.

ORDER INTAKE BY GEOGRAPHICAL AREA

€ millions	2019	2020
Americas	476.4	560.7
Asia and Oceania	382.7	320.1
Europe	836.2	622.3
The Middle East & Africa	145.4	109.3
Total	**1,840.7**	**1,612.4**
Contribution from mature economies	67%	75%
Contribution from emerging countries	33%	25%
Of which China	*11%*	*9%*
Of which Others	*22%*	*16%*

ORDER INTAKE BY ACTIVITY

€ millions	2019	2020
Smart Automation Solutions	581.3	672.5
High Precision Machines	352.0	274.9
Process Technologies	761.4	490.0
Transversal activities and other activities	146.0	175.0
Total	**1,840.7**	**1,612.4**

2. FINANCIAL PERFORMANCE

2.1. Accounting principles

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

The consolidation scope is comparable to the previous financial year:
- For the first time it includes Fives Grinding Mexico, an extension of the High Precision Machines Activity into Mexico;
- It also includes a real estate division created in 2020 and pulling together the real estate assets owned by the Group in France.

Exchanges rates for the Group's main operational currencies fell against the euro in 2020:
- Changes in average rates generated unfavorable forex effects on sales (- €14 million) and EBITDA (- €0.8 million);
- The change in the year-end closing rates, which was considerably greater, generated unfavorable forex effects on the order book (- €32 million) and the financial result (unrealized foreign exchange loss of €17 million).

2.2. Impacts of the Covid-19 health crisis

The arrival of the pandemic in China at the start of the year, then generally around the world from March, led to Fives and its Subsidiaries implementing strict health protocols very early on, aiming to ensure the safety of employees and to maintain business continuity. These protocols, supplemented by detailed reports by geographic area, were monitored on a daily basis by the Senior Executive Committee and adjusted in real time to the recommendations of the various governments of countries where the Group operates.
Large scale recourse to remote working (for non-workshop staff) was implemented without disruption to business, thanks to appropriate IT and digital tools that were operational from day one, and which also enabled us to remotely provide continuity of service to our customers.

As an engineering group accounting for most of its sales by percentage of completion and benefiting from an order book worth €1.4 billion at the start of the 2020 fiscal year, Fives had workload to execute, avoiding full business suspension The degraded commercial environment and the disruptions caused by the health crisis nevertheless had a major impact on sales in 2020.

In geographic terms, the impacts have been strongest in Europe, where the lockdowns have been the most rigorous, and where the Group Subsidiaries, heavily reliant on exports, have been penalized by travel restrictions. In contrast, Subsidiaries mainly serving their local markets have been less affected (the American Subsidiaries in particular, except for aerospace), while Japan - relatively unscathed - and China - bouncing back thanks to the government's proactive policy - have in the course of the year recovered the ground lost in the first quarter.

The effect of the pandemic can be seen in all lines of the income statement. Although some impacts cannot be specifically isolated, either because they follow from the resulting fall in sales, or because the connection to COVID-19 cannot be reliably quantified, the fall in EBITDA can largely be attributed to the health crisis, considering:
- Sales fell much further than the automatic effect of the reduced opening order book and reflected - all other things being equal - an activity shortfall of around €275 million, whose impact on the income is only half-compensated by the €35 million in grants and temporary support measures implemented by governments;
- Good performance in preserving margins in the execution of ongoing contracts (the gross margin rate in order book remained stable at the end of 2020 as compared to the end of 2019), despite overruns generated by business disruption, extended projects schedules and constrictive safety measures;
- Structural savings achieved through cost-reduction initiatives, particularly in payroll (down €31 million on 2019, so down 6% overall, or 7% excluding Smart Automation Solutions, which maintained a stable workforce in the context of its business growth).

2.3. Liquidity

Taking advantage of liquidity support programs for business implemented by various governments, the Group has taken out state-guaranteed loans:
- In France, on June 30, 2020, the Group signed a €200 million loan from its main banking partners, 90% guaranteed by the State. This loan was released at the start of July for a period of one year, extendable at Fives' sole option and without conditions for a further one to five years from the first anniversary date. It is already a given that the Group will take the option to extend, for at least three additional years. The first installment will therefore fall due in July 2022;
- In Italy, in the fourth quarter, some Subsidiaries of Fives signed various loans with their partner banks, for a total of €30.5 million, 80% or 90% guaranteed by the State. These loans will be amortized over periods of four to five years, with a first installment due after 12 or 18 months;
- In the United States, at the end of the year, some Subsidiaries of Fives signed a $20 million loan with their partner bank of, 95% guaranteed by the State. This loan has a five year term, with a first installment due at the end of the third year.

So, as of December 31, 2020, the Group had nearly €300 million cash on hands (including the almost full draw down of a revolving credit line of €115 million that expires end 2024).

2.4. Group Results in 2020

Sales

Sales for 2020 amounted to €1,610 million, which is down nearly 20% on 2019 (€1,999 million). On top of the effect of the lower opening order book (estimated as down 6%), the consequences of the health crisis were felt in two ways. First, the fall in order intake - along with a number of orders that were finally booked during the year, but after several months of delay - negatively impacted activity; the High Precision Machines (-30%) and Process Technologies (-26%) Divisions were particularly affected. Second, travel restrictions and the closure of customer sites led to a slowing of progress in ongoing projects; the Smart Automation Solutions Division thus recorded a (slight, at -7%) reduction in sales, despite the growth of its order book.

Gross margin

The 2020 gross margin was 18.6%, down by 0.7 points compared to 2019 (19.3%). Margins on contracts under execution were maintained, despite operational surcharges and disruption caused by the health situation. The significant fall in activity has, however, led to lower absorption of salaries and fixed production costs, which has not been fully offset by the benefit from temporary support measures implemented by governments (€25 million, so 1.6% of sales).

General expenses

General expenses were €259 million in 2020. They are down €43 million on 2019 (€302 million) thanks to:

- Structural savings made through cost reduction plans begun in 2019 and which continued through 2020 (€23 million);
- The reduction in travel and representation expenses (€14 million), only a portion of which will need to be reinstated after the health crisis, with new digital working methods having demonstrated their effectiveness;
- Grants and temporary support measures implemented by governments (€6 million).

Other operating income and expenses

Other operating income and expenses, including employee profit-sharing and incentive schemes, settled at - €5 million in 2020, an improvement of €7 million on 2019 (- €12 million), thanks both to an operating subsidy of €4 million accounted for as part of the COVID-19 crisis support measures, and to a downward revision (- €3 million) of impacts associated with the sharebased remuneration plan (for the most part with no effect on EBITDA).

EBITDA

Group EBITDA was €81 million in 2020, down €39 million on 2019 (€120 million), this fall being attributable to the consequences of the COVID-19 crisis.

This made it 5% of sales, so only down 1 point on 2019 (6%), with cost savings and the benefit from support measures implemented by governments enabling to partially offset the nearly 20% fall in sales.

SUMMARY OF CONSOLIDATED FIGURES

€ millions	2019	2020
Sales	**1,998.9**	**1,610.2**
Gross profit	386.3	300.0
General expenses	(302.3)	(258.6)
Other operating income and expenses (including employee profit-sharing and bonus schemes)	(12.0)	(5.2)
Amortization of intangibles related to acquisitions	(16.1)	(13.6)
Profit from recurring operations (EBIT)	**56.0**	**22.6**
EBITDA	**120.3**	**81.5**
Operating profit	**38.0**	**14.7**
Net financial result	(11.0)	(38.3)
Profit before tax	**27.0**	**(23.6)**
Income tax expense	(26.0)	(24.3)
Share of profit (loss) of associates	(23.6)	(26.9)
Net profit (loss)	**(22.6)**	**(74.8)**
Net profit (loss), Group Share	(22.8)	(75.1)

SALES BY ACTIVITY

€ millions	2019	2020
Smart Automation Solutions	582.7	542.1
High Precision Machines	414.1	288.2
Process Technologies	859.5	636.5
Transversal activities and other activities	142.6	143.4
Total	**1,998.9**	**1,610.2**

SALES BY GEOGRAPHICAL AREA

€ millions	2019	2020
Americas	585.9	450.1
Asia and Oceania	447.8	390.9
Europe	797.4	643.9
The Middle East & Africa	167.8	125.3
Total	**1,998.9**	**1,610.2**
Contribution from mature economies	64%	70%
Contribution from emerging countries	36%	30%
Of which China	*9%*	*11%*
Of which Others	*27%*	*19%*

Profit from recurring operations (EBIT)

The Group's profit from recurring operations for 2020 was €23 million, down €33 million on 2019 (€56 million). In relation to EBITDA, it benefited from reduced amortization (- €3 million) and the revision of impacts associated with the share-based remuneration plan (- €3 million).

Operating profit

The Group's operating profit for 2020 was €15 million, down €23 million on 2019 (€38 million).

This included €8 million restructuring costs linked to the ongoing cost reduction plans (following an €18 million cost in 2019), mainly in the aerospace and automotive segments (High Precision Machines), as well as in the aluminium segment (Process Technologies).

Net financial result

Net financial result includes the cost of net financial debt, foreign exchange gains or losses (including forward points on foreign exchange derivative hedging and changes in fair value of derivative instruments not eligible for hedge accounting), financial expenses relating to defined-benefit pension plans (interest cost of the obligation net of expected return on fund assets) and French long-service awards ("IDR"), as well as income from associates. It was in the red by €38 million, compared to an €11 million loss in 2019.

	2019	2020
Cost of net financial debt	(11.0)	(16.0)
Other financial items	0	(22.3)
- of which foreign exchange gains or losses	*1.7*	*(21.2)*
- of which others	*(1.7)*	*(1.1)*
Net financial result	**(11.0)**	**(38.3)**

Cost of net debt increased to €16 million, up €5 million on the preceding year (€11 million). Most of this increase was accounted for following the recording of the state-guaranteed loans.

The foreign exchange result was a loss of €21 million, compared to a profit of €2 million in 2019. This was mainly caused by the effects of changes in euro-dollar parities on the unhedged balance (due to long maturity) of dollar loans made by Fives to its American Subsidiaries. Because of the dollar's significant depreciation against the euro between the close of 2019 (€1 = $1.12) and the close of 2020 (€1 = $1.23), a foreign exchange loss, mostly unrealized (€17 million) was recorded in 2020.

Income tax

The total tax expense for the 2020 financial year was €24 million and can be broken down as follows:

	2019	2020
Current tax	(22.8)	(18.7)
Deferred tax	2.2	(1.2)
Tax expense excluding CVAE and IRAP	**(20.6)**	**(19.9)**
CVAE / IRAP	(5.4)	(4.4)
Tax expense	**(26.0)**	**(24.3)**

The current tax expense is €19 million, an improvement of €4 million on 2019 (- €23 million). It has not fallen in proportion to the profit from recurring operations, since a number of Subsidiaries, active in segments that have stood up well (Smart Automation Solutions, Energy and Steel) or in less affected locations (Japan and China for example), saw no reduction in their tax expense in 2020.

The change in deferred tax is mainly explained by the non-activation in 2020 of deficits generated in the United States in the aerospace sector, given the change in this sector's outlook caused by the COVID-19 health crisis.

Share of profit (loss) of associates

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

The commercial activity of the AddUp sub-group was strongly affected by the health crisis, which contributed to delays in investment decisions (particularly in the aerospace and automotive sectors), temporarily slowing the pace of adoption of a disruptive technology that is extremely promising but shaking up established methods of production. In this context, and with ongoing development efforts (taking the form of the recent launch of a new generation of very high-performance industrial machines), AddUp's contribution to the Group's net result is a loss of €27 million in 2020, compared to a loss of €24 million in 2019. The business is expected to progress in 2021, sustained by large scale partnership opportunities with certain major customers.

Net profit (loss)

Net result for 2020 was therefore a loss of €75 million, compared to a loss of €23 million in 2019. This decline was mainly caused by the fall in EBITDA, associated with the health crisis, and the (mostly unrealized) foreign exchange loss on intra-group loans caused by the fall in the year-end closing rate of the Group's main operating currencies against the euro.

3. FIVES GROUP PROSPECTS IN 2021

The Group ended 2020 with an order book standing at €1,372 million, down €30 million on 2019 (€1,402 million) due to forex effects (-€32 million). At constant exchange rates, Fives was therefore able to stabilize its order book in spite of the pandemic, and without compromising quality, with the embedded margin also remaining stable.

On this basis, sales in 2021 should grow, driven by strong growth in Smart Automation Solutions' order book, while the recovery from the crisis anticipated from the second quarter (in particular thanks to acceleration in the vaccination process) should enable High Precision Machines and Process Technologies - whose break-even points have been further lowered - to bounce back after the low point reached at the end of 2020. The massive stimulus packages planned by governments should also encourage a more distinct recovery from mid-2021.

The health crisis has, ultimately, accelerated fundamental market trends that had been present for the past several years:

- The digitization of internal and production processes, aiming to optimize industrial performance with smart tools, and to ensure business continuity with remote control of installations. This is central to the Group's innovation programs;
- The fight against climate change, reflected in the growing consideration of societal and environmental factors in investment choices. The Group's offer, particularly in the Process Technologies Division, is meeting this challenge, with technologies that help reduce installations' carbon footprint (lower water and energy consumption, lower CO_2 emissions, etc.);
- The regionalization of commercial transactions, in view of questions of national sovereignty over industrial sectors considered to be strategic, of the priority given by States to supporting employment and the local economic context, and of the increasing complexity of managing long procurement cycles. This aspect is reflected in the Group's industrial organization and locations, with three major geographic areas: North America, Europe and Asia.

These trends, broadly anticipated by Fives in its strategic choices, and lying at the heart of its sense of purpose, enhance its competitive position, its resilience and its medium-term growth potential.

ORDER BOOK BY ACTIVITY

€ millions	12.31.19	12.31.20
Order book at Dec. 31	1,402.1	1,372.2
Smart Automation Solutions	504.7	624.5
High Precision Machines	190.3	166.7
Process Technologies	611.9	454.4
Transversal activities and other activities	95.2	126.6
Total	**1,402.1**	**1,372.2**

ORDER BOOK BY GEOGRAPHICAL AREA

€ millions	12.31.19	12.31.20
Americas	275.7	365.1
Asia and Oceania	387.3	310.4
Europe	618.4	596.1
The Middle East & Africa	120.7	100.6
Total	**1,402.1**	**1,372.2**
Contribution from mature economies	62%	67%
Contribution from emerging countries	38%	33%
Of which China	*13%*	*12%*
Of which Others	*25%*	*21%*

NON-FINANCIAL INDICATORS

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

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

Social indicators

	2018	2019	2020	The Americas	France	Europe excl. France	Asia and Africa*
Employees	8,658	8,427	**8,047**	1,567	4,083	1,308	1,089
Workforce at year-end from acquisitions completed in the year	0	0	**0**	0	0	0	0
Workforce at year-end of companies entering the consolidated scope	0	0	**0**	0	0	0	0
Number of new hires (all types of contracts)	1,140	950	**877**	169	482	151	75
Workforce by gender							
Percentage of men	84%	84%	**84%**	85%	85%	85%	79%
Percentage of women	16%	16%	**16%**	15%	15%	15%	21%
Share of women in management - total	16%	17%	**18%**				
Share of women among CEOs	1%	3%	**3%**				
Share of women on Management Committees	14%	15%	**20%**				
Share of women managers who report directly to a Management Committee member	17%	18%	**18%**				
Number of nationalities	70	65	**79**				
Employees by category							
Under 20	0%	0%	**0%**	0%	0%	0%	0%
From 20 to 29	14%	12%	**13%**	2%	17%	16%	15%
From 30 to 39	27%	28%	**28%**	20%	28%	23%	45%
From 40 to 49	25%	26%	**26%**	19%	27%	26%	26%
From 50 to 59	26%	25%	**25%**	29%	25%	11%	11%
60 and more	8%	9%	**7%**	19%	4%	3%	3%
Employees by length of service							
Under 5 years	42%	42%	**43%**	14%	51%	18%	16%
5 to 10 years	21%	19%	**16%**	11%	54%	16%	18%
11 to 15 years	11%	12%	**14%**	7%	63%	16%	14%
16 to 20 years	8%	7%	**8%**	7%	69%	15%	9%
21 to 25 years	5%	6%	**5%**	10%	59%	24%	7%
26 to 30 years	5%	5%	**5%**	12%	62%	16%	11%
31 to 35 years	3%	4%	**4%**	15%	55%	25%	4%
36 to 40 years	3%	3%	**3%**	17%	65%	13%	6%
41 years and more	2%	2%	**2%**	38%	40%	18%	4%

* Including the Middle East and Australia

	2018	2019	2020
Employees by region			
Americas	22%	21%	**19%**
France	50%	50%	**51%**
Europe (excluding France)	15%	15%	**16%**
Asia and Africa (including the Middle East and Australia)	13%	14%	**14%**
Employees by activity (new organization defined in 2019)			
Smart Automation Solutions		18%	**20%**
High Precision Machines		21%	**22%**
Process Technologies		41%	**40%**
Holding		2%	**2%**
Others		18%	**17%**
Skills and mobility management			
% of employees reviewed by the CEDRE[1] career management committee	63%	67%	**55%**
% of employees receiving regular appraisal interview	77%	76%	**71%**
% of employees having attended at least one training course	74%	70%	**63%**
Number of employees shared between the companies[3]	85	154	**228**
Number of people who underwent a starter interview[2]	618	559	**468**

[1] CEDRE: Career management committee (Human resources evaluation and development committee)

[2] Starter interviews: Assimilation reports completed 6 to 18 months after new hires arrive

[3] Only French perimeter

The Group workforce reached 8,047 employees at end 2020: a decrease in numbers caused by the reorganization of certain activities primarily serving the aluminium, oil & gas, aerospace and automotive industries in France, the United Kingdom and the United States.

The proportion of women is steady at 16%. The total proportion of women in management roles increased in 2020. In early 2020, the Group implemented the Women@Fives program to promote the representation of women at all levels of the organization and to make Fives more attractive to female applicants.

While the figures related to the processes implemented to ensure skills development and mobility declined overall between 2019 and 2020, they should be viewed in light of the COVID-19 context. They demonstrate that in spite of the context efforts were not relaxed, the committees were held wherever it was possible – or were postponed to the beginning of the next year. The teams continued to receive training, most of which was redesigned to be delivered remotely in virtual classrooms.

The transfer of employees between entities significantly increased in 2020 with 228 staffer contracts. As part of this scheme which enables skills to be shared between Group entities, 16 entities provided know-how and business knowledge to 26 other entities. The scheme also helps optimize Group resource management: entities with a heavy workload (in particular the Smart Automation Division) were able to rely on employees from other Divisions where the levels of activity were affected by the health crisis.

INNOVATION INDICATORS

	2018	2019	2020
R&D expenditure in millions of euros	34.1	33.6	**28.8**
Breakdown of R&D expenditure			
Costs of patents and trademarks	8%	8%	**9%**
Standard design and formalization of know-how	8%	7%	**8%**
Continuous improvement of products and processes	25%	25%	**28%**
Development of new products and processes	43%	46%	**40%**
Research and radical innovation activities	17%	14%	**16%**
Patents and trademarks			
Number of patents and patents applications in force	2,113	1,952	**2,016**
Number of patent families in force	645	609	**612**
Number of first patents applications (new patented inventions)	45	46	**50**
Number of first patents applications relating to equipment energy and environmental performance	7	8	**11**
% of these patents relating to equipment energy and environmental performance	16%	17%	**22%**
Number of "product" trademarks registered or being registered	132	137	**139**
Number of R&D and test centers			
Number of research and test centers[1] *France: 17, Americas: 6, Europe (excl. France): 5, Asia: 2*	30	30	**31**

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

Despite the impact of the health crisis on the Group's results, the Research & Development effort remained significant in 2020, with the number of first patents filed even increasing compared to 2019.

The distribution of effort between research activities, the development of new products and the improvement of the existing range is essentially unchanged from previous years, reflecting good control of the project portfolio.

Lastly, in 2020 the Group set up a digital committee made up of Division representatives and managers for each major theme (cybersecurity, human resources, IoT, data-science) in order to steer the digital roadmap and foster synergies between Divisions.

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

Corporate Social Responsibility (CSR) reporting covered all sites with an average workforce of 10 or more in 2020, as well as all sites with an industrial activity.

CSR CROSS-SECTIONAL INDICATORS

	2018	2019	2020	The Americas	France	Europe excl. France	Asia and Africa (*)
Number of Subsidiaries included in the scope of the CSR report	72	74	**74**	20	19	15	20
Subsidiaries acquired in n-1 that entered the CSR scope in n	2						
Subsidiaries integrated into the CSR scope	2	2					
Total number of sites	105	108	**108**	22	40	20	26
Industrial sites	44	43	**44**	12	17	8	7
Offices	31	31	**31**	5	10	6	10
Combined sites, test centers and regional facilities	30	34	**33**	5	13	6	9
Management system							
Number of sites with ISO 9001 certification	71	74	**77**	13	31	16	17
Number of sites with pending ISO 9001 certification	1	2	**1**	0	0	0	1
Health, Safety and Environment community							
Number of Group HSE representatives	75	80	**80**				
Number of Group HSE auditors	25	16	**16**				
Number of Group HSE visits and audits conducted	6	50[1]	**0**[2]				

* Including the Middle East and Australia

[1] From 2019 visits are included in in this indicator

[2] In 2020 no HSE visits or audits were conducted due to the COVID-19 health crisis

ETHICS INDICATORS

Business ethics trainings	2019	2020	The Americas	France	Europe excl. France	Asia and Africa (*)
People trained remotely	207	**395**	130	146	72	47
People trained in e-learning	225	**0**	0	0	0	0

* Including the Middle East and Australia

In 2020, the Group Compliance Department continued to deploy the anti-corruption system, training close to 400 employees remotely.

In addition, new e-learning modules, notably devoted to export compliance, were developed at end 2020. They will be provided to employees involved in the international sales process starting in 2021.

HEALTH & SAFETY INDICATORS

	2018	2019	2020
Number of industrial sites	44	43	**44**
Number of sites with safety certification*	28	29	**33**
Number of sites engaged in safety certification	2	1	**2**
Percentage of industrial sites with safety certification	32%	33%	**39%**
Percentage of Subsidiaries with a written and distributed Health & Safety Policy	88%	88%	**88%**
Number of FTE[1] Health and Safety in the Group	69.4	71.4	**68.8**
Number of severe accidents**	1	3[2]	**3**
Number of which were fatal	0(1[3])	1	**0(2[4])**
Number of lost-time accidents (≥ 1 day)	55	54	**37**
Lost-time accident frequency rate (Number of lost-time accidents (≥ 1 day) x 1,000,000 / Number of hours worked)	3.30	3.39	**2.65**
Severity rate (Number of lost-time accidents (≥ 1 day) x 1,000 / Number of hours worked)	0.122	0.200	**0.100**

[1] FTE: Full-Time Equivalent
[2] Correction of 2019 data: 3 not 4 as indicated in the 2019 non-financial indicators
[3] One fatal accident involving a subcontractor in Algeria in 2018
[4] Subcontractors – 2 deaths on a worksite in Mexico in 2020
* OHSAS 18001 or French MASE ("Manuel d'Amélioration Sécurité des Entreprises") certification (Corporate Safety Improvement Manual), French safety management system
** Severe accidents: accidents which could have severe reversible or irreversible consequences, or which could cause death

In the context of the COVID-19 crisis, the Group's Subsidiaries made every effort to protect the health and guarantee the safety of all their employees, as part of their business continuity plans.

The commitment of the HSE teams and all the Group's employees should be stressed. The lost-time accident frequency rate fell from 3.39 to 2.65 and the severity rate reached 0.10, even better than 2018's level.

In 2021, the Group will therefore continue to deploy its health and safety action plan by strengthening its risk prevention actions prior to all our teams' operations.

ENVIRONMENTAL INDICATORS

	2018	2019	2020	The Americas	France	Europe excl. France	Asia and Africa (*)
Number of sites with ISO 14001 certification (all types of sites)	46	47	**50**	13	18	11	8
ISO 14001 certification for industrial sites							
Number of industrial sites	44	43	**44**	12	17	8	7
Number of industrial sites with ISO 14001 certification	33	34	**35**	10	13	8	4
Number of sites with ISO 14001 certification in progress	1	3	**2**	0	1	0	1
% of industrial sites with ISO 14001 certification	75%	79%	**80%**	83%	76%	100%	57%
ISO 14001 certification for other types of sites (offices, combined sites, test centers, regional facilities)							
Number of non-industrial sites with ISO 14001 certification	13	13	**15**	3	5	3	4
% of non-industrial sites certified	21%	20%	**23%**	30%	22%	25%	21%
Environmental management system							
% of sites that have written and distributed an Environment policy	65%	67%	**68%**	64%	65%	85%	62%
Number of FTE** Environment staff in the Group	22.9	25.2	**22.4**	4.48	9.97	5.22	2.75
Energy consumption in GWh							
Electricity consumption in GWh	66.0	63.8	**61.5**	24.8	19.7	5.8	11.3
Natural gas and heating oil consumption in GWh	64.7	62.7	**56.4**	27.7	16.8	10.3	1.6
Total energy consumption in GWh	130.6	126.4	**117.9**	52.5	36.5	16.1	12.8
Energy consumption in €000							
Electricity consumption in €000	6,115	6,625	**6,156**	2,103	2,022	835	1,195
Natural gas and heating oil consumption in €000	1,805	1,970	**1,746**	443	757	470	76
Total energy consumption in €000	7,920	8,595	**7,901**	2,546	2,779	1,304	1,271
Total Energy consumption kWh per hour worked (employees + temporary workers)	7.8	7.9	**8.4**	18.1	5.5	7.6	5.6
Water consumption							
Water consumption (industrial sites) in m^3	89,014	99,204	**86,420**	29,708	25,358	9,864	21,490
Water consumption (industrial sites) in €000	247	300	**246**	123	73	36	14

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

While the 2020 health crisis disrupted the certification schedule of some sites, further progress was made with the ISO 14001 certification in 2020. With the certification of the new Fives Services Gulf workshop in Bahrain, 80% of the Group's industrial sites are now ISO 14001 certified. Certification is underway for two other Group sites, which should be certified during 2021.

The reduced level of activity and the massive adoption of work from home arrangements led to a significant decrease in the Group's energy consumption in 2020, which fell by 7% compared to 2019.

This decrease did not however match the decrease in worked hours (minus 13%): the energy consumption per worked hour therefore increased by 7% compared to the previous year. This can be explained by the fact that some sources of energy consumption (especially those related to lighting and heating premises) are not totally dependent on the level of activity.

The water consumption did however match the decrease in worked hours as it is directly correlated to employee attendance on site, it therefore fell by 13% compared with 2019's consumption.

Overall, the Group's energy and water bill fell by close to 8% in 2020, which represents a saving of almost €750k.

CORPORATE GOVERNANCE

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

SENIOR MANAGEMENT

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

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

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

Composition of Senior Management

Frédéric Sanchez, 61 years old, Chairman & Chief Executive Officer.
Appointed to this role on December 20, 2018, for an unlimited term.

Martin Duverne, 64 years old, Deputy Chief Executive Officer.
Appointed to this role on December 20, 2018, for an unlimited term.

THE SUPERVISORY COMMITTEE

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

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

It meets at least four times a year.

Composition of the Supervisory Committee

Philippe Reichstul, 72 years old, Chairman and member of the Supervisory Committee.
Appointed on December 20, 2018, his term of office will expire at the end of the General Meeting called to approve the 2020 financial statements.

Alain Cianchini, 38 years old, member of the Supervisory Committee.
Appointed on January 23, 2020, his term of office will expire at the end of the General Meeting called to approve the 2022 financial statements.

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

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

Heyoung H Lee Bouygues, 49 years old, member of the Supervisory Committee.
Appointed on December 20, 2018, her term of office will expire at the end of the General Meeting called to approve the 2020 financial statements.

Antonio Marcegaglia, 57 years old, member of the Supervisory Committee.
Appointed on December 20, 2018, his term of office will expire at the end of the General Meeting called to approve the 2020 financial statements.

Jean-Georges Malcor, 64 years old, member of the Supervisory Committee.
Appointed on December 20, 2018, his term of office will expire at the end of the General Meeting called to approve the 2020 financial statements.

Laurence Parisot, 62 years old, member of the Supervisory Committee.
Appointed on December 20, 2018, her term of office will expire at the end of the General Meeting called to approve the 2020 financial statements.

Jean-Dominique Senard, 68 years old, member of the Supervisory Committee.
Appointed on May 24, 2019, his term of office will expire at the end of the General Meeting called to approve the 2021 financial statements.

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

SENIOR EXECUTIVE COMMITTEE

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

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

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

It meets at least once every six weeks.

Composition of the Senior Executive Committee

Frédéric Sanchez, 61 years old, Chairman & Chief Executive Officer
Martin Duverne, 64 years old, Deputy Chief Executive Officer
Denis Mercier, 61 years old, Deputy General Manager of Fives
Suresh Abye, 42 years old, Finance Director
Raphaël Constantin, 51 years old, Deputy General Manager, President of the High Precision Machines Division
Alain Cordonnier, 60 years old, Deputy General Manager, President of the Cement & Minerals Division
Sébastien Gauguier, 45 years old, President of the Aluminium Division
Guillaume Mehlman, 56 years old, Deputy General Manager, President of the Steel & Glass Division
Céline Morcrette, 42 years old, Human Resources Director
Luigi Russo, 47 years old, Deputy General Manager, President of the Smart Automation Solutions Division
Michelle Shan, 55 years old, Country Director, China
Frédéric Thrum, 49 years old, Deputy General Manager, President of the Energy Division

THE EXECUTIVE COMMITTEE

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

It meets at least four times a year.

Composition of the Executive Committee

The Executive Committee is made up of members of the Senior Executive Committee:
Frédéric Sanchez, 61 years old, Chairman & Chief Executive Officer
Martin Duverne, 64 years old, Deputy Chief Executive Officer
Denis Mercier, 61 years old, Deputy General Manager of Fives
Suresh Abye, 42 years old, Finance Director
Raphaël Constantin, 51 years old, Deputy General Manager, President of the High Precision Machines Division
Alain Cordonnier, 60 years old, Deputy General Manager, President of the Cement & Minerals Division
Sébastien Gauguier, 45 years old, President of the Aluminium Division
Guillaume Mehlman, 56 years old, Deputy General Manager, President of the Steel & Glass Division
Céline Morcrette, 42 years old, Human Resources Director
Luigi Russo, 47 years old, Deputy General Manager, President of the Smart Automation Solutions Division
Michelle Shan, 55 years old, Country Director, China
Frédéric Thrum, 49 years old, Deputy General Manager, President of the Energy Division

And the following people:
Hervé Boillot, 51 years old, Mergers & Acquisitions, Strategy Director
Daniel Brunelli-Brondex, 60 years old, Country Director, India
Jean-Marie Caroff, 59 years old, International Development Director
Arnaud Lecœur, 50 years old, General Counsel
Frédéric Renaud, 68 years old, Country Director, Italy
Thierry Valot, 53 years old, Innovation and Digital Director

THE COUNTRY COORDINATION AND STEERING COMMITTEES

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

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

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

They meet three or four times a year.

THE COUNTRY DIRECTOR

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

THE AUDIT COMMITTEE

This committee was created by the Supervisory Committee.

Its general role is to assist the Supervisory Committee to monitor issues relating to the preparation and verification of financial and accounting information, and more specifically:
- the process of preparing financial information;
- the effectiveness of the internal control and risk management systems;
- the verification of corporate and consolidated financial statements by the statutory auditors.

It meets at least four times a year.

Composition of the Audit Committee

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

INTERNAL CONTROL

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

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

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

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

With regard to the preparation and processing of accounting and financial information, internal control is based on:
- implementation of professional accounting and financial procedures throughout the Fives Group by building on the experience of its staff;
- uniform guidelines, accounting methods and consolidation rules;

- a common integrated consolidation and management application, thus ensuring the consistency of accounting data and management information.

EXTERNAL CONTROL

The Company's Statutory Auditors are:
- **Ernst & Young et Autres**, represented by Pierre Jouanne, reappointed on June 28, 2018.
- **Deloitte & Associés**, represented by Pascal Colin, reappointed on June 28, 2018.

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

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

FINANCIAL AND LEGAL INFORMATION

FINANCIAL INFORMATION

Share capital

On December 31, 2020, 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 2020 the share capital was not subject to any changes.

Share ownership

Fives' main shareholder on December 31, 2020 was Novafives, which held 99.99% of the share capital.

Stock options and allocation of bonus shares

The company had not put in place any stock option plans or allocation of bonus shares as at December 31, 2020.

Dividends / Distribution of reserves

No dividends were paid in 2018, 2019 and 2020.

LEGAL INFORMATION

Company name and registered office

Fives, 3 rue Drouot, 75009 Paris.

Legal form

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

Term

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

Trade and companies registry

Paris Trade Register no. 542 023 841.

Financial year

January 1 to December 31.

Purpose (summary of Article 2 of the Memorandum and Articles of Association)

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

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

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

The balance, plus retained earnings, if any, forms the distributable earnings.
This profit is available to the shareholders who have the sole authority to decide how to allocate it. As such, the shareholders may appropriate all or some of this profit to transfer it to all of the general and specific

reserves, carry it forward, or distribute it among the shareholders, in compliance with articles L. 232-11 et seq. of the French Commercial Code.

The balance, if any, is allocated to the sole shareholder or, if there is more than one shareholder, is shared by decision of the shareholders subject to the quorum and majority requirements stipulated in Article 23 of the Memorandum and Articles of Association, in proportion to the number of shares held by each of them.

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

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

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

Conditions governing General Meetings

(summary of Articles 21, 22 and 23 of the Memorandum and Articles of Association)

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

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

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

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

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

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

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

Legal documents

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

SOMMAIRE COMPTES CONSOLIDÉS

CONSOLIDATED INCOME STATEMENT

In thousands of euros	Notes	2020	2019
Sales	6.2	**1,610,235**	**1,998,890**
Cost of sales		(1,310,237)	(1,612,555)
Gross profit		**299,998**	**386,335**
Selling expenses		(91,346)	(112,327)
Administrative expenses		(146,617)	(166,542)
Research and development expenses	6.4	(20,656)	(23,461)
Employee profit sharing and bonus schemes		(4,112)	(3,974)
Other operating income and expenses	6.5	(1,057)	(8,001)
Amortization of intangible assets related to acquisitions	6.6	(13,572)	(16,060)
Profit from recurring operations		**22,638**	**55,970**
Restructuring costs	6.7	(8,343)	(18,464)
Impairment of fixed assets		431	(3,333)
Gain (loss) on disposals and acquisition costs	6.8	(24)	3,853
Operating profit		**14,702**	**38,026**
Cost of net financial debt	6.9	(15,996)	(11,058)
Other financial income and expense	6.9	(22,262)	67
Net financial income (expense)		**(38,258)**	**(10,991)**
Profit (loss) before income tax		**(23,556)**	**27,035**
Income tax expense	6.10	(24,345)	(26,046)
Share of profit (loss) of associates	6.11	(26,874)	(23,582)
Profit (loss) for the year		**(74,775)**	**(22,593)**
Attributable to owners of the Group		(75,113)	(22,817)
Attributable to non-controlling interests		338	224

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In thousands of euros	Notes	2020	2019
Profit (loss) for the year		**(74,775)**	**(22,593)**
Foreign currency translation differences		(9,704)	3,929
Total Items subsequently recycled through profit and loss		**(9,704)**	**3,929**
Actuarial gains (losses)	6.23	(3,044)	(9,877)
Deferred tax on actuarial gains and losses		648	1,666
Net change in fair value of financial assets		(105)	144
Deferred tax on net change in fair value of financial assets		14	(3)
Share of net profit or loss of associates			
Total Items that may not be recycled through profit and loss		**(2,487)**	**(8,070)**
Total comprehensive income		**(86,966)**	**(26,734)**
Attributable to:			
- Owners of the Group		(87,267)	(26,793)
- Non-controlling interests		301	59

CONSOLIDATED BALANCE SHEET

ASSETS

In thousands of euros	Notes	Dec. 31, 2020	Dec. 31, 2019
Goodwill	6.12	237,408	253,165
Intangible assets	6.13	58,506	68,090
Property, plant and equipment	6.14	200,978	219,194
Non-current financial assets	6.15	30,200	52,001
Deferred tax assets	6.10	35,165	43,715
Non-current assets		**562,257**	**636,165**
Inventories and work in progress	6.16	149,647	178,946
Contract assets	6.17	222,351	221,546
Trade receivables	6.18	376,507	373,271
Other current assets	6.19	102,316	127,411
Current financial assets	6.15	31,833	5,784
Current tax assets		5,828	2,148
Cash and cash equivalents	6.20	300,220	110,528
Current assets		**1,188,702**	**1,019,634**
Total assets		**1,750,959**	**1,655,799**

SHAREHOLDERS' EQUITY AND LIABILITIES

In thousands of euros	Notes	Dec. 31, 2020	Dec. 31, 2019
Share capital		102,724	102,724
Share premium and reserves		271,764	296,446
Foreign currency translation reserve		14,544	24,235
Profit (loss) attributable to owners of the Group		(75,113)	(22,817)
Shareholders' equity attributable to owners of the Group		**313,919**	**400,588**
Non-controlling interests		1,202	1,705
Shareholders' equity	6.22	**315,121**	**402,293**
Non-current provisions	6.23	69,380	67,953
Non-current financial debt	6.24	335,991	114,722
Other non-current liabilities	6.25	19,929	12,084
Deferred tax liabilities	6.10	4,717	11,080
Non-current liabilities		**430,017**	**205,839**
Current provisions	6.23	70,030	76,874
Current financial debt	6.24	145,861	105,389
Contract liabilities	6.17	230,812	216,357
Trade and related payables		395,984	466,353
Current tax liabilities		10,847	10,115
Other current liabilities	6.25	152,287	172,579
Current liabilities		**1,005,821**	**1,047,667**
Total shareholders' equity and liabilities		**1,750,959**	**1,655,799**

CONSOLIDATED CASH FLOW STATEMENT

In thousands of euros	*Notes*	**2020**	**2019**
Cash and cash equivalents at January 1		**109,268**	**146,927**
Operating activities			
Profit (loss) for the year		**(74,775)**	**(22,593)**
Adjustments for:			
Change in non-current provisions		(3,177)	(198)
Amortization, depreciation and impairment		57,885	64,455
Net loss (gain) on disposals of assets and acquisition costs		(3,897)	(3,748)
Profit of equity-accounted associates		26,874	23,582
Other non-cash income and expense items		14,086	2,735
Income tax expense		24,345	26,045
Cost of net financial debt		15,996	11,058
Operating cash flow before change in working capital and income tax		57,337	101,336
Change in working capital	*6.21*	(30,991)	(57,632)
Income tax paid		(26,093)	(20,511)
Net cash provided by operating activities		**253**	**23,193**
Investing activities			
Acquisitions of property, plant and equipment and intangible assets		(23,813)	(27,470)
Disposals of property, plant and equipment and intangible assets		5,907	9,916
Change in financial assets		(29,608)	(16,234)
Acquisitions of Subsidiaries after deduction of acquired cash		(946)	(6,124)
Net cash used in investing activities		**(48,460)**	**(39,912)**
Financing activities			
Dividends paid to owners of non-controlling interests		(289)	(514)
Net increase in borrowings		247,522	(14,114)
Net interest paid		(10,164)	(10,636)
Net interest received		1,267	1,487
Net cash provided by / (used in) financing activities		**238,336**	**(23,776)**
Effect of exchange rate fluctuations		148	2,836
Net increase in cash and cash equivalents		**190,277**	**(37,659)**
Cash and cash equivalents at December 31	*6.20*	**299,545**	**109,268**

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

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

In thousands of euros	Share capital	Premiums, retained earnings and reserves	Actuarial gains (losses) on pensions	Foreign currency translation reserve	Financial assets - fair value reserve	Equity attributable to the owners of the Group	Non-controlling interests	Total equity
Shareholders' equity at January 1, 2020	**102,724**	**292,644**	**(20,124)**	**24,236**	**1,108**	**400,588**	**1,705**	**402,293**
Profit (loss) for the year		(75,113)				**(75,113)**	338,	**(74,775)**
Other comprehensive income			(2,370)	(9,692)	(92),	**(12,154)**	(37)	**(12,191)**
Profit (loss) and other comprehensive income		**(75,113)**	**(2,370)**	**(9,692)**	**(92)**	**(87,267)**	**301**	**(86,966)**
Dividends paid							(289)	**(289)**
Share-based payment		903				**903**		**903**
Change in consolidation scope and other changes		(305)				**(305)**	(515)	**(820)**
Shareholders' equity at December 31, 2020	**102,724**	**218,129**	**(22,494)**	**14,544**	**1,016**	**313,919**	**1,202**	**315,121**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL PRESENTATION

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

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

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

The consolidated financial statements have been prepared under the responsibility of the Chairman, who approved them on March 26, 2021. They will be final when approved by the shareholders at their General Meeting on April 7, 2021.

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, 2020 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, 2020. The international standards comprise International Accounting Standards (IAS), International Financial Reporting Standards (IFRS) and SIC and IFRIC interpretations.

The following standards are mandatory for the Group for financial years beginning on or after January 1, 2020:
- Amendments to References to the Conceptual Framework in IFRS Standards
- Amendments to IAS 1 and IAS 8 - Definition of Material
- Amendments to IFRS 3 - Definition of a Business
- Amendments to IFRS 9, IAS 39 and IFRS 7 - Interest Rate Benchmark Reform – Phase 1
- Impact of first-time adoption of COVID-19-Related Rent Concessions (Amendment to IFRS 16)
- Interpretation of IFRS IC on determining lease terms and the useful life of leasehold improvements

The following standards and interpretations are not yet mandatory or have not yet been approved by the European Union. The Group has elected to not apply them early:
- Amendments to References to the Conceptual Framework in IFRS Standards
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform – Phase 2
- Amendments to IAS 1 – Presentation of Financial Statements – Classification of Liabilities as Current or Non-current
- Amendments to IAS 16 – Property, plant and equipment – Proceeds before Intended Use
- Amendments to IFRS 3 – Business Combinations – References to the Conceptual Framework
- Annual improvements to IFRS Standards 2018-2020

The Group is currently assessing these changes, but does not expect any significant impact on the financial statements.

All the IFRS adopted by the European Union are available for viewing on the European Commission's website at the following address:
http://data.europa.eu/eli/reg/2008/1126/2018-01-01

2.2. Basis of preparation of the consolidated financial statements

The Group's consolidated financial statements have been prepared using historical costs, with the exception of financial assets and liabilities stated at fair value (excluding trade payables and receivables, and other held-to-maturity financial assets).

2.3. Presentation of financial statements

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

2.4. Consolidation methods

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

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

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

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

2.5. Significant estimates and judgments

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

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

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

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

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

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

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

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

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

Estimates of provisions for litigation

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

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

Impairment of non-financial assets

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

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

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

Deferred tax assets

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

Employee benefits

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

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

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

2.6. Foreign currency transactions

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

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

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

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

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

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

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

2.8. Segment information

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

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

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

Operating segment information is presented in note 6.1.

2.9. Business combinations and goodwill

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

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

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

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

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

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

The methods used to test for impairment are described in note 2.14. In addition, the following principles apply to business combinations:
- Goodwill is allocated to each cash-generating unit likely to benefit from the business combination as of the acquisition date;
- Contingent consideration in a business combination is recorded at fair value as of the acquisition date and any subsequent adjustment occurring after the purchase price allocation period is recognized in the income statement;
- Acquisition-related costs are recognized as expenses when incurred, under "gains or losses on disposals and acquisition costs" on the income statement;
- Any acquisition or disposal of ownership interests that does not affect control subsequent to a business combination is accounted for as an equity transaction and recognized directly in equity, in accordance with IFRS 10;
- In the event of the acquisition of additional ownership interests in an associate without obtaining control, the Group maintains the assets acquired and liabilities assumed previously at their carrying amount in the consolidated financial statements;
- In the event that control is obtained in a step acquisition, the cost of the business combination includes the previously held equity interest in the acquiree remeasured at its acquisition-date fair value.

2.10. Research and development costs

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

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

In 2020, as very few development projects under way met all the conditions, the related development costs capitalized in the reporting period were not material.

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

2.11. Intangible assets

Separately acquired intangible assets are recognized at their acquisition cost.

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

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

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

2.12. Property, plant and equipment

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

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

2.13. Finance leases

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

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

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

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

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

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

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

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

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

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

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

Details of the assumptions used are provided in note 6.12.

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

2.15. Financial assets (excluding derivative instruments)

Initial measurement

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

Classification and measurement at the reporting date

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

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

Loans, receivables and held-to-maturity financial assets

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

Financial assets held for trading

This category of assets includes:

- Assets held for trading, which were purchased by the company in order to generate short-term profit;
- Derivative instruments that are not designated as hedging instruments.

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

Other financial assets

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

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

2.16. Financial liabilities (excluding derivative instruments)

Loans and borrowings

Loans and borrowings are initially recognized under financial liabilities at fair value, which may be lower than the carrying amount:

- The fair value of the loans and borrowings corresponds to their issue price net of any transaction costs incurred;
- When they are granted at a below-market rate of interest, as is the case for funding by public bodies under preferential conditions, the subsequent economic benefit is treated as a government grant, in accordance with IAS 20, and recognized as a reduction to the nominal value of the loan. The grant is amortized over the relevant period, and is either deducted from the related expense or recognized under 'other operating income and expense' if there are no specific costs to compensate.

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

Compound financial instruments

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

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

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

Earn-out clauses

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

Commitments to purchase non-controlling interests

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

2.17. Derivative instruments

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

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

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

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

Derivative instruments eligible for hedge accounting

The Group uses the criteria set forth in IFRS 9 to assess whether a derivative instrument qualifies for hedge accounting:

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

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

Fair value hedges

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

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

Cash flow hedges

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

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

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

Derivative instruments not eligible for hedge accounting

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

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

2.18. Order book

The Group uses the term "order book" to refer to all remaining performance obligations under ongoing contracts. No exception is made for short-term contracts.

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

At December 31, 2020, the Group's order book mainly contained orders of less than 15 months.

2.19. Revenue

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

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

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

In each of the above cases, the transfer of control takes place over time, as the service is rendered.
If none of the criteria is met, the client will only obtain control at a point in time, generally upon completion of the performance obligation.

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

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

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

Revenue and cost recognition

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

- For performance obligations under the percentage-of-completion method, the Group determines the stage of completion applicable to each contract by measuring the costs incurred to date over estimated costs at completion. The latter are reassessed at each reporting date. Completion is recognized upon provisional acceptance (or equivalent event) for contracts involving integrated systems subject to overall performance obligations. A provision is recognized for any remaining expenses that may be incurred to secure full acceptance. A contingency provision is recognized for future warranty costs.

Late performance penalties are recognized as a reduction in revenue. Losses at completion are recognized for their full amount if they are probable.

2.20. Contract assets and liabilities

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

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

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

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

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

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

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

2.22. Cash and cash equivalents

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

2.23. Provisions

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

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

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

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

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

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

The provisions are described in note 6.23.

2.24. Retirement benefits

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

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

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

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

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

2.25. Provisions for long-service awards

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

2.26. Share-based payments

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

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

In cash-settled transactions, the services giving rise to share-based payments are recognized under personnel expenses (in the line item "Other operating income and expenses") at the financial instruments' fair value at the reporting date, with an offsetting entry in liabilities ("Other liabilities" / "Other non-current liabilities") over the vesting period. Unvested financial instruments are not recognized.

The quantitative impacts for financial year 2020 are described in note 6.5.

2.27. 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 production tax (IRAP)

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

Treatment of tax credits relating to research and intellectual property

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

Deferred taxes

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

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

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

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

3. SIGNIFICANT EVENTS OF THE PERIOD

3.1. Impacts of the COVID-19 pandemic

The COVID-19 outbreak has created an unprecedented global health and economic crisis.

As an industrial engineering Group that recognizes revenue primarily on a percentage-of-completion basis, and with an order book of €1.4 billion at the start of financial year 2020, Fives was able to maintain operations. However, the negative repercussions on business and disruptions resulting from the health crisis significantly impacted revenue, down almost 20% compared with 2019. The Smart Automation Solutions Division demonstrated its resilience, with only a 7% decrease in revenue and strong growth prospects (order intake up 16%) driven by its fundamentals, including e-commerce and automation solutions, which were bolstered during the health crisis.

The effects of the pandemic were reflected across the entire income statement.
Although the significance of certain individual effects cannot be precisely determined, either because they relate to the decrease in revenue or the link to COVID-19 cannot be reliably established, the decrease in profit from recurring operations was mainly attributable to the health crisis.

Business activity in 2020 was impacted by:

- Reduced or suspended business operations for some of our companies due to the lockdowns imposed by local authorities, despite the widespread use of teleworking;
- Site closures for certain clients;
- Travel restrictions, which hampered performance of ongoing projects;
- Delays in the negotiation and implementation of new contracts.

The consequences of these difficulties on profit (loss) for the year, including the decrease in revenue, were only partly offset by government grants and temporary relief measures, sustained profit margins from ongoing projects and structural savings thanks to cost-cutting measures, including downsizing.

When preparing the consolidated financial statements for 2020, Management took the consequences of the pandemic into account, re-examining its estimates of the recoverable amounts of long-term assets, including goodwill (see note 6.12), and deferred tax assets relating to unused tax loss carryforwards (see note 6.10).

3.2. Liquidity

The Group called upon its banking partners to benefit from the State-backed loans offered as part of government aid programs.

- In France, on June 30, 2020, the Group took out a €200 million loan, 90%-guaranteed by the State. The loan was made available at the start of July for a period of one year. At the end of the initial term, the loan may be extended, with no conditions attached, by one to five more years at the sole discretion of the Group. It has already been assumed that the Group will opt to extend the loan for at least three additional years, with the first repayment scheduled for July 2022.

- In Italy, in the fourth quarter, certain Group Subsidiaries took out various loans for an aggregate €30.5 million, 80%-90% guaranteed by the State. The loans mature in four to five years, with an initial repayment due after 12 or 18 months.
- In the United States, at year-end, certain Group Subsidiaries took out a USD 20 million loan with their reference bank, 95%-guaranteed by the State. The loan matures in five years, with an initial repayment due at the end of the third year.

Consequently, at December 31, 2020, the Group had almost €300 million in available cash and cash equivalents (including a €115 million revolving credit line maturing end-2024 that was almost fully drawn down). (See note 6.24).

4. YEAR-ON-YEAR COMPARABILITY

The Group's financial statements were particularly impacted by the COVID-19 pandemic (See previous section).

There were no changes to the accounting policies applied by the Group in 2020, compared with 2019.

5. CONSOLIDATION SCOPE

There was no change in consolidation scope that could have a significant impact on the consolidated financial statements.

The list of companies included in the consolidation scope at December 31, 2020 is provided in note 6.32.

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

6.1. Operating segment information

The Group's operating segments are as follows:

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

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

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

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

Segment information

	2020	2019
Smart Automation Solutions	672,578	581,242
High Precision Machines	274,916	351,996
Process Technologies	489,995	761,394
Other	174,954	146,033
Total order intake	**1,612,443**	**1,840,665**
Smart Automation Solutions	624,523	504,666
High Precision Machines	166,731	190,330
Process Technologies	454,287	611,835
Other	126,615	95,228
Total order book	**1,372,156**	**1,402,059**
Smart Automation Solutions	542,079	582,657
High Precision Machines	288,151	414,070
Process Technologies	636,543	859,561
Other	143,462	142,602
Total sales	**1,610,235**	**1,998,890**
Smart Automation Solutions	27,931	38,216
High Precision Machines	(13,742)	6,017
Process Technologies	1,434	11,622
Other	7,017	115
Total profit from recurring operations	**22,640**	**55,970**
Smart Automation Solutions	38,290	48,573
High Precision Machines	5,042	26,541
Process Technologies	22,269	33,626
Other	15,863	11,530
EBITDA (*)	**81,464**	**120,270**

* EBITDA is defined as profit from recurring operations excluding amortization and depreciation (see note 6.6) and equity-settled share-based payment transactions (see note 6.5)

The breakdown of assets by operating segment is as follows:

Dec. 31, 2020	Smart Automation Solutions	High Precision Machines	Process Technologies	Other	Total
Goodwill	24,516	101,989	110,903		237,408
Intangible assets, property, plant and equipment	46,721	72,330	96,000	44,433	259,484
Total allocated assets	**71,237**	**174,319**	**206,903**	**44,433**	**496,892**
Other assets					1,254,067
Total assets					**1,750,959**

Dec. 31, 2019	Smart Automation Solutions	High Precision Machines	Process Technologies	Other	Total
Goodwill	24,913	110,371	117,881		253,165
Intangible assets, property, plant and equipment	51,375	87,832	115,497	32,581	287,285
Total allocated assets	**78,722**	**198,203**	**230,945**	**32,581**	**540,451**
Other assets					1,115,349
Total assets					**1,655,799**

6.2. Sales

Sales comprised the following:

	2020	2019
Revenue recognized based on the percentage-of-completion method	1,319,583	1,549,012
Revenue recognized based on the completed-contract method	290,652	449,877
Total	**1,610,235**	**1,998,890**

Sales by geographical destination

	2020	2019
Europe	643,882	797,417
Africa and Middle East	125,313	167,747
Americas	450,078	585,936
Asia and Oceania	390,962	447,790
Total	**1,610,235**	**1,998,890**

Sales by geographical origin

	2020	2019
Europe	924,446	1,155,134
Africa and Middle East	25,101	38,021
Americas	412,472	534,137
Asia and Oceania	248,216	271,598
Total	**1,610,235**	**1,998,890**

Information on major customers

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

6.3. Personnel expenses and headcount

Personnel expenses

	2020	2019
Personnel expenses	547,666	616,159
Total headcount at reporting date	8,047	8,427

Headcount at December 31 by type of contract

	2020	2019
Permanent contracts	7,574	7,797
Fixed-term contracts	305	409
Apprenticeships and internships	168	221
Total	**8,047**	**8,427**

6.4. Research and development costs

	2020	2019
Research and development expenses, gross	(28,766)	(33,554)
Research tax credits and grants received	8,110	10,092
Total	**(20,656)**	**(23,462)**

6.5. Other operating income and expense

	2020	2019
Share-based payment transactions		
- equity-settled share-based payment transactions	(834)	(3,173)
- cash-settled share-based payment transactions	116	(1,301)
Other	(339)	(3,527)
Total	**(1,057)**	**(8,001)**

Since 2018, Group employees have benefited from a long-term incentive plan based on parent company shares. The plan provides free and performance shares for French employees and a matching plan for foreign employees.

6.6. Amortization and depreciation included in profit from recurring operations

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

	2020	2019
Included in cost of sales	(16,607)	(17,412)
Included in overheads and other operating items	(27,812)	(27,655)
Amortization of intangible assets related to acquisitions	(13,572)	(16,060)
Total	**(57,991)**	**(61,127)**

In application of IFRS 16, amortization and depreciation allowances amounted to €16.3 million at December 31, 2020. They were included in overheads.

6.7. Restructuring costs

This line item includes the costs incurred as a result of the Group's cost-cutting and restructuring plans in the reporting period, mainly in the Process Technologies segment (aluminium business) and the High Precision Machines segment.

6.8. Gain or loss on disposals and acquisition costs

	2020	2019
Gain (loss) on disposals	3,276	3,931
Costs from internal disposals	(3,092)	
Acquisition costs	(208)	(78)
Total	**(24)**	**3,853**

The line item "Gain (loss) on disposals" mainly reflects the disposal of unused real estate assets, including, for the reporting period, the real estate transfer tax incurred following the relocation of some of the Group's operating property assets to dedicated property companies.

6.9. Net financial income and expense

Cost of net financial debt

	2020	2019
Financial expenses relating to:		
- bank loans	(13,175)	(8,813)
- finance leases and lease liabilities	(2,942)	(2,833)
Other interest expense	(799)	(638)
Deferred transaction costs	(322)	(315)
Interest and related expenses	**(17,238)**	**(12,599)**
Interest and related income	**1,242**	**1,540**
Total	**(15,996)**	**(11,059)**

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

Other financial income and expense

	2020	2019
Income from associates	134	842
Foreign exchange gains (losses)	(21,247)	1,644
- *Foreign exchange gains (losses)*	*(20,319)*	*6,377*
- *Impact of forward points on changes in fair value of foreign exchange derivatives*	*(928)*	*(4,733)*
Expenses for retirement and related benefits	(850)	(1,074)
Net financial provisions	12	(580)
Accretion expense		(136)
Other financial items	(311)	(628)
Total	**(22,262)**	**68**

The Group's net financial income and expense includes unrealized foreign exchange losses of €16.8 million, mainly arising from changes in EUR/USD parities on the unhedged balance of intercompany loans in US dollars granted by Fives to its American Subsidiaries, due to their long maturity.

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

6.10. Current and deferred tax

Analysis of income tax expense

	2020	2019
French value-added business tax (CVAE) and Italian production tax (IRAP)	(4,408)	(5,427)
Current tax	(18,738)	(22,753)
Subtotal current tax	**(23,146)**	**(28,180)**
Deferred tax	**(1,199)**	**2,134**
Total	**(24,345)**	**(26,046)**

Effective tax rate

	2020	2019
Profit before income tax	**(23,556)**	**27,035**
Parent company tax rate	*28.00%*	*28.00%*
Theoretical tax expense	6,596	(7,570)
Effect of:		
French value-added business tax (CVAE) and Italian production tax (IRAP)	(4,408)	(5,427)
Tax rate differences	(1,629)	(298)
Changes in unrecognized deferred tax assets and unrecognized losses	(26,446)	(11,380)
Permanent differences and other items	1,543	(1,372)
Income tax expense	**(24,345)**	**(26,046)**

Consolidated tax groups

Since January 1, 2019, Fives and its Subsidiaries have been part of the consolidated tax group formed by Fives Orsay, which includes all French Subsidiaries that are directly or indirectly more than 95%-owned. The tax savings resulting from offsetting the taxable losses of loss-making companies with the taxable profit of profit-making companies are recorded in Fives Orsay's financial statements as of 2019.

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

Deferred tax

The offsetting methods used are described in note 2.27.

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

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

	2019						2020	
	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	13,069		(228)	649	(10)	(31)	13,449	
Tax loss carryforwards	32,248		5,259		23	(1,589)	35,941	
Revaluations (1)	4,304	(24,070)	6,002	31	520	1,765	10,578	(22,026)
Other temporary differences	20,681	(5,711)	1,942	(55)	(217)	(2,122)	19,499	(4,981)
Deferred tax assets (liabilities), gross	**70,302**	**(29,781)**	**12,975**	**625**	**316**	**(1,976)**	**79,467**	**(27,007)**
Deferred tax asset limit	(7,886)		(14,174)			48	(22,012)	
Offsetting	(18,701)	18,701					(22,290)	22,290
Deferred tax assets (liabilities), recognized	**43,715**	**(11,080)**	**(1,199)**	**625**	**316**	**(1,928)**	**35,165**	**(4,717)**
Net deferred tax	**32,635**						**30,448**	

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

6.11. Share of profit or loss of associates

In 2016, Fives and Michelin created AddUp, a joint venture aimed at developing and marketing machines, parts production and industrial production lines worldwide, using metal additive manufacturing technology, known as metal 3D printing. Fives and Michelin each holds a 50% stake. The company is accounted for using the equity method.

Since it is still in the investment phase, the company's contribution to Group profit for 2020 was negative, as in 2019. It is presented under "Share of profit (loss) of associates".

6.12. Goodwill

	Dec. 31, 2019 Net	Change in consolidation scope	Transfer	Impairment	Translation differences and other	Dec. 31, 2020 Net
Smart Automation Solutions	24,913				(397)	24,516
High Precision Machines	110,371				(8,382)	101,989
Process Technologies	117,881				(6,978)	110,903
Total	**253,165**				**(15,757)**	**237,408**

In compliance with IAS 36, an impairment test was performed at December 31, 2020 on each operating segment CGU.

The cash flows used for each CGU are based on Management's best estimates, updated at December 31, 2020, to take into account the consequences of the COVID-19 pandemic on the economic prospects of the various markets in which the Group operates.

The following assumptions were used:
- 2021-2025 medium-term plan;
- Terminal value growth rate: 2% (identical to assumptions used in the 2019 test);
- Discount rate: 8.2% (compared with 8.7% used in the 2019 test).

The test did not result in the recognition of impairment at December 31, 2020.

Sensitivity analysis

Smart Automation Solutions CGU:
- Discount rate sensitivity: an 8.7% discount rate would not change the conclusions of the analysis;
- Long-term growth rate sensitivity: a 1.5% long-term growth rate would not change the conclusions of the analysis;
- Long-term cash flow sensitivity: a 10% decrease in long-term cash flow would not reduce the fair value of the CGUs to below their carrying amount.

High Precision Machines CGU:
- Discount rate sensitivity: an 8.7% discount rate would not change the conclusions of the analysis;
- Long-term growth rate sensitivity: a 1.5% long-term growth rate would not change the conclusions of the analysis;
- Long-term cash flow sensitivity: a 10% decrease in long-term cash flow would not reduce the fair value of the CGUs to below their carrying amount.

Process Technologies CGU:
- Discount rate sensitivity: an 8.7% discount rate would not change the conclusions of the analysis;
- Long-term growth rate sensitivity: a 1.5% long-term growth rate would not change the conclusions of the analysis;
- Long-term cash flow sensitivity: a 10% decrease in long-term cash flow would not reduce the fair value of the CGUs to below their carrying amount.

Other CGUs:
- Discount rate sensitivity: an 8.7% discount rate would not change the conclusions of the analysis;
- Long-term growth rate sensitivity: a 1.5% long-term growth rate would not change the conclusions of the analysis;
- Long-term cash flow sensitivity: a 10% decrease in long-term cash flow would not reduce the fair value of the CGUs to below their carrying amount.

6.13. Intangible assets

The analysis of changes in intangible assets was as follows:

	2020			2019		
	Gross	Accum. amort. / Impairment	Net	Gross	Accum. amort. / Impairment	Net
Technologies and R&D acquired	105,215	(75,038)	30,177	108,897	(71,329)	37,568
Brands acquired	24,799	(24,146)	653	25,682	(25,182)	500
Customer relationships, order book and other intangibles acquired	67,619	(65,019)	2,600	72,196	(65,072)	7,124
Concessions, patents and licenses	57,915	(42,473)	15,442	50,949	(36,616)	14,333
Other intangible assets	23,136	(13,502)	9,634	21,920	(13,355)	8,565
Total	**278,684**	**(220,178)**	**58,506**	**279,644**	**(211,554)**	**68,090**

At December 31, 2020, the analysis of changes in intangible assets was as follows:

	Gross	Accumulated amortization / Impairment	Net
Balance at December 31, 2019	**279,645**	**(211,554)**	**68,090**
Acquisitions	8,187		8,187
Deconsolidations and disposals	(1,382)	1,495	114
Amortization / Impairment		(19,315)	(19,315)
Reclassified items	740	(748)	(8)
Change in consolidation scope	4,925	(2,000)	2,925
Translation differences	(13,431)	11,944	(1,487)
Balance at December 31, 2020	**278,684**	**(220,178)**	**58,506**

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

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

6.14. Property, plant and equipment

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

	Dec. 31, 2020			Dec. 31, 2019		
	Gross	Accumulated depreciation / Impairment	Net	Gross	Accumulated depreciation / Impairment	Net
Land and developments	25,765	(161)	25,604	26,755	(233)	26,521
Buildings	149,650	(85,254)	64,396	155,274	(85,280)	69,994
Plant, equipment and machinery	202,476	(153,533)	48,943	200,398	(151,405)	48,994
Other assets	62,920	(48,529)	14,391	65,205	(46,253)	18,952
Right-of-use assets (leases)	78,586	(35,922)	42,664	78,565	(29,554)	49,011
Assets under construction	4,722		4,722	5,163		5,163
Advances on fixed assets	258		258	559		559
Total	**524,377**	**(323,399)**	**200,978**	**531,919**	**(312,725)**	**219,194**

At December 31, 2020, the analysis of changes in property, plant and equipment was as follows:

	Gross	Accumulated depreciation / Impairment	Net
Balance at December 31, 2019	**531,919**	**(312,725)**	**219,194**
New right-of-use assets	13,017		13,017
Acquisitions	15,792		15,792
Deconsolidations and disposals	(24,937)	21,670	(3,267)
Depreciation / Impairment		(38,676)	(38,676)
Reclassified items	2,373	(2,799)	(426)
Change in consolidation scope	1,304		1,304
Translation differences	(15,091)	9,131	(5,960)
Balance at December 31, 2020	**524,377**	**(323,399)**	**200,978**

The line item "Depreciation / Impairment" includes the depreciation of right-of-use assets under lease contracts for €16.1 million, following the application of IFRS 16.

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

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

6.15. Current and non-current financial assets

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

	Dec. 31, 2020			Dec. 31, 2019		
	Current	Non current	Total	Current	Non current	Total
Financial assets measured at amortized cost						
Loans related to investments in associates	710	16,130	**16,840**	472	32,646	**33,118**
Other financial assets	28,068	3,439	**31,507**	2,754	3,556	**6,310**
Financial assets measured at fair value through other comprehensive income						
Other long-term investments		8,527	**8,527**		9,368	**9,368**
Financial assets measured at fair value through profit and loss						
Derivatives	2,351		**2,351**	1,359		**1,359**
Other financial assets	704	1,154	**1,859**	1,199	1,407	**2,606**
Equity-accounted associates		950	**950**		5,023	**5,023**
Financial assets	**31,833**	**30,200**	**62,034**	**5,784**	**52,001**	**57,785**

AddUp (see note 6.11) accounted for €12.3 million of loans related to investments in associates.

The change in gross value of other long-term investments includes a €92 thousand net decrease in fair value at December 31, 2020.

At December 31, 2020, the repayment and maturity schedule for non-current financial assets (excluding other long-term investments and equity-accounted associates) was as follows:

	Dec. 31, 2020		
	Carrying amount	Between 1 and 5 years	More than 5 years
Loans related to investments in associates	16,130	16,130	
Other financial assets	4,593		4,593
Total	**20,723**	**16,130**	**4,593**

6.16. Inventories and work in progress

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

	Dec. 31, 2020			Dec. 31, 2019		
	Gross	Impairment	Net	Gross	Impairment	Net
Raw materials	85,289	(13,342)	71,947	89,515	(13,006)	76,509
Work in progress under completed-contract method	51,502	(2,378)	49,124	71,053	(2,543)	68,511
Intermediate and finished goods	38,116	(9,540)	28,576	42,594	(8,669)	33,925
Total	**174,907**	**(25,260)**	**149,647**	**203,163**	**(24,217)**	**178,946**

6.17. Contract assets and liabilities

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

	Dec. 31, 2020	Dec. 31, 2019
Contracts recognized on a percentage-of-completion basis		
Contract assets	222,351	221,546
Contract liabilities	(184,203)	(169,789)
Net	**38,148**	**51,757**
Contracts recognized on a completed-contract basis		
Contract liabilities	(46,609)	(46,568)

6.18. Trade receivables

Gross and net trade receivables were as follows:

	Dec. 31, 2020			Dec. 31, 2019		
	Gross	Impairment	Net	Gross	Impairment	Net
Total trade receivables	383,632	(7,125)	376,507	380,590	(7,319)	373,271
Total	**383,632**	**(7,125)**	**376,507**	**380,590**	**(7,319)**	**373,271**

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

	Opening balance	Allowances	Reversals	Translation differences	Other	Closing balance
2020	(7,319)	(1,067)	743	178	340	(7,125)
2019	(7,131)	(1,457)	905	(56)	420	(7,319)

At December 31, 2020, 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
2020	376,507	302,378	31,633	20,428	22,068
2019	373,271	266,234	58,982	22,795	25,260

Group policy for managing receivables risk is based on the following principles:
- Upstream risk management processes entailing the analysis of receivables risk during the project bid and selection stage;
- Specific provisions for major contracts, including the obligation to hedge risk (commercial and/or political risk) according to criteria relating to contract size, type of receivable, and country category;
- Regular monitoring of overdue payments during contract performance and early implementation of collection procedures for receivables due.

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

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

6.19. Other current assets

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

	Dec. 31, 2020	Dec. 31, 2019
Tax receivables	54,196	69,652
Advances and progress payments	24,006	31,159
Other receivables	11,176	17,303
Prepaid expenses	12,938	9,297
Total	**102,316**	**127,411**

6.20. Cash and cash equivalents

	Dec. 31, 2020	Dec. 31, 2019
Cash equivalents	16,389	4,297
Cash	283,831	106,231
Total cash and cash equivalents	**300,220**	**110,528**

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	168					11,515	4,706	16,389
Cash	163,378	36,056	1,844	44,759	27,748	3,840	6,206	283,831
Total at Dec. 31, 2020	**163,546**	**36,056**	**1,844**	**44,759**	**27,748**	**15,355**	**10,912**	**300,220**
Foreign exchange swaps	33,565	(26,600)	(8,161)	1,196				
Total at Dec. 31, 2020 (before swaps)	**197,111**	**9,456**	**(6,317)**	**45,955**	**27,748**	**15,355**	**10,912**	**300,220**

At December 31, 2019, the breakdown of cash and cash equivalents was as follows:

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

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

6.21. Statement of cash flows

Cash net of bank overdrafts

	Dec. 31, 2020	Dec. 31, 2019
Cash equivalents	16,389	4,297
Cash	283,831	106,231
Total cash and cash equivalents	**300,220**	**110,528**
Bank overdrafts	(675)	(1,260)
Total	**299,545**	**109,268**

Working capital requirements and current provisions

			Changes	
	Dec. 31, 2020	Dec. 31, 2019	Due to business activity	Other*
Inventories and work in progress	(149,647)	(178,946)	23,159	6,139
Contract assets	(222,351)	(221,546)	(5,700)	4,895
Trade receivables	(376,507)	(373,271)	(10,327)	7,092
Other current/non-current assets incl. in working capital	(102,656)	(127,922)	15,552	9,714
Contract liabilities	230,812	216,357	18,906	(4,451)
Trade and related payables	395,984	466,353	(61,863)	(8,505)
Other current/non-current liabilities incl. in working capital	170,732	182,516	(9,002)	(2,782)
Working capital requirements before current provisions	**(53,633)**	**(36,458)**	**(29,275)**	**12,102**
Current provisions	70,030	76,874	(1,716)	(5,127)
Working capital requirements	**16,397**	**40,416**	**(30,991)**	**6,975**

* resulting mainly from the application of IFRS 9 adjustments and currency translation effects.

6.22. Shareholders' equity

Financial capital management policy

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

Shareholder structure

Since May 29, 2018, the Caisse de Dépôt et Placement du Québec (CDPQ) and the Office d'investissement des Régimes de Pensions du Secteur Public (PSP), two of the largest pension fund managers in Canada, have been minority shareholders in the Group, alongside Ardian, which acquired a stake in Fives in 2012 and has retained a minority interest in the company.

Share capital

At December 31, 2020, Fives' share capital was divided into 2,185,612 shares with a par value of €47. The shares are fully paid either in cash or in kind. Share capital amounts to €102,723,764.

Dividend payments

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

6.23. Current and non-current provisions

	Dec. 31, 2019	Allowance	Utilization	Unutilized reversals	Translation difference	Other	Dec. 31, 2020
Warranties	33,969	17,557	(9,194)	(14,048)	(798)	1,870	**29,356**
Contract litigation	3,137	2,109	(588)	(563)	(52)	(533)	**3,510**
Future losses on contracts	1,169	554	(732)	(29)	(54)	(7)	**901**
Completed contract expenses	25,299	17,433	(11,292)	(7,263)	(495)	(610)	**23,072**
Other provisions - current portion	13,300	10,769	(4,476)	(1,951)	(503)	(3,948)	**13,191**
Total current provisions	**76,874**	**48,422**	**(26,282)**	**(23,854)**	**(1,902)**	**(3,228)**	**70,030**
Retirement benefits	58,190	4,114	(5,402)	(149)	(1,681)	3,126	**58,198**
Other post-employment benefits	5,614	542	(558)	(144)	(16)	(5)	**5,433**
Other provisions - non-current portion	4,152	2,997	(4,295)	(660)	(1)	3,556	**5,749**
Total non-current provisions	**67,953**	**7,653**	**(10,255)**	**(953)**	**(1,698)**	**6,677**	**69,380**

Current provisions

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

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

Non-current provisions

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

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

Actuarial assumptions

Dec. 31, 2020	France	United Kingdom	United States of America	Japan	Germany	India
Discount rate	0.6%	1.3 - 1.4%	1.9%	0.3%	0.6%	6.3 - 6.6%
Expected return on plan assets	NA	1.3 - 1.4%	NA	NA	NA	6.3 - 6.6%
Salary increase rate	1.7%	NA	NA	2%	NA	5 - 8.5%

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

The present value of future obligations (defined benefit obligations) amounted to €113,520 thousand at December 31, 2020. Given the fair value of all plan assets, the net obligation at December 31, 2020 totaled €58,198 thousand.

The net expense recognized for the reporting period reflects the current service cost, the interest cost of the obligation less the expected return on plan assets and the amortization of past service costs. In total, expenses and changes in provisions for retirement benefit obligations resulted in a net expense of €2,941 thousand, of which €2,091 thousand were recognized in profit from recurring operations, and €850 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 €3,044 thousand, excluding tax, resulting in an overall decrease in the discount rate compared with December 31, 2019.

	Retirement benefit obligations	Complementary retirement obligations 2020					Total
	France	USA	United Kingdom	Eurozone	Japan	India	
CHANGE IN PRESENT VALUE OF OBLIGATION							
Present value of obligation at Jan. 1, 2020	27,275	6,481	70,009	3,180	1,617	700	109,262
Current service cost	1,777		297	16	60	63	2,213
Interest cost	269	180	1,381	19		35	1,884
Employee contributions paid							
Plan amendments							
Plan curtailments / settlements	(110)		(297)	(12)			(419)
Newly consolidated / Deconsolidations	193						193
Benefits paid	(1,471)	(458)	(2,447)	(89)	(143)		(4,608)
Actuarial (gain) loss	844	536	8,120	30		(5)	9,525
Foreign exchange gains and losses and other	(5)	(566)	(3,829)		(55)	(75)	(4,530)
Present value of obligation at Dec. 31, 2020	**28,772**	**6,173**	**73,234**	**3,144**	**1,479**	**718**	**113,520**
CHANGE IN FAIR VALUE OF PLAN ASSETS							
Fair value of plan assets at Jan. 1, 2020			50,509			564	51,072
Net return on plan assets			7,494			21	7,515
Employer contributions paid			2,253			75	2,328
Employee contributions paid							
Plan curtailments / settlements			(297)				(297)
Newly consolidated / Deconsolidations							
Benefits paid			(2,447)				(2,447)
Foreign exchange gains and losses and other			(2,785)			(65)	(2,850)
Fair value of plan assets at Dec. 31, 2020			**54,727**			**595**	**55,322**
COMPONENTS OF AMOUNTS RECOGNIZED IN THE FINANCIAL STATEMENTS							
Net obligation (obligation less plan assets)	28,772	6,173	18,507	3,144	1,479	123	58,198
Net provision recognized in the balance sheet at Dec. 31, 2020	**28,772**	**6,173**	**18,507**	**3,144**	**1,479**	**123**	**58,198**
COMPONENTS OF NET EXPENSE RECOGNIZED FOR FINANCIAL YEAR 2020							
Current service cost	1,777		297	16	60	63	2,213
Interest cost	269	180	1,381	19		35	1,884
Expected return on plan assets			(1,013)			(21)	(1,034)
(Gain) loss on plan curtailments / settlements	(110)			(12)			(122)
Net expense recognized in the income statement for FY 2020	**1,936**	**180**	**665**	**23**	**60**	**77**	**2,941**
CHANGE IN PROVISIONS FOR RETIREMENT AND OTHER							
Provisions recognized in the balance sheet at Jan. 1	27,275	6,481	19,500	3,180	1,617	137	58,190
Employer contributions paid			(2,253)			(76)	(2,329)
Net expense recognized	1,936	180	665	23	60	77	2,941
Benefits paid directly by the employer	(1,471)	(458)		(89)	(143)		(2,161)
Newly consolidated / Deconsolidations	193						193
Net actuarial (gains) and losses	844	536	1,639	30		(5)	3,044
Foreign exchange gains and losses	(5)	(566)	(1,044)		(55)	(10)	(1,680)
Provisions recognized in the balance sheet at Dec. 31, 2020	**28,772**	**6,173**	**18,507**	**3,144**	**1,479**	**123**	**58,198**

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

Plan assets by investment type

	2020		2019	
	Amount	%	Amount	%
Shares	44,136	80%	40,603	80%
Bonds and other debt securities	9,854	18%	8,534	17%
Money market investments	723	1%	1,358	3%
Diversified funds	609	1%	577	1%
Fair value of invested plan assets	**55,322**	**100%**	**51,072**	**100%**

Present value of obligation

	Dec. 31, 2020	Dec. 31, 2019
Defined benefit obligation	113,520	109,262
Fair value of invested plan assets	(55,322)	(51,072)
Present value of obligation	**58,198**	**58,190**

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:

	2020		2019	
	In thousands of euros	DBO as a %	In thousands of euros	DBO as a %
France	978	3.41%	938	3.50%
USA	115	1.86%	539	8.32%
United Kingdom	3,781	5.16%	3,932	5.62%
Germany	132	4.19%	136	4.29%
Japan	1	0.07%	1	0.06%
India	3	0.43%	1	0.11%

6.24. Current and non-current financial debt

	Dec. 31, 2020			Dec. 31, 2019		
	Non-current	Current	Total	Non-current	Current	Total
Bank loans	306,128	121,092	427,220	80,751	61,773	142,524
Deferred transaction costs	(1,777)		(1,777)	(1,408)		(1,408)
Finance leases	31,640	12,585	44,225	35,379	13,581	48,960
Other bank loans and borrowings		8,635	8,635		22,446	22,446
Accrued interest		1,814	1,814		975	975
Derivative instruments, liabilities		1,060	1,060		2,920	2,920
Other financial debt					2,434	2,434
Bank overdrafts		675	675		1,260	1,260
Total financial debt	**335,991**	**145,861**	**481,852**	**114,722**	**105,389**	**220,111**

At December 31, 2020, the line item "Bank loans" included:

- An €80 million loan taken out at preferential conditions in 2018 with the European Investment Bank, recognized at an estimated fair value of €70.3 million. The difference between the principal amount of the loan and its fair value is recognized as a grant for the Group’s R&D expenses and is allocated over financial years 2018-2021.

- The drawdown of the revolving credit line of €113 million, presented under current financial debt. This revolving credit line, of a maximum principal amount of €115 million, may be drawn down for any purpose by Fives until December 2024. There is no clean-down clause attached to it. It can be drawn down freely within a limit of €50 million, above which it is subject to a quarterly leverage ratio test.

The Group has negotiated a covenant holiday with its financial partners for five quarters, from June 30, 2020 to June 30, 2021 inclusive.

As described in note 3.2, the Group has benefited from State-backed loans to mitigate the consequences of the COVID-19 pandemic on its business activities in various countries:

- In France: State-backed loan of €200 million, taken out under preferential conditions in accordance with the law of March 23, 2020. The initial term is one year, but the loan may be extended by up to five years at the sole discretion of the borrower (Fives). The loan has been recognized at a fair value of €189.1 million. The grant amount used to support Group operations has been allocated over the estimated loan term at the reporting date, which was assumed to be four years, corresponding to €4.1 million for 2020.
- In Italy: State-backed loans for an aggregate €30.6 million, maturing in four to five years.
- In the United States: A Main Street Loan Facility amounting to USD 20 million (€16.3 million) in accordance with the CARES Act, maturing in five years.

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

Change in financial debt, by type

	Dec. 31, 2020	Dec. 31, 2019			Breakdown of other changes						
			Changes included in financing flows	Other changes	Changes to contracts / assumptions	Scope	Translation	IFRS 9 measurement effect	New finance leases	Capitalization of interest at the effective interest rate (EIR)	Interest expense
Bank loans	427,220	142,524	279,996	4,701			(1,246)				
Deferred transaction costs	(1,777)	(1,408)	(725)	356			38			5,947	317
Finance leases	44,225	48,960	(15,507)	10,773	(2,035)	1,017	(1,227)		13,017		
Other bank loans and borrowings	8,635	22,446	(13,807)	(4)			(4)				
Other financial debt		2,434	(2,434)								
Accrued interest	1,814	975	(10,164)	11,003			2,764			(5,947)	14,186
Derivative instruments, liabilitiess	1,060	2,920		(1,859)			(57)	(1,803)			
Bank overdrafts	675	1,260									
Total financial debt	**481,852**	**220,111**	**237,358**	**24,969**	**(2,035)**	**1,017**	**268**	**(1,803)**	**13,017**		**14,504**

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

	Dec. 31, 2020			Dec. 31, 2019		
	Fixed rate	Floating rate	Total	Fixed rate	Floating rate	Total
Bank loans	264,513	162,707	427,220	79,936	62,588	142,524
Deferred transaction costs	(1,777)		(1,777)	(1,408)		(1,408)
Finance leases	44,225		44,225	48,959		48,960
Other bank loans and borrowings		8,635	8,635		22,446	22,446
Other financial debt					2,434	2,434
Accrued interest	1,814		1,814	975		975
Total financial debt	**308,775**	**171,342**	**480,117**	**128,462**	**87,468**	**215,931**

Breakdown of financial liabilities by currency

	Dec. 31, 2020					Dec. 31, 2019				
	Euros	USD	GBP	Other	Total	Euros	USD	GBP	Other	Total
Bank loans	382,669	28,110	8,899	7,542	427,220	116,742	15,417		10,365	142,524
Deferred transaction costs	(1,278)	(499)			(1,777)	(1,333)	(75)			(1,408)
Finance leases	29,099	8,234	739	6,153	44,225	30,248	9,658	1,032	8,022	48,960
Other financial debt						2,434				2,434
Other bank loans and borrowings	8,635				8,635	22,446				22,446
Accrued interest	1,568	182	1	63	1,814	795	148		32	975
Total financial debt	**420,693**	**36,027**	**9,639**	**13,758**	**480,117**	**171,332**	**25,148**	**1,032**	**18,419**	**215,931**

6.25. Other current and non-current liabilities

Other non-current liabilities

Other non-current liabilities comprised the following:

	Dec. 31, 2020	Dec. 31, 2019
Payroll-related payables	3,892	4,113
Other liabilities	449	555
Prepaid income	15,588	7,416
Total	**19,929**	**12,084**

Other current liabilities

Other current liabilities comprised the following:

	Dec. 31, 2020	Dec. 31, 2019
Tax and social security payables	122,048	124,836
Amounts due on acquisitions of fixed assets	988	1,170
Other liabilities	29,251	46,573
Total	**152,287**	**172,579**

6.26. Financial risk management

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

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

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

	Dec. 31, 2020		Dec. 31, 2019	
	Assets	Liabilities	Assets	Liabilities
Foreign exchange derivative instruments				
Fair value hedging derivative instruments	2,351	1,060	1,359	2,920
Derivative instruments not eligible for hedge accounting				

There were no interest rate hedging derivatives at December 31, 2020 or at December 31, 2019.

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	246,763	129,726	21,118	24,355	23,068	24,206	24,290
Finance leases	44,225	12,585	8,621	6,737	5,274	4,336	6,672
Total gross non-current financial liabilities	**290,988**	**142,311**	**29,739**	**31,092**	**28,342**	**28,542**	**30,962**
French State-backed loan	189,092						
Total gross non-current financial liabilities	**480,080**						
Deferred transaction costs	(1,777)	(459)	(414)	(414)	(373)	(99)	(19)
Total non-current financial liabilities	**478,303**						
Interest on non-current financial liabilities		3,477	3,775	3,086	2,398	1,634	1,850

The analysis excludes financial assets such as cash and cash equivalents and trade receivables, which amounted to €300.2 million and €376.5 million, respectively, at December 31, 2020.

The Group also has a revolving credit line of €115 million at its disposal until December 2024. At December 31, 2020, €113 million of the credit line had been drawn down. The quarterly leverage ratio requirement for use of this credit line beyond €50 million was suspended between June 2020 and June 2021, inclusive.

The State-backed loan in France has an initial term of one year, which can be extended by one to five years at the sole discretion of Fives. It has already been assumed that the Group will opt to extend the loan for at least three additional years. The loan will then be repayable in yearly instalments of equal amounts over the period of the extension, with the first instalment due in July 2022.

Interest rate risk

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

The Company's floating-rate debt of €171.3 million was lower than cash of €300 million at year-end.

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

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

Analysis of interest rate sensitivity

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

The sensitivity analysis of 2021 earnings to interest rate risk was based on the following assumptions:
- The amount of loans and borrowings at December 31, 2020 less repayments due during 2021, without additional hedging;
- Cash and cash equivalents, per currency and exchange rate, remain constant year on year.

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

	Sensitivity analysis effect	
	- 1%	+ 1%
Floating rate debt	5	(477)
Cash invested at floating rates		2,514
Effect on profit	**5**	**2,037**

2020 profit would not be significantly impacted by a 1% decrease in interest rates. A 1% increase in interest rates would have a positive impact of €2 million, with the increase in yield on cash offsetting the additional interest expense on floating-rate debt.

Currency risk

Loans and borrowings denominated in foreign currencies

The Group initially mainly 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. Loans and borrowings taken out in USD in France to supplement the financing of acquisitions and operations in the USA fell due and were repaid in 2020.

The outstanding loan principal exposed to currency risk on intercompany loans denominated in USD issued by France amounted to USD 176.7 million at December 31, 2020.

In December 2012, the Group began restructuring its activities in the United Kingdom by reclassifying its operating assets under a single holding company, Fives UK Holding Ltd. The latter contracted a loan from Fives to repurchase the assets. The outstanding loan principal was converted into share capital in June 2020, removing the corresponding exposure to EUR/GBP currency risk.

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, USD/CAD, JPY/EUR and CNY/EUR.

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

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

Analysis of exchange rate sensitivity

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

Exposure at December 31, 2020 of USD loans, principal and interest for 2021

Acquisition loan principal denominated in USD totaled USD 176.7 million at December 31, 2020, with 2021 interest income of USD 9.2 million, with no hedging at December 31, 2020.

Total exposure amounted to USD 185.9 million, or €151.5 million, after translation using the exchange rate effective at the reporting date.

A 10 basis point increase or decrease in the EUR/USD exchange rates would have the following impact on profit for 2021:

	ER-10bp	ER	ER+10bp
USD loans			
Exchange rate at Dec. 31	*1.1271*	*1.2271*	*1.3271*
Net debt after hedging (EUR)	164.9	151.5	140.0
Effect on 2021 profit	13.4		(11.5)

Net exposure at December 31, 2020 of USD loans, estimated cash flows for 2021

Expected cash flows in 2021 relating to intercompany acquisition loans denominated in USD (interest payments and repayment of principal), and given the loan repayment schedules, amount to USD 12.7 million.

Cash exposure on expected cash flows in USD in 2021 is therefore USD 12.7 million, or €10.3 million after translation using the exchange rate effective at the reporting date.

Sales contracts

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

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

Credit risk

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

Risks relating to trade receivables

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

Risks relating to other financial assets

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

Risks relating to cash and cash equivalents

At December 31, 2020, 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. 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, 2020	Dec. 31, 2019
Commitments given	235,734	293,183
Commitments received	33,974	35,668

Guarantees and sureties refer to commitments given or received in connection with commercial contracts (mainly advance payment and performance bonds).

Pledges

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

6.29. Related parties

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

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

Remuneration of the executive officers

In 2020, the aggregate direct and indirect remuneration paid by Fives or its Subsidiaries to the Chairman and members of the Group's Management Board, 9 people in total, amounted to €3,631 thousand.

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, 2020 and 2019, amounted to:

	2020			2019		
	Statutory audit	Other work	Total	Statutory audit	Other work	Total
Deloitte	699	135	**833**	721	178	**899**
Ernst & Young	743	122	**865**	762	106	**868**
Others	528		**528**	567		**567**
Total	**1,970**	**256**	**2,227**	**2,051**	**284**	**2,334**

6.31. Subsequent events

No significant events have occurred since the reporting date.

6.32. Consolidated companies at December 31, 2020

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 Automation & Processing Equipment Co., Ltd.	China	FC	100.00	100.00
Fives Japan KK	Japan	FC	100.00	100.00
Fives Maintenance *	Montévrain, France	FC	100.00	100.00
Fives Nordon *	Nancy, France	FC	100.00	100.00
AddUp SAS	Cébazat, France	EM	50.00	50.00
Fives Real Estate	Paris, France	FC	100.00	100.00
Fives RE Nancy	Paris, France	FC	100.00	100.00
Fives RE Héricourt	Paris, France	FC	100.00	100.00
Fives RE Val d'Europe	Paris, France	FC	100.00	100.00
Fives RE Golbey	Paris, France	FC	100.00	100.00
Fives RE Ronchin	Paris, France	FC	100.00	100.00
Fives RE Le Bignon	Paris, France	FC	100.00	100.00
Fives RE Capdenac	Paris, France	FC	100.00	100.00
Fives RE Mios	Paris, France	FC	100.00	100.00
Fives RE Lorient	Paris, France	FC	100.00	100.00
Fives RE Plœmeur	Paris, France	FC	100.00	100.00
SMART AUTOMATION SOLUTIONS				
Fives Intralogistics SAS *	Grigny, France	FC	100.00	100.00
Fives Syleps *	Lorient, France	FC	100.00	100.00
Fives Conveying *	Montévrain, France	FC	100.00	100.00
Fives Conveying Iberica	Spain	FC	100.00	100.00
Fives Cinetic *	Héricourt, France	FC	100.00	100.00
Fives Intralogistics S.P.A.	Italy	FC	100.00	100.00
Fives Intralogistics Corp.	United States	FC	100.00	100.00
Fives Cinetic Corp.	United States	FC	100.00	100.00
Fives DyAG Corp.	United States	FC	100.00	100.00
Fives Cinetic Mexico SA de CV	Mexico	FC	100.00	100.00
Fives Intralogistics K.K.	Japan	FC	100.00	100.00
HIGH PRECISION MACHINES				
Fives Landis Corp.	United States	FC	100.00	100.00
Fives Grinding Mexico SAPI de CV	Mexico	FC	51.00	51.00
Fives Machining Systems Inc.	United States	FC	100.00	100.00
Fives Lund LLC	United States	FC	100.00	100.00
Fives Liné Machines Inc.	Canada	FC	100.00	100.00
4192567 Canada Inc.	Canada	FC	100.00	100.00
Sogelire Inc.	Canada	FC	100.00	100.00
Fives Landis Limited	United Kingdom	FC	100.00	100.00
Fives Landis GmbH	Germany	FC	100.00	100.00
Fives Giustina S.r.l.	Italy	FC	100.00	100.00
Fives Machining *	Saint-Laurent-les-Tours, France	FC	100.00	100.00
Daisho Seiki Corporation	Japan	FC	100.00	100.00
Daisho Seiki Korea Co., Ltd.	South Korea	FC	85.46	85.46
Daisho Seiki American Corporation	United States	FC	100.00	100.00
Fives Machining Systems Korea Inc.	South Korea	FC	100.00	100.00
Fives Machining Systems (Shanghai) Co., Ltd.	China	FC	100.00	100.00
Fives Filling & Sealing K.K.	Japan	FC	100.00	100.00
Fives Filling & Sealing *	Le Bignon, France	FC	100.00	100.00

Consolidated companies	Location	Consolidation method	Percentage Controlling/ownership	Percentage interest
PROCESS TECHNOLOGIES				
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	85.20	85.20
Fives Pillard España S.A.U.	Spain	FC	100.00	85.20
Fives Pillard Deutschland GmbH	Germany	FC	47.50	40.47
Fives Combustion Systems Private Ltd.	India	FC	100.00	100.00
Fives Cail *	Ronchin, France	FC	100.00	100.00
Fives Cail KCP Ltd.	India	EM	40.00	40.00
Fives Lille do Brasil Ltda.	Brazil	FC	100.00	100.00
Fives North American Combustion France SAS *	Marseilles, France	FC	100.00	100.00
Fives North American Combustion Netherlands BV	Netherlands	FC	100.00	100.00
Fives North American Combustion Spain S.L.	Spain	FC	100.00	100.00
Fives North American Combustion UK, Ltd.	United Kingdom	FC	100.00	100.00
Fives North American Combustion Inc.	United States	FC	100.00	100.00
Fives North American Combustion Canada Inc.	Canada	FC	100.00	100.00
North American Construction Services Ltd.	United States	FC	100.00	100.00
Fives Cryo *	Golbey, France	FC	100.00	100.00
Fives Cryo (Suzhou) Co., Ltd.	China	FC	100.00	100.00
Fives Cryomec A.G.	Switzerland	FC	100.00	100.00
Fives Cryo Inc.	United States	FC	100.00	100.00
Fives Itas S.P.A.	Italy	FC	100.00	100.00
Fives Bronx, Inc.	United States	FC	100.00	100.00
Fives Bronx Ltd.	United Kingdom	FC	100.00	100.00
Fives OTO S.P.A.	Italy	FC	100.00	100.00
F.L. Métal *	Seclin, France	FC	100.00	100.00
Fives DMS *	Lezennes, France	FC	100.00	100.00
Fives ST Corp.	United States	FC	100.00	100.00
Fives Steel Spain SA	Spain	FC	100.00	100.00
Fives Keods *	Maisons-Alfort, France	FC	100.00	100.00
Fives Stein *	Maisons-Alfort, France	FC	100.00	100.00
Fives Celes *	Lautenbach, France	FC	100.00	100.00
Fives Stein Inc.	United States	FC	100.00	100.00
Fives Stein India Projects Private Ltd.	India	FC	100.00	100.00
Fives Stein Metallurgical Technology (Shanghai) Co., Ltd.	China	FC	100.00	100.00
Fives Stein Ltd.	United Kingdom	FC	100.00	100.00
Fives India Engineering & Projects Private Ltd.	India	FC	100.00	100.00
Fives Solios *	Le Pecq, France	FC	100.00	100.00
PSA 2000 *	Le Pecq, France	FC	100.00	100.00
PSA 2000 Saudi Arabia Ltd.	Saudi Arabia	FC	100.00	100.00
Fives Services Gulf S.P.C.	Bahrain	FC	100.00	100.00
Fives Solios Corp.	United States	FC	100.00	100.00
Fives Solios Inc.	Canada	FC	100.00	100.00
Fives Services Southern Africa (Pty) Ltd.	South Africa	FC	100.00	100.00
Fives Services Mzansi (Pty) Ltd.	South Africa	FC	100.00	100.00
Fives ECL *	Ronchin, France	FC	100.00	100.00
Fives Services Inc.	Canada	FC	100.00	100.00
Fives Services Gulf DMCC	United Arab Emirates	FC	100.00	100.00
Fives Services Australia PTY Ltd.	Australia	FC	100.00	100.00
Cincinnati Machine International, LLC	United States	FC	100.00	100.00
Fives Giddings & Lewis, LLC	United States	FC	100.00	100.00

* Companies included in the Orsay tax group.

FC: fully consolidated

EM: accounted for by the equity method

STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Financial year ending December 31, 2020

ERNST & YOUNG ET AUTRES
Tour First - TSA 14444
92037 Paris-La Défense Cedex
S.A.S. with variable capital
438 476 913 R.C.S. Nanterre

Statutory Auditor
Member of the Versailles Regional Association

DELOITTE & ASSOCIÉS
Tour Majunga - 6 place de la Pyramide
92908 Paris-La Défense Cedex
S.A. with a capital of € 2,188,160
572 028 041 R.C.S. Nanterre

Statutory Auditor
Member of the Versailles Regional Association

To the Shareholders of the company Fives,

Opinion

In compliance with the engagement entrusted to us by the general meeting, we have audited the accompanying consolidated financial statements of Fives for the year ended December 31, 2020.

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

Basis for opinion

Audit Framework

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

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

Independence

We conducted our audit engagement in compliance with independence requirements of the French Commercial Code (code de commerce) and the French Code of Ethics (code de déontologie) for statutory auditors, for the period from January 1, 2020 to the date of our report.

Justification of Assessments

Due to the global crisis related to the COVID-19 pandemic, the financial statements of this period have been prepared and audited under specific conditions. Indeed, this crisis and the exceptional measures taken in the context of the state of sanitary emergency have had numerous consequences for companies, particularly on their operations and their financing, and have led to greater uncertainties on their future projects. Those measures, such as travel restrictions and remote working, have also had an impact on the companies' internal organization and the performance of the audits.

It is in this complex and evolving context that, in accordance with the requirements of articles L.823-9 and R.823-7 of the French Commercial Code (code de commerce) relating to justification of our assessments, we inform you of the following assessments, that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period.

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

- Goodwill are subject to impairment test according to the method described in the notes 2.5, 2.9, 2.14 and 6.12 to the consolidated financial statements. We have examined the implementation of this impairment test, the estimation of the future cash flows and the assumptions made, and we have ensured that notes 2.5, 2.9 and 2.14 to the consolidated financial statements provide adequate information in this regard.

- Income or losses on construction contracts and long-term service contracts are recognized using the percentage of completion method, based on the estimated costs at completion that are reviewed periodically and regularly throughout the life of the contract following to the principles detailed in notes 2.5, 2.18, 2.19 and 2.20 to the consolidated financial statements. These estimates are made project by project under the supervision of the companies' general management.

Based on the information we received, our work consisted in reviewing the processes set up, assessing the data and assumptions used as a basis for these estimates and comparing the accounting estimates of the previous periods with corresponding actual figures.

- Deferred tax assets are recognized when mid-term forecasts ensure the reasonableness of recoverability as indicated in notes 2.5 and 2.27 to the consolidated financial statements. We have examined the financial forecasts and the assumptions used, and we have ensured that notes 2.5 and 2.27 to the consolidated financial statements provide adequate information in this regard.

Specific verifications

We have also performed in accordance with professional standards applicable in France, the specific verifications required by law and regulations of the information pertaining to the Group presented in the Chairman's management report.

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

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

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

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

These consolidated financial statements have been approved by the Chairman.

Responsibilities of statutory auditors regarding audit of the consolidated financial statements

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

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

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

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

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

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

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

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

Paris-La Défense, March 29, 2021
The Statutory Auditors

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

RESOLUTIONS

First resolution

The General Meeting,

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

approves the Company's financial statements for the financial year ended on December 31, 2020, as presented to the meeting and the transactions reflected in these financial statements or mentioned in these reports, which show a loss of €100,843,177.88.

The General Meeting also approves the total amount of certain non-tax-deductible expenses, €50,889, and the corresponding tax of €14,249.

Second resolution

The General Meeting, following the proposal by the Chairman & Chief Executive Officer, hereby allocates the annual loss of €100,843,177.88 to the balance of retained earnings, bringing it to €211,655,730.82.

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

Third resolution

The General Meeting,

- having heard the Chairman & Chief Executive Officer's management report and the Statutory auditors' report on the consolidated financial statements as at December 31, 2020,
- and after reviewing the consolidated financial statements;

approves the consolidated financial statements for the financial year ended on December 31, 2020 as presented to the meeting and the transactions reflected in these financial statements or mentioned in the reports, which show a net loss Group share of €(75,113) thousand.

Fourth resolution

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

Fifth resolution

The General Meeting, on the basis of the preceding resolutions, fully and unreservedly discharges the Chairman & Chief Executive Officer from his management duties in respect of the financial year ended December 31, 2020.

Sixth resolution

The General Meeting, on the basis of the preceding resolutions, fully and unreservedly discharges the Deputy Chief Executive Officer from his management duties in respect of the financial year ended December 31, 2020.

Seventh resolution

The General Meeting decides, in compliance with Article 16.1 of the Company's Articles of Association:

- To renew, for three financial years, that is to say until the end of the General Meeting called to approve the 2023 financial statements, the terms of office of the following members of the Supervisory Committee:
  - Mr. François Dufresne,
  - Mr. Dominique Gaillard,
  - Ms. Heyoung H Lee Bouygues,
  - Mr. Jean-Georges Malcor,
  - Mr. Antonio Marcegaglia,
  - Ms. Laurence Parisot,
  - Mr. Philippe Reichstul.
- To appoint as a new member of the Supervisory Committee for three financial years, that is to say until the end of the General Meeting called to approve the 2023 financial statements:
  - Mr. Stéphane Guichard, born on November 24, 1977, in La Rochelle (17), of French nationality, domiciled at 4 rue du Cardinal Mercier, 75009 Paris.

Eighth resolution

The General Meeting, following the proposal by the Chairman & Chief Executive Officer and after taking note (i) of the Company's current Articles of Association and (ii) the new draft Articles of Association, decides:

- To supplement or amend the following articles in the Articles of Association:
  - Article 5 (Term)
  - Article 16 (Supervisory Committee)
  - Article 17 (Committees)
  - Article 18 (Staff Representative Bodies)
  - Article 20 (Scope)
  - Article 21 (Deliberation)
  - Article 22 (General provisions)
  - Article 23 (Quorum – Majorities)
  - Article 25 (Statutory Auditors)
  - Article 28 (Equity below half of share capital)

- To adopt the amended articles listed above and then the new Articles of Association, in their entirety, a copy of which is and will remain appended to these minutes (Appendix).

Ninth resolution

The General Meeting grants all powers to STANCE, a law firm located at 37-39 avenue de Friedland, 75008 Paris, France, listed under number 429 559 586 in the Paris Trade and Companies Register, to, in the name and on behalf of the Company, execute with the competent Court registrar and/or center for business formalities all subsequent formalities in the Trade and Companies Register concerning said Company, and proceed if necessary with any registration with the competent tax authorities; and therefore, to carry out all procedures, file all documents, and in general, do whatever may be necessary.

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