



fives

Designing today the plants of the future

Financial Report 2010

Financial report

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Extract of **the Report of the Executive Board to the Ordinary General Meeting on June 28, 2011**

1. GROUP OPERATIONS IN 2010

After the turbulence of 2009, and against a background of unprecedented contraction in industrial investment worldwide, Group order intake recovered strongly in 2010, rising from €727 million to €1,224 million, enabling the Group to end the year with an order book of €1,117 million, more than 34% higher than that reported at December 31, 2009 (+26% on a constant scope basis). All Group business lines (with the exception of the cement division, where the business climate remained difficult) contributed to this excellent commercial performance, more particularly the metals and automotive divisions, where order intake more than doubled in 2010, compared with 2009.

In industrialized countries, the market for industrial capital goods improved significantly, driven by the gradual recovery in ongoing maintenance expenditures (spare parts, service and replacement of small equipment items) and the noticeable improvement in trading conditions seen in sectors such as the automotive and logistics industries.

The emerging economies continued to drive Group growth, with many capacity investment projects, particularly in China, the Middle East and India. With a strong presence in all these markets, the Group achieved significant commercial successes there during the year, which together generated more than half of its total order intake.

The efforts made since the end of 2008 to adapt and optimize structural costs - while as increasing Research & Development (R&D) investments considerably - enabled the Group to report a slightly higher level of operating profit (+5%) compared with 2009, despite a level of sales 18% lower (as an automatic effect of the contraction seen in the opening order book compared with the previous year).

Its cohesion, reactivity, financial stability and technological lead in the majority of its business lines have all helped Fives to perform remarkably well throughout the turbulence caused by the global crisis over the past two years, and to emerge today very well positioned to benefit from the economic recovery.

The 2011 financial year has got off to a very promising start: commercial prospects are very well oriented and order intake should continue to increase in almost all Group business lines..

1.1 Business overview

Metals

After the recession of 2009, the 2010 financial year saw a significant recovery in worldwide steel production (+15%), which reversed the decline of the two previous years and set a new record of 1.4 billion tonnes (+5% compared with the previous record year of 2007). Growth in this market is being driven by emerging economies as they increase capacity for their national production resources. This trend is particularly true of China, where the national recovery plan has provided its industry with new, modern capacity for the production not only of carbon steels, but also of niche steels, such as stainless steel and silicon steel. The improved economic climate, combined with environmental and energy constraints, has also encouraged some steelmakers to upgrade their existing production capacity in the industrialized world, particularly in the United States of America (USA) and Europe. Against this background, sales in 2010 were driven mainly by the Chinese market, where a series of major orders were received from leading national steelmakers. The high quality of its technologies also enabled the Group to secure major orders in the USA and India during the year.

In the primary aluminium sector, the recovery in end markets was confirmed in 2010, as the world economy returned to growth. Demand forecasts and the steadiness seen in aluminium prices also encouraged the majority of producers to restart production, although in different ways in different parts of the world. Growth proved modest in North America and Europe, where old and less profitable facilities remained closed, with slim prospects of these facilities returning to production. Rather than upgrade their installations in these regions, the major manufacturers, led by Alcoa, have focused on investing on a massive scale in those regions where energy is cheaper and access to raw materials easier. Production therefore continues to relocate to China, India and the Middle East, where many national producers are also investing significantly. The Group has

consolidated its excellent position in the aluminium sector, and secured a major order from Saudi Arabia in 2010, as well as the signature of a number of large contracts with Indian producers.

Automotive & Logistics

The recovery that began at the end of 2009 in the automotive industry was confirmed in 2010, albeit with regional variations. Sales grew impressively in China (which is now the world's leading market), as well as in the world's other emerging economies, particularly India and Brazil. Although still far behind its pre-crisis level, the North American market continues to rally. On the other hand, the trading environment remains less dynamic in Western Europe and Japan, where markets are coming to terms with the withdrawal of most of the governmental stimulus plans introduced in 2009. These conditions have encouraged car manufacturers to accelerate their pace of investment in emerging economies (especially China), whilst programs to upgrade remaining production sites have been launched in North America. At the same time, the approaching deadline for the next stage of European emission reduction regulations (EURO VI) has triggered new engine development programs (with the focus on hybridization), automatic gearbox development programs (double-clutch robotized transmissions) and moves to introduce a new air conditioning refrigerant (HFO). As in other industry sectors (such as aerospace, transportation and energy), market growth is therefore being driven by the pace of development in emerging economies and the accelerating introduction of sustainable development initiatives. After two years of intense crisis, the Group has therefore returned to a more favorable trading environment since the end of spring 2010. It is in this context that order intake grew significantly in 2010, compared with the level seen in 2009 (especially in grinding technology, where Fives offers a very high-quality range of products and services), even exceeding the achievement of 2008.

In logistics, North American, European and Japanese courier companies continued to automate their sorting centers. Opportunities are also emerging in the airport market, driven by midsize airports' need for automation, and the increasing needs for security system integration. Lastly, improvements in the wider economy are creating new opportunities in distribution, which has begun to recover after having been very badly affected by the crisis. In this context, Group order intake in logistics rose to a record level in 2010 as a result of securing a number of major orders - particularly in Japan - for high-speed sorting systems, where the benefits delivered by its technology are particularly impressive.

Energy

Underlying trends in the energy industry remain positive as a result of increasing energy demands from emerging markets, the need for high levels of energy efficiency under these circumstances of long-term leveling out of gas and oil production and the need to reduce environmental footprints. Having suffered from the downturn in the economic cycle

ORDER INTAKE AND CLOSING ORDER BOOK

(€ millions)	2008	2009	2010
Order intake	1,289.6	727.1	1,224.0
Order book at Dec. 31	1,358.8	834.3	1,116.6

SALES

(€ millions)	2008	2009	2010
Sales	1,352.3	1,282.6	1,049.3

Group activity

ORDER INTAKE BY END MARKET

(€ millions)	2008	2009	2010
Automotive/Logistics	343.6	194.6	401.4
Cement	262.1	87.6	69.7
Energy	274.3	229.3	287.2
Metals (aluminium and steel)	410.4	216.6	469.2
Intercompany transactions	(0.8)	(1.0)	(3.5)
TOTAL	1,289.6	727.1	1,224.0

ORDER INTAKE BY GEOGRAPHICAL AREA

(€ millions)	2008	2009	2010
Asia and Oceania	227.2	213.4	392.4
France	257.5	162.3	234.8
The Americas	396.3	135.6	232.7
The Middle East and Africa	215.4	117.8	243.3
Europe (excluding France)	193.2	98.0	120.8
TOTAL	1,289.6	727.1	1,224.0

SALES BY END MARKET

(€ millions)	2008	2009	2010
Automotive/Logistics	355.4	259.5	277.0
Cement	259.0	284.2	125.1
Energy	260.8	263.5	285.3
Metals (aluminium and steel)	478.4	475.4	365.7
Intercompany transactions	(1.3)	0	(3.8)
TOTAL	1,352.3	1,282.6	1,049.3

during 2009, the cryogenic equipment sector improved very significantly in 2010. In a trend driven by Asian industry and commitment to oil and gas processing projects, the return to industrial gas consumption levels higher than those seen before the crisis generated a sustained level of order intake for the Group. The industrial combustion systems segment saw a significant recovery in sales, as a result of an upturn in end-user markets (especially the USA, where the Group has a strong presence) and the need to upgrade existing capacity to meet more demanding environmental standards and address the rising cost of energy. The Group's high-quality technologies which promote energy efficiency in industrial installations contributed to the strong growth in order intake from this sector. Lastly, the high-performance piping systems segment remained buoyant as a result of nuclear industry demand driven by the construction of new power plants (in France and China) and growth in the maintenance market in a context of working life extension for existing French nuclear power plants.

Cement

The economic environment remained difficult in the cement sector. After record years of new capacity investment in 2006, 2007 and 2008 (with an annual average increase of between 120 and 150 million tonnes of cement, excluding China), conditions nosedived at the end of 2008, and remain very depressed in most industrialized countries, with extremely lackluster demand, largely as a result of the sluggish real estate and construction industries. Although the end of 2010 saw a slight recovery in global production driven by Asia (especially China, India and Indonesia), Africa and the Middle East, levels remained far below those of 2008, and have not encouraged major producers to proceed with the investment projects they stopped in 2009. As a result, the market for new cement plant capacity (excluding China) is approximately 50 million tonnes, only slightly higher than the 45 million tonnes seen in 2009. Given these conditions, competition between equipment suppliers remains fierce. In the cement division, 2010 was therefore marked by an historically-low level of order intake, although the first signs of improvement in the trading environment started to appear at the end of the financial year.

1.2 Highlights

Continued international development

At the end of November 2010, Fives acquired Bronx International Inc. and its British subsidiary Bronx/Taylor-Wilson Ltd., a world engineering leader in the design and supply of finishing equipment and mechanical processing for pipes and tubes. The direct clients of Bronx (renamed Fives Bronx since its acquisition) manufacture steel and non-ferrous metal bars, tubes and pipes, and include major steelmakers. The end-customers of Fives Bronx operate in very diverse areas of industry, including oil, gas, high-speed rail and power transmission. Headquartered in North Canton, Ohio (United

States), Fives Bronx has wide-ranging sales coverage and a large installed base of equipment worldwide. Fives Bronx employs approximately 70 people, and reported annual sales of approximately \$80 million in 2010. Its most dynamic markets are Brazil, Russia and Asia. This acquisition strengthens Fives Group's presence in the metals sector by expanding its product range.

An ambitious innovation policy

Innovation is at the heart of Fives' strategy. In 2010, the Group once again stepped up its Research and Development efforts with a record allocation of €19.8 million, a figure that represents an increase of 8% on 2009 and nearly 30% on 2008.

Current programs focus on ecodesign, process optimization and improved energy efficiency. The technologies developed by Fives reconcile high levels of energy efficiency with environmental responsibility, operational flexibility and cost effectiveness to meet the increased expectations of clients in the post-crisis environment. As in 2009, the Group patented 34 innovations in 2010, 18 of which relate to energy and environmental performance.

For instance, 2010 was marked by significant advances at Fives Celes (metals division) in its R&D program to develop rapid heating of steel strip by transverse flux induction, with the commissioning of a full-scale dynamic test facility, the launch of a test program partly funded by the European Commission (as part of the Life+ project) and ADEME (the French Environment and Energy Management Agency), and the registration of the EcoTransflux™ brand to convey the ecological and economic advantages of a technology that is also known to contribute to improving the properties of carbon and stainless steels.

Outstanding commercial successes

In January

Fives Cinetic was awarded a contract by Renault to supply all the handling equipment for the sheet-metal and final assembly shops of its greenfield project in Tangier, Morocco. This new plant will produce 175,000 vehicles per year across a range of three models. This order follows the completion of a project for Nissan in Barcelona involving conversion work on the existing assembly line prior to the launch of the new Nissan NV 200.

Fives Nordon was selected by Areva to design and supply the pressurizer surge lines for the Taishan 1 and 2 EPR reactors in China.

In February

Fives Solios was awarded a new contract by Vedanta to supply turnkey firing and process control systems for four anode baking furnaces at the Balco aluminium plant in Korba. This latest commercial success positions Fives Solios as a major player in the Indian market, and demonstrates the competitiveness of its offer as a result of its partnership with local subsidiary company Fives India Engineering & Projects Pvt. Ltd.

SALES BY GEOGRAPHICAL AREA

(€ millions)	2008	2009	2010
Asia and Oceania	260.9	262.2	306.3
France	264.7	208.8	205.4
The Americas	236.8	303.7	218.8
The Middle East and Africa	355.7	366.9	193.2
Europe (excluding France)	234.2	141.0	125.6
TOTAL	1,352.3	1,282.6	1,049.3

ORDER BOOK BY END MARKET

(€ millions)	Dec.31, 2008	Dec.31, 2009	Dec.31, 2010
Automotive/Logistics	170.5	108.8	242.4
Cement	321.0	123.7	69.5
Energy	261.9	228.6	234.8
Metals (aluminium and steel)	606.5	377.0	571.6
Intercompany transactions	(1.1)	(3.8)	(1.7)
TOTAL	1,358.8	834.3	1,116.6

ORDER BOOK BY GEOGRAPHICAL AREA

(€ millions)	Dec.31, 2008	Dec.31, 2009	Dec.31, 2010
Asia and Oceania	295.0	277.3	402.7
France	186.7	140.0	169.5
The Americas	305.3	135.0	186.4
The Middle East and Africa	419.1	170.5	236.4
Europe (excluding France)	152.7	111.5	121.6
TOTAL	1,358.8	834.3	1,116.6

Group activity

In March

Baosteel, China's leading steelmaker and largest Fives Stein client, once again demonstrated its trust in the Group with an order for two horizontal furnaces to equip new grain-oriented silicon steel annealing lines.

In April

Nine years after commissioning the first bright annealing line at its Baoxin plant in Ningbo, Baosteel awarded Fives DMS the contract to supply a second bright annealing line which will produce 80,000 tonnes of austenitic and ferritic stainless steel strips per year.

Following on an order placed for a slab reheating furnace at the beginning of 2010, Handan Steel ordered two more billet reheating furnaces from Fives Stein's local subsidiary, confirming the superiority of Digit@l Furnace® technology over competitive technologies in China.

Fives Stein was also awarded a record contract for twelve flat glass lehrs by Chinese glassmaker Xinyi Glass. This order includes eight complete lehrs for photovoltaic glass production lines.

In May

JISCO (Jiuquan Iron & Steel Co.), China's third-largest producer of stainless steel, signed a major contract with Fives DMS for the supply of four 20-roll cold rolling mills for the second phase of its plant expansion project.

PSA Peugeot Citroën appointed Fives Cinetic to construct the assembly workshop for the Kaluga (Russia) production facility it shares with Mitsubishi Motors Company. With the capacity to produce 160,000 vehicles per year, this assembly shop will be equipped with the innovative CFCFriXLine overhead friction conveyor developed and patented by Fives Cinetic.

Fives Cinetic was also awarded a contract to automate seven sorting centers by MNG Kargo, one of Turkey's leading express courier companies, which also provides national delivery services for FedEx Express. These centers are located in the most densely populated and industrialized areas of the country. MNG Kargo has chosen to adopt Fives Cinetic's cross belt sorting technology to provide automated sorting of packages weighing up to 80 kg and measuring up to 1.5 meters in length at a rate of 10,000 packages per hour in its largest sorting centers, and 4,000 packages per hour in its smaller facilities.

In June

Having been appointed by TISCO (Taiyuan Iron & Steel Co.) to produce the world's largest hot annealing and pickling line (the so-called 'jumbo line' commissioned in 2008), Fives DMS was once again selected by this client to supply a stainless steel bright annealing line that will have the highest production capacity in the world (150,000 tonnes per year).

Already the world's leading producer of stainless steel, TISCO will, as result of this new facility, become a world leader in 'bright annealed' products.

At the same time, Fives DMS was also contracted by TISCO to supply a cold rolling mill dedicated to the production of 'bright' strip. Performance profiles were determined on the basis of a rolling mill previously supplied by Fives DMS, which has delivered total satisfaction in terms of production, reliability and quality. The new rolling mill breaks all records, and will be the world's largest in terms of production capacity at 133,000 tonnes per year, and in terms of rolling speed at 1,200 meters per minute.

Fives Nordon signed a framework agreement with EDF CIPN for the P4 series of nuclear power plant reactors, in France. For a five-year period, Fives Nordon will carry out the nuclear island standards compliance and performance upgrading conversion works for the 12 units concerned.

Fives Cryogenie was awarded a contract by Daqing Petrochemical Company to supply seventeen heat exchangers, two cold boxes and eight separation drums for its Daqing site in China. As part of the key projects set out in the Eleventh Five-Year Plan of Heilongjiang Province and its own development plans, Daqing Petrochemical Company has made the decision to boost the ethylene production capacity of this site to 1.2 million tonnes per year. Its presence in China positions Fives Cryogenie as the only local supplier with European expertise.

In August

Fives Cinetic was awarded an order by Chrysler in the USA for the conversion of an engine assembly line, crankshaft, cylinder head and cylinder block machining lines and automated storage and retrieval systems (AS/RS).

In October

The heating quality and energy and environmental performances delivered by its Digit@l Furnace® technology enabled Fives Stein to win the order for two slab reheating furnaces in the USA for Allegheny Ludlum Corp., the world-leading producer of a broad range of carbon steel, stainless steel and high value-added special steel.

In November

Yamato Transport appointed Fives Cinetic to design and supply a fully-automated sorting center as part of its project to construct a new logistics terminal adjoining Haneda International Airport in Tokyo. The system will incorporate three cross belt sorters and six 'slide' sorters to provide the capacity to handle 66,000 items per hour, using a highly adaptable operating mode to cope with peak flows and volumes in order to minimize distribution times for items routing to over 200 destinations.

Fukuyama Transporting, one of Japan's leading transportation operators, awarded Fives Cinetic a contract to supply a sorting system incorporating a cross belt sorter capable of handling 11,000 items per hour for 73 destinations. The system will be installed in the company's new logistics terminal.

In December

In mid-2010, Ma'aden Aluminium Company, the joint-venture formed by the state-owned Saudi Arabian Mining Co. and Alcoa, began construction work on an industrial complex whose first phase includes an aluminium smelter and rolling mill, to be followed by a second phase comprising a bauxite mine and an alumina refinery. Once completed, this facility will be the largest integrated aluminium production facility in the world. As part of this project, Ma'aden awarded Fives Solios a turnkey contract in 2010 to supply two green anode plants (each with a capacity of 40 tonnes per hour) and a liquid pitch unloading and storage terminal. Fives Solios also received orders, scheduled to be included in the order book during the first half of 2011, for the four gas treatment centers and fifteen melting and holding furnaces to be used for the production of aluminium billets, slabs and ingots. The plant will produce 740,000 tonnes of aluminium per year using two lines of 360 electrolysis pots. This major success consolidates the leading position of Fives Solios in the three key sectors of the primary aluminium industry: carbon, electrolysis and casthouse.

As part of its contribution to the construction of the Flamanville EPR reactor, Fives Nordon received an additional order from Areva for the Inconel buttering of sump suction lines.

Main deliveries in 2010

In the steel sector, 2010 was punctuated by the commissioning of a large number of new lines and equipment items for leading clients.

In the process lines segment, one galvanization line and two annealing lines were commissioned for China's leading steelmaker Baosteel. The same client also accepted delivery of a ZR 21 stainless steel rolling mill for its stainless steel division (BSSB) on successful completion of high-speed performance tests (1,000 meters per minute). Also in China, the Group achieved acceptance of the final ZR stainless steel rolling mill used by its client Angang (Anshan Iron & Steel Co.) to produce grain-non oriented (GNO), grain-oriented (GO) and - in the future - high permeability (HiB) grain-oriented silicon steel. Already established as a leading player in GNO silicon steels, Angang's new capacity for GO and HiB steels (the most difficult silicon steels to manufacture) positions the company as the number three in this segment of the Chinese market behind WISCO (Wuhan Iron & Steel Co.) and Baosteel. Three horizontal galvanizing lines were also delivered in Russia, Taiwan and Indonesia.

The ability of the Group to deliver high-performance implementation of these lines within very short lead times demonstrates not only the quality of its thermal and mechanical technologies, but also its ability to monitor and execute large contracts.

In the reheating segment, a number of slab reheating furnaces were commissioned during the year, including those for Isdemir and Çolakoğlu in Turkey (walking beam furnaces of 400 and 450 tonnes per hour respectively), for Essar in India (two furnaces of 250 tonnes per hour) and for CST in Brazil (a 400 tonne per hour furnace).

In the glass sector, 2010 saw the commissioning of a float glass production line rated at 600 tonnes per day in Turkey, as well as a complete float glass production line (air pollution control, melting furnace, tin bath and annealing lehr) with a capacity of 550 tonnes per day in India.

In the aluminium sector, 2010 saw the completion of commissioning work on the various plants and equipment supplied to the new Qatatum aluminium production plant in Qatar, with the acceptance of the three potline gas treatment centers, a fume treatment center for the anode baking furnaces and eleven melting and holding furnaces in the casthouse. Fives Solios also completed the process of commissioning an electrolysis bath treatment and cooling facility for Emal in the United Arab Emirates.

In the cement sector, Fives FCB commissioned the new 4,000 tonne per day line for the Titan cement plant in Beni Suef, Egypt. The remarkable achievements of this project were rewarded by DuPont, one of the world leaders in industrial safety and accident prevention, through its prestigious DuPont Safety Award. Fives FCB also received provisional acceptance for the entire Thai Nguyễn cement plant in Vietnam, which also has a production capacity of 4,000 tonnes per day. This totally new plant is equipped with the latest technologies developed by the Group to enable the production of high-quality cement, whilst dramatically reducing water and energy consumption as well as polluting emissions.

1.3 Trends and outlook

A positive trading outlook at the start of 2011

The Group began 2011 with an order book of €1,117 million, which is 34% higher than last year and offers excellent visibility of workload levels in most business lines (with the exception of the cement division which reported a lower order book at December 31, 2010, although the prospects for order intake are much better going forward).

The order book reported for the end of the 2010 financial year includes the major commercial successes of the year (especially in China, Saudi Arabia and India), the uncompleted portion of major contracts in Qatar and

Mexico, as well as a large number of smaller contracts spread across all regions and business lines. The Group therefore holds a diversified order book still low in the cement division, but very strong in the metals, automotive and energy divisions.

The 2011 financial year therefore starts from an excellent position. The trading outlook appears positive in almost all business lines, driven largely by capacity investment projects in emerging economies in general, and China, India and the Middle East in particular. Although take-up of industrial capacity is rising overall, demand for industrial plants remains focused chiefly in the emerging economies that represent the main drivers of growth for the Group. Opportunities for upgrading existing installations are also emerging in the industrialized countries, where the energy efficiency and environmental performance of equipment manufactured by the Group put it in a strong position. After the vigorous recovery seen in 2010, order intake could increase significantly in 2011.

The economic crisis has triggered far-reaching changes

Nevertheless, uncertainties remain in a macro-economic environment which, despite the significant improvement seen since the beginning of 2010, continues to be characterized by multiple risks and imbalances, including the very high level of government debt in OECD countries (and more particularly the fragility of certain European economies), rising raw materials costs and high volatility in currency exchange rates. The social tensions and geopolitical changes now confronting some emerging economies add a further level of uncertainty.

The economic crisis has also triggered far-reaching changes, with weaker market players revealing underlying fragility, whilst more adaptable companies with robust finances, global coverage and the strongest technologies are gaining an undeniable advantage as the market reconfigures itself. With market shares showing overall growth, Fives is well prepared to benefit substantially from these new trends which favor size, financial robustness and technical expertise.

Since the economic crisis struck, large clients have been extremely cautious and selective about embarking on major capital expenditure projects. Decision lead times are longer, and significant projects are examined in detail to justify their profitability, largely as a result of the significant construction cost increases seen in fast-growing countries. In a context of high volatility in the wider economic environment of an increasingly interdependent world in which events like sovereign debt crises and shifts in national monetary policies are likely to have repercussions on a global scale, decision-making processes are beset by increasing uncertainty right up to the point when the order has been confirmed.

Excellent long-term prospects

The medium- and long-term prospects for the Group are solid. The demographic growth, urbanization, infrastructure needs and improving levels of education seen in emerging economies are powerful underlying positive factors. Mature national markets are showing considerable potential in terms of upgrading existing installations, as demand rises for increased energy efficiency and reduced environmental footprints.

In order to achieve levels of business consistent with its ambitions and potential, the Group is more committed than ever to the two key strategic actions that will characterize its growth in future years:

Continuing and intensifying the commitment to innovation and R&D

Its distinctive technological strengths are central to the success of the Group. The very strong competitive positions now occupied by Fives in the majority of its business lines are directly related to the development of innovative solutions that offer clients a real competitive edge. The R&D budget has doubled over the past five years, and will increase again significantly in 2011 as part of improving the performance of existing facilities and developing tomorrow's solutions.

Strengthening the Group's commercial and operational structure in the world's leading emerging economies

With their strong economic growth and considerable need for industrial equipment, the emerging markets have become the key growth driver for the Group, which generates more than half of its sales in these markets and is committed to further strengthening its local presence (notably in the BRIC nations but also in Africa) in order to extract maximum benefit from the potential they offer.

Key challenges for 2011

Under the current circumstances, the key challenges for the coming year are:

- **in terms of strategy**, to intensify the Group's innovation policy with the goal of reducing time-to-market for distinctive and breakthrough technologies, and ensuring that its range of products and services continually adapts to meet the needs of markets as they reconfigure themselves in the post-crisis world;
- **in terms of commercial activity**, to put in place the right conditions for replenishing and increasing the order book (especially in the cement sector, where the order book at the end of the 2010 financial year remained substantially below that of other business lines) by capitalizing on the excellent competitive positions occupied by the Group;
- **in terms of operations**, to ensure the best-possible fulfillment of existing contracts against a background of volatile foreign exchange rates and rising raw materials costs.

2. FINANCIAL PERFORMANCE

2.1 Accounting principles and consolidation scope

Three companies that continue the business activities of their parent companies were consolidated as of January 1, 2010: Fives Pillard (Tianjin) International Trading Co., Ltd. (in the cement sector in China), Fives India Engineering & Projects Private Limited (in the aluminium sector in India) and Fives Stein Inc. (in the metals sector in the USA). PSA 2000 Saudi Arabia Ltd., which was formed at the end of the year in the context of the Saudi Arabian projects, has also joined the Group consolidation scope. Lastly, Cinetic Decker Filling K.K. (acquired on December 15, 2009), Fives Bronx, Inc. and Fives Bronx Ltd. (acquired on November 30, 2010) joined the consolidation scope on January 1, 2010 and December 1, 2010 respectively. Like-for-like analyses exclude those companies that were consolidated as a result of external growth.

2.2 Summary of results

Sales

Group consolidated sales for 2010 were €1,049 million. On a like-for-like basis, the total is €1,029 million, reflecting a 20% decline from the figure for 2009. This trend is directly attributable to the lower opening order book (-39% compared with the previous year), which was only partly offset by the year's order intake (which was especially strong in terms of small and medium-sized orders, showing an increase of 34%). Group sales also benefited from a favorable exchange rate effect of €20 million in 2010 compared with 2009.

Operating profit

Operating profit for the year was €59.2 million (€58.7 million on a like-for-like basis), reflecting an increase of 5.4% on the 2009 figure (4.5% on a like-for-like basis), despite lower sales. The main reason for this trend was the particular balance between small and medium-sized orders and major contracts (which although significant in sales terms, deliver lower margins). As a result of the global economic crisis, the 2009 financial year saw a significant contraction in the volume of small and medium-sized orders, thereby increasing the contribution made by major contracts to overall Group business volumes. In 2010, the recovery in small and medium-sized orders, combined with a very low opening order book (as few major contracts had been taken in 2009), resulted in the rebalancing of business activities, thus improving the Group's margin rate. After the atypical year experienced in 2009, operating profitability therefore returned to its 2008 level. The Group also benefited from a favorable exchange rate effect of €1.3 million in 2010 compared with 2009.

SUMMARY OF CONSOLIDATED FIGURES

(€ millions)	2008	2009	2010
Sales	1,352.3	1,282.6	1,049.3
Operating profit before depreciation and amortization (EBITDA)	88.7	71.2	75.9
Operating profit	74.6	56.1	59.2
Profit before exceptional items and income tax	86.6	51.5	62.0
Net exceptional income (expense)	3.0	(8.4)	(4.2)
Profit before income tax	89.5	43.0	57.8
Profit of consolidated companies before goodwill amortization	61.3	27.1	40.2
Profit for the year	35.2	21.2	34.0
Net profit, Group share	33.8	20.2	33.5
Shareholders' equity including net profit, Group share	182.2	181.3	222.8

Group activity

The metals and cement divisions remained the largest contributors to Group performance in 2010. The energy and automotive divisions, whose contribution was significantly reduced in 2009, both strongly progressed during the year.

- At €24.8 million, operating profit for the metals division was higher than that reported for 2009 (€20.4 million). Against a background of slower business activity - especially in the first half of the year - the Group benefited from the successful commissioning of several installations in the steel industry (particularly in China), in the aluminium industry (in Qatar and the United Arab Emirates) and in the glass industry (in Turkey and India). Operating profit for this division also reflects the favorable effect of withdrawing from a defined benefits pension scheme in the United Kingdom and the resolution of a long-standing commercial dispute. The contribution of Fives Bronx (consolidated with effect from December 1, 2010) to divisional earnings is not significant due to purchase price allocation effects.
- The €16.4 million operating profit reported by the cement division was 20% lower than the figure for the previous year (€21.4 million). The Group suffered the consequences of the low level of orders received since mid-2008 in what has been a particularly difficult economic environment. Nevertheless, the division's business level held up well, over the year, as a result of completing the final phases of three major contracts in Mexico, Egypt and Vietnam, and sustained demand from the Chinese market for burners and calcination systems.
- Operating profit for the energy division was €13.7 million, reflecting an increase of over 50% compared to 2009 (€9.1 million). However, this trend was not consistent across all divisional business sectors. The performance of this division was driven by strong growth in sales of industrial combustion systems (the contribution of which rose by almost 95%) and, to a lesser degree, sugar refining equipment, but remained affected during the year by the contribution made by the nuclear piping systems segment, which suffered as a result of difficulties encountered on certain construction sites.
- The automotive/logistics division's operating profit was €13.0 million, reflecting growth of nearly 90% over the previous year (€6.9 million). After a very difficult year in 2009 (against a background of depressed economic activity), the Group has benefited from the strong business recovery seen in 2010, particularly in the world's industrialized nations. Furthermore, the measures undertaken since the crisis began have led to optimize cost structures and to reduce the division's break-even point. Lastly, Cinetic Decker Filling K.K. (acquired at the end of 2009 and consolidated with effect from January 1, 2010) performed in line with expectations.

Net financial income

Net financial income was €2.8 million, and increased significantly compared with the previous financial year (-€4.7 million). This variation

essentially reflects the recognition in 2010 of an exchange rate gain of €5.6 million (including €4.2 million of unrealized gain) stemming from the way in which the acquisitions of Fives North American in 2008 and Fives Bronx in 2010 were structured, whereas a loss of €1.8 million was recognized in 2009. Since these acquisitions were financed by dollar loans issued by Fives to its American subsidiaries, the Group's financial income is automatically impacted by the euro/dollar parity over the life of these loans. The cumulative exchange rate gain on these transactions recognized at the end of 2010 was €14.0 million (including an unrealized gain of €10.3 million).

Net exceptional income (loss)

(€ millions)	2008	2009	2010
Net restructuring costs	(2.2)	(7.9)	(3.8)
Net impact of disposals of property, plant and equipment, intangible and financial assets	6.0	(0.3)	0.7
Profit (loss) of newly-consolidated companies		0.4	0.2
Other	(0.8)	(0.7)	(1.3)
TOTAL	3.0	(8.4)	(4.2)

Net exceptional income for 2010 represented a loss of €4.2 million. It however stood at a higher level than the 2009 figure (-€8.4 million), which included the effects of restructuring measures undertaken by the Group, the majority of which focused on the automotive division.

Net profit

The total income tax expense (current and deferred) for the financial year was €17.6 million, and therefore higher than the figure for 2009 (€15.9 million). It includes €13.9 million of current tax (with €6.9 million relating to the French tax group, and the remaining €7.0 million attributable to both French companies not included in that tax group and foreign companies), and a negative change in deferred taxes of €3.7 million.

After goodwill amortization totaling €6.2 million (compared with €5.9 million in 2009), the net profit attributable to the Group was €33.5 million. This figure represents a significant increase (+66%) over that for 2009 (€20.2 million).

2.3 Contribution of each division to Group results

METALS (ALUMINIUM AND STEEL)

(€ millions)	2008	2009	2010
Order intake	410.4	216.6	469.2
Order book at Dec. 31	606.5	377.0	571.6
Sales	478.4	475.4	365.7
Operating profit	22.1	20.4	24.8
Employees at Dec. 31	1,344	1,342	1,377

The activity: the metals division supplies key processes and equipment, mainly for aluminium and steel production.

For aluminium, the equipment covers key manufacturing processes in the carbon, electrolysis and casthouse sectors. All this equipment is marketed under the Fives Solios brand name.

In steel, the Group has both mechanical and thermal expertise and supplies rolling mills, large capacity reheat furnaces, surface treatment lines as well as finishing equipment and mechanical processing for pipes and tubes. The division also serves the glass industry where its thermal technology has found new applications. This division's activities are carried out under the Fives DMS, Fives Stein, Fives Celes and Fives Bronx brand names in steel and under the Fives Stein brand name in the glass sector.

In the aluminium sector, the Group benefited from the strong recovery in end-user markets and the increase in investments. The post-crisis configuration of the aluminium market also confirmed the underlying trend of the world's leading production centers gradually migrating away from Western Europe and the USA to those regions of the world where energy is cheaper and raw materials are easier to obtain. Against this background, Group sales in 2010 were chiefly realized on large-scale orders in the Middle East and India. Fives Solios was awarded a series of major contracts by Ma'aden (the joint venture operated by the state-owned Saudi Arabian Mining Co. and Alcoa) for the supply of two green anode production plants, a liquid pitch terminal, four gas treatment centers and fifteen melting furnaces as part of an industrial complex construction project in Saudi Arabia. The orders for the green anode plants and liquid pitch terminal were booked at the end of 2010, with the remaining contracts scheduled to be booked during the first half of 2011. In India, major orders were also received from Vedanta (for the supply of turnkey firing and process control systems for four anode baking furnaces) and Hindalco (for the supply of a green anode plant and firing systems).

In the steel sector, although 2010 was marked by a significant recovery in global production, market growth remained driven by capacity investments in emerging economies, and especially China. As a major player in this market, Fives was therefore able to secure large-scale orders from a number of leading national steelmakers, most notably JISCO (four stainless steel rolling mills), TISCO (a bright annealing line and rolling mill), Baosteel (two furnaces for silicon steel annealing lines and a bright annealing line) and Handan Steel (two Digit@l Furnace® reheating furnaces), confirming its market-leading position in the cold rolling of stainless steel, vertical furnaces for galvanizing lines and continuous annealing of carbon steels. The Group also benefited from a number of opportunities in industrialized countries, and particularly in the USA with the award of a large-scale order from Allegheny Ludlum Corp. to supply two Digit@l Furnace® reheating furnaces. Lastly, the acquisition of Fives Bronx strengthens the Group's presence in the metals sector by expanding its product range.

In the glass sector, business remained buoyant in the flat glass segment, especially in China where production capacity continued to grow. In other segments, demand began to rise only at the end of the year. In a still difficult trading environment, the Group successfully established its position in growing sectors requiring special expertise, such as glass for flat screens and photovoltaic applications, and was able to secure a major order to supply twelve lehrs for one Chinese glassmaker, eight of which will be used to produce glass for photovoltaic panels.

In the context of sustained commercial activity, order intake for the division more than doubled in 2010, and even exceeded the record level reported for 2008 (+14%). Conversely, sales fell significantly compared with 2009 (-23%). This trend is directly attributable to the lower opening order book (-38%), which was only partly offset by order intake for 2010. Nevertheless, the year saw the successful commissioning of a large number of lines and installations in the steel industry (in China, Turkey and Russia), in the aluminium industry (in Qatar and the United Arab Emirates) and in the glass industry (in Turkey and India).

At €24.8 million, the good level of operating profit generated by this division also reflects the favorable effect of withdrawing from a defined benefit pension scheme in the United Kingdom and the resolution of a long-standing commercial dispute. Excluding these effects, and despite lower business levels, the division was able to maintain a level of operating profitability consistent with previous years.

The good commercial performance achieved in 2010 enabled the Group to refurbish its order book after the sudden stop experienced in 2009. In the aluminium segment, this factor, combined with the order intake already confirmed for 2011 (the Ma'aden orders for gas treatment centers and melting furnaces referred to above), and the presence of the Group in those

Group activity

regions where the aluminium market is performing best (Middle East and India), gives Fives Solios a very high level of visibility in terms of business activity and workload for 2011. In steel, against a background of expected recovery in consumption, the most active markets for the Group remain those of emerging economies, and particularly China, where its presence and competitive position are widely recognized. The commercial successes achieved in 2010 in the fast-growing high value added steel segment (mainly stainless and silicon steels) and the performance of equipment manufactured by the Group to address increasingly strict environmental and energy consumption constraints could open the way for further attractive opportunities in 2011.

AUTOMOTIVE/LOGISTICS

(€ millions)	2008	2009	2010
Order intake	343.6	194.6	401.4
Order book at Dec. 31	170.5	108.8	242.4
Sales	355.4	259.5	277.0
Operating profit	24.7	6.9	13.0
Employees at Dec. 31	1,907	1,694	1,710

The activity: the automotive division designs, manufactures and installs equipment, integrated tooling systems and automated production systems for the automotive industry. In logistics, the Group offers an extensive range of automated sorting systems. All these items of equipment and systems are marketed under the Fives Cinetic brand.

In the automotive sector, the market emerged profoundly changed from the 2009 crisis. Growth strongly resumed in the emerging economies which have continued to lead the way by building new production capacity, led by China, and to a lesser degree, India and Brazil. In industrialized countries, the policies aiming at rationalizing and consolidating production capacity started in previous years continued in 2010, alongside the emergence of new projects to develop technologies that are more eco-friendly, with the emphasis on automotive engines: hybrid engines and new types of internal combustion engine.

In tooling systems, business volumes recovered vigorously, not only in the emerging economies (driven by local and international automotive manufacturers), but also in the United States, as the industrial reorganization plans introduced by General Motors and Chrysler in 2009 continued, and in Europe, with the development of new resources to produce more fuel-efficient engines, especially at Volkswagen and PSA Peugeot Citroën. This sector was also supported by the energy sector (power generators). However, business was less dynamic in transmissions.

In automated production systems, the Group's subsidiaries saw business levels increase in national markets thanks to ongoing powertrain replacement programs in the United States (orders for assembly lines at General Motors and Chrysler) and the development of new engines in Europe (order for crankshaft machining line mechanization and prismatic component washing systems for PSA Peugeot Citroën's EB engine). Manufacturing industry activity has resumed with the securing of a number of orders for collaborative robotic units (Trusafe). The recovery has also benefited the automated handling segment, which, after two particularly thin years, managed to secure orders for complete conveyor systems for final assembly shops at Renault (the Tangier plant in Morocco) and PSA Peugeot Citroën (the Kaluga plant in Russia).

In fluid filling and sealing systems, the recovery began to make itself felt rather later in the year. The market was driven essentially by midsize systems in China and India prior to the appearance in the fall of the first projects for HFO fillers (HFO is the new refrigerant introduced to replace the current fluoridated refrigerant), with orders coming from Honda and Audi. The integration of Cinetic Decker Filling K.K. (acquired at the end of 2009) also helped the Group – as intended – to strengthen its position with Japanese car makers in Asia.

In automated sorting systems (logistics), North American and European courier companies continued the process of automating their sorting centers. As a result, the Group received large-scale orders from the Swedish post office and a leading express courier services provider in Turkey. Market prospects have improved significantly in Japan, where the Group boasts a dominant position and was awarded two major projects to supply high-speed sorting centers for Yamato Transport (as part of its logistics terminal adjoining Haneda International Airport in Tokyo) and Fukuyama Transporting. These orders underline the substantial success achieved in this market by the cross belt technology developed and marketed by Fives Cinetic, which is particularly effective in high-speed sorting applications.

It was in this context that annual order intake more than doubled year-on-year to exceed €400 million: not only did the division achieve a level of business higher than that for 2009, but it was also able to rebuild its order book, which had been particularly low at the start of the year.

After a difficult year in 2009, the measures put in place since the onset of the crisis to optimize the division's cost structures and lower its break-even point are now paying off. Thus, even though it has yet to return to its pre-crisis level, operating profit for the division almost doubled in one year, and its operating profitability improved significantly compared with the previous financial year.

Its substantial order book, good commercial visibility in most of the division's markets, and ongoing efforts to further improve its operating profitability bode very well for the Group in the year ahead.

CEMENT

(€ millions)	2008	2009	2010
Order intake	262.1	87.6	69.7
Order book at Dec. 31	321.0	123.7	69.5
Sales	259.0	284.2	125.1
Operating profit	17.9	21.4	16.4
Employees at Dec. 31	505	510	509

The activity: the cement division's offer ranges from supplying isolated equipment such as burners (marketed under the Fives Pillard brand name), grinders and materials separators, to complete grinding shops and turnkey cement plants (under the Fives FCB brand name).

The economic environment remained difficult in the cement sector. Although the end of 2010 saw a slight recovery in global production driven by Asia (especially China, India and Indonesia), Africa and the Middle East, levels were still far below those of 2008, since the market for new cement plant capacity (excluding China) remained on a par with that of 2009. As in the previous year, this recessionary trading environment held back Group commercial activity, with an almost-total absence of major projects (for entire cement plants) and much lower levels of after-sales business (spare parts and services) and individual equipment sales, reflecting the low level of use being made of production plants. This environment also affected sales of burners and ore calcination and drying systems. Fives Pillard, which offers particularly high-performance technology in this area, nevertheless succeeded in generating order intake consistent with the level seen in 2009, thanks to a number of commercial successes in the Chinese market. Against this background, 2010 was marked by an historically low level of cement-related orders for the Group.

In operational terms, divisional sales fell substantially in 2010 under the combined effect of a low opening order book and an equally low level of order intake during the year. However, business levels were supported by the completion of the final phases of three major contracts: two 4,000 tonne per day cement plants, one for Titan in Egypt and another one for Thai Nguyen in Vietnam (for which Fives FCB obtained acceptance in 2010), as well as a 3,500 tonne per day cement plant for Holcim Apasco in Mexico (where commissioning began at the end of 2010 and will continue through the first quarter of 2011) featuring the very latest technologies developed by the Group for the cement industry.

Operating profit showed a less marked decline than sales, as a result of the Group's ability to manage and execute contracts and the quality of the technologies it delivers.

The market for additional cement production capacity should grow in the medium term, but seems likely to remain far below the record levels seen between 2006 and 2008. Contraction of the market is inevitably accompanied by increased competition, with the result that the Group is coming head-to-head not only with its traditional European competitors, but also with Chinese competitors that have a more aggressive pricing policy. The Group therefore enters 2011 against the background of a still uncertain market combined with an historically low opening order book. Nevertheless, the first signs of recovery are visible and hold out the hope of a possible improvement in commercial prospects. In fact, Fives FCB was awarded a contract in December 2010, which came into force at the beginning of 2011, to expand the capacity of a white cement plant in Saudi Arabia. Other major plant project opportunities may emerge during the year in fast-growing markets, such as India, Brazil, Africa and the Middle East.

ENERGY

(€ millions)	2008	2009	2010
Order intake	274.3	229.3	287.2
Order book at Dec. 31	261.9	228.6	234.8
Sales	260.8	263.5	285.3
Operating profit	18.0	9.1	13.7
Employees at Dec. 31	1,857	1,867	1,953

The activity: the division designs and supplies a variety of industrial equipment for the energy sector (in particular nuclear piping, cryogenic equipment for hydrocarbon processing and air separation, high-performance combustion systems and bioenergy equipment), which is marketed under the Fives Nordon, Fives Cryogenic, Fives North American and Fives Cail brands.

Underlying trends in the energy industry remain very positive as a result of increasing energy demand from emerging economies, the need for high levels of energy efficiency against the background of long-term leveling out of gas and oil production and the need to reduce environmental footprints.

In the area of high value-added industrial pipes, the market remains promising, driven particularly by new construction and maintenance demand from the nuclear industry. In this context, Fives Nordon has been awarded new orders for the EPR reactors of Flamanville (by Areva and Alstom) and Taishan 1 and 2 (by Areva), as well as major maintenance contracts, including one multi-year agreement covering five nuclear power plants operated by the French power generator EDF. However, current construction work on new power plants is proving challenging and having a negative effect on Group performance, as a result of

Group activity

the re-launching of an industry that has largely been dormant worldwide in recent decades.

In the area of cryogenic equipment, 2010 was marked by the recovery of high-growth sectors for the Group, especially oxygen (for steelmakers and synthesis gases) and ethylene production. As a result, order intake was double that reported for 2009. In the steelmaking and synthesis gas sector, Air Liquide contracted Fives Cryogenie to design and manufacture heat exchangers and cold boxes for a range of projects in China, India and Russia. In the ethylene sector, contracts to expand existing capacity were won in China (with Daqing Petrochemical Company) and the Middle East. Air Liquide also confirmed its order for the exchange line intended for the world's largest helium purification and liquefaction plant in Qatar.

In the area of industrial combustion systems, the return to confidence as the crisis gradually receded in 2010 led to a significant rise in capital expenditure in the majority of industrial markets. Against this background, order intake rose by almost 50% as a result of Fives North American's leading position in the market and its ability to offer very high-quality technology that is particularly well suited to the especially demanding markets of industrialized countries, where high-performance combustion solutions for use in their large industrial complexes are needed. The orders secured in 2010 included those where investment is focused on upgrading existing capacity with the aim of improving energy and environmental efficiency, as well as those where investment is focused on new capacity (site extensions, greater energy generation, etc.).

In the area of sugar refining equipment and bioenergy, sugar prices trended erratically in 2010, falling as far as breakeven for major producers in May, but recovering to a level close to their 30-year high by the end of the year. In this context, Group order intake improved in most markets other than India, where sales were particularly high in 2009. 2010 was also marked by the announcement of partnerships between major players in the sugar refining and energy sectors, including Shell with Cosan, and Petrobras with Tereos. Fives Cail supports this market transition by offering complete extraction plants with high energy performance, as well as high-pressure bagasse boilers.

On the whole, energy-related order intake for 2010 was up significantly on the figures for 2009 (+25%) and 2008. The division also had a good year in terms of sales, which rose by 8% compared with 2009. Despite a low opening order book, the Group benefited from the significant recovery in industrial combustion systems (the effect of which had already started to be felt in 2010 as a result of shorter business cycles), whilst business levels remained high in the nuclear and sugar sectors as work continued on fulfilling existing contracts. Operating profitability was also ahead of 2009, driven by the performances delivered by combustion systems, but was still significantly impacted by difficulties

encountered in major nuclear projects and remained a long way short of the level seen in 2008.

The outlook for the division in 2011 is encouraging. In addition to the generally positive direction of the energy market as demand increases for energy-efficient and environmentally-friendly solutions, the Group should benefit from its very good positioning in the cryogenics and industrial combustion sectors, where the sharp recovery seen in 2010 seems set to continue in 2011, offering new opportunities for business growth, both in industrialized countries and emerging markets.

Non-financial indicators

As an industrial engineering group, Fives is at the heart of many of the sustainable development challenges facing industry. The Group is involved in technological developments that will lead to more sustainable production processes in the future, and in addressing key social issues.

The Corporate Social Responsibility (CSR) Department created in 2008 structures, coordinates and standardizes Fives' CSR approach in compliance with United Nations Global Compact guidelines. This department works closely with the other departments of Fives and with Group subsidiaries.

The missions of the CSR Department are:

- at the strategic level, to identify and highlight those challenges that are likely to impact Group activities in the short, medium or long terms;
- at the operational level, to structure and develop the CSR program which is defined and re-assessed annually by the Group, while providing variants of it to all its subsidiaries, to coordinate the actions carried out and to ensure that they are effective and monitored.

Fives takes full account of the impact of its activities on stakeholders, and is committed to:

- minimizing its direct environmental footprint and indirect impacts resulting from the industrial capital goods supplied by the Group;
- acting responsibly and fairly in its markets, and promoting social responsibility to its stakeholders;
- respecting individuals and providing its employees with safe working conditions, fair conditions of employment and opportunities to develop their skills and careers.

These principles are interpreted in the form of the seven key directions identified by the Executive committee in 2008.

Fives has incorporated these principles into its governance and includes them in its Group Directives and cross-functional action programs. It also encourages its subsidiaries to develop their own CSR initiatives. In 2010, the Group's non-financial reporting system was extended to include all subsidiaries. These principles are included in the Fives code of conduct distributed to all Group employees.

The following tables contain the performance indicators monitored by the Group for each topic.

1. INNOVATION INDICATORS

	2008	2009	2010
R&D expenditure in millions of euros	15.2	18.4	19.8
PATENTS AND TRADE NAMES			
Number of patents in force	1,425	1,343	1,476
Number of patent families in force	281	308	336
Number of first patents registered	25	34	34
Of which percentage of patents relating to energy and environmental performance	ND	53%	53%
Number of 'product' trade names registered	ND	70	86

For companies included in the Group consolidation scope.

The level of commitment to R&D as a proportion of sales remains high: despite the business strains imposed on the Group during 2009 and 2010 and its overarching policy of cost control, R&D expenditure continues to grow, and significant levels of investment have been devoted to the development of large-scale prototypes.

Following rationalization of the patent portfolio in 2009, the increase reported for 2010 reflects the high level of creativity at work in the Group's R&D processes.

2. PURCHASING INDICATORS

	2008	2009	2010
BREAKDOWN OF PURCHASING VOLUMES BY TYPE			
Functional purchases and industrial equipment	15%	15%	22%
Industrial supplies and components	25%	29%	23%
Manufacturing subcontracting	26%	26%	22%
Services	22%	24%	20%
Consortium partners	9%	0%	3%
General services	3%	6%	10%

Breakdown based on purchases of major group companies.

The purchasing processes are closely related to the Group's design, layout and production activities:

- Functional purchases and industrial equipment purchases contribute to the overall technical performance of the assemblies supplied by Fives. They are designed by the supplier on the basis of technical specifications prepared by Fives teams
- Manufacturing subcontracting relates to equipment designed by Fives and produced under its supervision on the basis of its own drawings and specifications: the core expertise of Fives is represented by this category
- Services refer essentially to on-site assembly services and design services
- Consortium partners refer to those projects in which Fives acts as the lead partner and ensures that the other partners are paid for their services

Industrial supplies and components, on the other hand, refer more to purchases of 'standard' manufactured items (from workshop consumables to controllers).

The monitoring of purchases made further progress in 2010, with the introduction of a subsidiary reporting system designed to provide clearer identification of Group purchases.

In 2008 and 2009, only those purchases ordered via the ERP system were taken into account.

3. EMPLOYMENT INDICATORS

	2008	2009	2010
EMPLOYEES	5,679	5,514	5,639
Men	83%	85%	84%
Women	17%	15%	16%
Percentage of the female population who are engineers and managers	25%	28%	28%
BY CATEGORY			
Engineers and managers	31%	37%	38%
Technicians, designers and supervisors	45%	26%	26%
Staff		15%	14%
Operators	24%	22%	22%
BY REGION			
The Americas	19%	16%	17%
France	61%	62%	59%
Europe (excluding France)	15%	15%	15%
Asia and Oceania	5%	7%	9%
SKILLS AND MOBILITY MANAGEMENT			
Percentage of employees reviewed by the 'Cèdre' career management committee	30%	30%	40%
Percentage of employees receiving annual appraisal interview	45%	50%	63%
Number of people having attended 'starter'* meetings	263	130	106
Number of people having attended 'career booster'** interviews	ND	72	88
Percentage of employees having attended at least one training course	ND	57%	59%

For companies included in the Group consolidation scope.

- * The "starter" meeting is a personal interview held with all new employees to ensure successful induction and assess how satisfied they are in their individual jobs. In 2008, 2009 and 2010, engineers, managers and employees with equivalent functions participated in 'starter' interviews.
- ** The "career booster" interview may be initiated either by the Group Human Resources Department or individual employees in order to explore their career potential within the Group.

The human resources processes implemented by the Group in recent years continued to progress in all regions during the year, with particular emphasis on annual appraisal interviews and the 'Cèdre' careers management program. The updating of the Group Directives Manual in 2010 provided an opportunity to remind subsidiaries of the content and purpose of the business processes contained in the Manual via presentation meetings held in each of the major world regions where Fives is located.

Following on 2009, when major efforts were made to minimize the effects of the global crisis by applying a policy of active internal mobility and intensifying the focus on training, 2010 was a year of consolidating employee numbers, whilst maintaining the training impetus.

Introduction to site-specific data and safety/environment statistics

In 2009, the Group introduced a more systematic monitoring process to gather data on its Health, Safety and Environment (HSE) initiatives and indicators. The HSE reporting scope covers more than 95% of Group employees.

	2009	2010	of which			
			The Americas	France	Europe excl. Fr.	Asia et Oceania
BREAKDOWN OF SITES BY TYPE						
Total number of sites	68	69	9	37	13	10
Industrial sites*	22	22	6	11	4	1
Offices	21	21	1	9	4	7
Combined sites**, regional facilities and test centers	25	26	2	17	5	2

* Sites with significant and permanent industrial activity.

** Sites combining an office environment and an industrial or test-oriented activity.

4. MANAGEMENT SYSTEM

	2009	2010	The Americas	France	Europe excl. Fr.	Asia et Oceania
Quality Certification (ISO 9001)						
Number of certified sites	45	47	5	29	10	3
Number of sites engaged in certification	3	1	0	0	0	1

For many years now, Group subsidiaries have been committed to quality management systems that are regularly updated and compliant with Group Directives. These Directives were reviewed and updated in 2010, resulting in the publication of Version 4 of the Directives and Recommendations Manual.

5. SAFETY INDICATORS

	2009	2010
Frequency rate (Number of lost-time accidents (>1 day) x 1,000,000 / Total number of hours worked)	11.54	8.61
Severity rate (Number of days lost following accidents (>1 day) x 1,000 / Number of hours worked)	0.318	0.208
Safety Certification (OHSAS 18001 / MASE)		
Number of certified sites	14	16
Number of sites engaged in certification	3	6

The very marked improvement seen in Group accident frequency and severity indicators during 2010 reflects the major efforts made by Group subsidiaries in this area, and particularly by Fives Nordon, which employs more than 900 people. Nevertheless, individual performances vary, and isolated instances of deterioration were seen during 2010 against a background of rapid business upturn during the year.

Non-financial indicators

The program introduced by the Group in 2009 started by focusing on the priority action areas identified by a series of initial audits. Fives is now taking more detailed action in the form of adoption initiatives and awareness-raising campaigns in all its subsidiaries (seminars, training sessions and support for the implementation of safety management systems). Several subsidiaries have taken steps to obtain OHSAS 18001 certification.

6. ENVIRONMENTAL INDICATORS

	2009	2010	of which			
			The Americas	France	Europe excl. Fr.	Asia et Oceania
ENERGY CONSUMPTION						
Electricity in k€	ND	3,328	872	1,598	531	327
Electricity in Mwh	ND	46,225	16,809	20,710	5,416	3,291
Fossil fuels (k€)	ND	2,293	398	1,505	295	94
ISO 14001 Certification						
Number of certified sites	12	14	3	6	3	2
Percentage of industrial sites certified	36%	41%	33%	36%	75%	0%
Number of sites engaged in certification	4	5	1	4	0	0

2010 was the first year in which environmental data was gathered for the entire consolidation scope. This data focuses on energy consumption, water consumption, waste management and the environmental management system.

The move towards ISO 14001 certification reflects the growing environmental awareness present in the Group's subsidiaries.

Corporate governance

THE EXECUTIVE BOARD

The Executive Board manages the company under the supervision of the Supervisory Board. The number of Executive Board members is fixed by the Supervisory Board at a minimum of two and a maximum of five. The Executive Board currently has three members and is responsible for the company's management. It has the broadest powers to act in all circumstances in the company's name within the limits of its corporate purpose and the powers expressly attributed to the Supervisory Board and to General Meetings of shareholders.

With regard to the Supervisory Board, the Executive Board:

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

The Executive Board meets as often as the company's interests require. In 2010, the Executive Board met on: March 29, June 25, September 22, September 28, November 29 and December 15.

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

Composition of the Executive Board

Frédéric Sanchez

51 years old, Chairman of the Executive Board.

Appointed on October 3, 2002, his term of office was renewed by the Supervisory Board on September 30, 2008 and will expire on September 29, 2014

Main positions held:

Various positions in companies affiliated to the Fives group.

Member of the Board of Directors of Compagnie des Gaz de Pétrole Primagaz.

Chairman of the Supervisory Board of Cameron France Holding SAS.

Martin Duverne

54 years old, member of the Executive Board, in charge of the Energy and Logistics divisions.

Appointed on October 3, 2002, his term of office was renewed by the Supervisory Board on September 30, 2008 and will expire on September 29, 2014.

Main positions held:

Various positions in companies affiliated to the Fives group.

Lucile Ribot

44 years old, member of the Executive Board.

Appointed on October 3, 2002, her term of office was renewed by the Supervisory Board on September 30, 2008 and will expire on September 29, 2014.

Main positions held:

Various positions in companies affiliated to the Fives group.

THE SUPERVISORY BOARD

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

Composed of seven members as of the December 31, 2010, the Supervisory Board exercises permanent control over the Executive Board's management of the company. It meets at least four times a year to review the quarterly report presented to it by the Executive Board. It checks and controls the company and consolidated financial statements presented to it by the Executive Board within the three months following the financial year end.

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

In 2010, the Supervisory Board met on: March 29, June 25, September 30 and December 15.

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

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

Composition of the Supervisory Board

Jacques Lefèvre

73 years old, Chairman of the Supervisory Board.

Appointed on September 14, 2001, his term of office was renewed by the Supervisory Board on March 30, 2007 and will expire at the end of the General Meeting called to approve the 2012 financial statements.

Main positions held:

Member of the Board of Director of Société Nationale d'Investissement.

Guillaume Jacquau

44 years old, Vice-Chairman of the Supervisory Board.

Appointed on August 18, 2004, his term of office was renewed by the Supervisory Board on March 25, 2009 and will expire at the end of the General Meeting called to approve the 2014 financial statements.

Main positions held:

Managing Director of Barclays Private Equity France SAS.

Various positions in companies affiliated to Barclays Private Equity France SAS.

James Arnell

41 years old, member of the Supervisory Board.

Appointed on July 27, 2006, his term of office will expire at the end of the General Meeting called to approve the 2011 financial statements.

Main positions held:

Member of the Board of Directors of Charterhouse Capital Limited.

Various positions in companies affiliated to Charterhouse Capital Partners LLP.

Stéphane Etroy

39 years old, member of the Supervisory Board.

Appointed on July 27, 2006, his term of office will expire at the end of the General Meeting called to approve the 2011 financial statements.

Main positions held:

Various positions in companies affiliated to Charterhouse Capital Partners LLP.

Fabrice Georget

38 years old, member of the Supervisory Board.

Appointed on July 27, 2006, his term of office will expire at the end of the General Meeting called to approve the 2011 financial statements.

Main positions held:

Various positions in companies affiliated to Charterhouse Capital Partners LLP.

Arnaud Leenhardt

82 years old, member of the Supervisory Board.

Appointed on August 18, 2004, his term of office will expire at the end of the General Meeting called to approve the 2010 financial statements, and, at his request, it will not be renewed.

Main positions held:

Honorary Chairman of Vallourec and of UIMM.

Member of the Board of Directors of Fenie-Brossette.

Vincent Pautet

36 years old, member of the Supervisory Board.

Appointed on July 27, 2006, his term of office will expire at the end of the General Meeting called to approve the 2011 financial statements.

Main positions held:

Various positions in companies affiliated to Charterhouse Capital Partners LLP.

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

THE EXECUTIVE COMMITTEE

The Executive Board has instituted an Executive committee made up of the members of the Executive Board and the Group's main operating managers to assist the Executive Board in its decisions.

As a body for reviewing and exchanging information, the Executive committee meets to examine specific issues and assist the Executive Board to reach decisions concerning matters falling within its powers. In particular, the Executive committee deliberates on matters of common interest and on questions of coordination between the Group's various entities.

The Executive committee meets at least six times a year.

In 2010, the Executive committee met on the following dates: April 2, April 13, May 25, June 18, September 24 and December 10 and examined the following subjects:

- Establishment of consolidated results;
- Human resources;
- Development of the Group's international sales force;
- Internal Group communication;
- Research & Development policy;
- Internal control, review of the Directives and Recommendations Manual;
- Social Corporate Responsibility (CSR) actions follow-up;
- Special financial crisis measures;
- 2010/2015 strategic plan.

Composition of the Executive committee

Jean-Marie Caroff, 49 years old.
Head of the International Development Department.

Alain Cordonnier, 50 years old.
CEO of Fives FCB (cement division).

Michel Dancette, 57 years old.
Head of the Corporate Social Responsibility Department.

Daniel Brunelli-Brondex, 50 years old.
Head of the Aluminium division (Fives Solios).

Jean-Paul Sauteraud, 59 years old.
Head of the Group Legal Department.

Michelle XY Shan, 45 years old.
Vice President Business Development China.

Jean-Camille Uring, 60 years old.
Head of the the Automotive division (Fives Cinetic).

Paule Viallon, 45 years old.
Head of the Group Human Resources Department.

THE ACCOUNTS COMMITTEE

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

Jacques Lefèvre, Chairman of the Accounts committee.
James Arnell, member of the Accounts committee.
Fabrice Georget, member of the Accounts committee.

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

Its role is primarily to:

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

The Accounts committee meets at least twice a year. In 2010, it met on March 29, on September 30 and on December 6.

THE APPOINTMENTS AND REMUNERATION COMMITTEE

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

It is composed of the following Supervisory Board members:

James Arnell, Chairman of the Appointments and Remuneration committee;
Jacques Lefèvre, member of the Appointments and Remuneration committee.

In 2010, the appointments and remuneration committee met on March 29 and October 21.

INTERNAL CONTROL

The internal control procedures applied within the Group are intended:

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

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

- the quality, personal involvement and accountability of management teams at each Group company;
- coordination by business division;
- the implementation, as part of concerted action by all Group companies, of the "Directives and Guidelines Policy Book" (which was completely revised in 2010). This manual is a major risk management tool and provides the basis for the internal limitations set by the Boards of Directors of Group companies on the powers of their Chief Executive Officers and Deputy Chief Executive Officers (or equivalent position).

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

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

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

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

EXTERNAL CONTROL

The Company's Independent Auditors are:

- Ernst & Young Audit, represented by Marc Stoessel. Statutory Auditor, whose term of office was renewed on June 16, 2006.
- Deloitte & Associés, represented by Pascal Colin. Statutory Auditor, whose term of office was renewed on June 16, 2006.
- Auditex. Substitute Statutory Auditor, appointed on June 16, 2006.
- Beas. Substitute Statutory Auditor, whose term of office was renewed on June 16, 2006.

Their terms of office will expire after the General Meeting of shareholders which will approve the 2011 financial statements.

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

Financial and legal information

FINANCIAL INFORMATION

Share capital

At December 31, 2010, Fives had a share capital of €24,041,732, composed of 2,185,612 fully paid-up shares with a par value of €11 each.

The shares are registered shares.

There are no other securities giving access to the capital.

Changes in the share capital

The amount of the share capital was not modified in 2010.

Share ownership

Fives' main shareholder at December 31, 2010 was FL Investco, which held 99.99% of the share capital.

Stock options

The company had not set in place any stock option plan at December 31, 2010.

Dividends / Distribution of reserves

The Ordinary and Extraordinary General Meeting of June 19, 2008, resolved to distribute a total dividend of €12,996,648 to shareholders, corresponding to €6.00 per share.

The Ordinary and Extraordinary General Meeting of June 23, 2009, resolved to distribute a total dividend of €19,998,349.80 to shareholders, corresponding to €9.15 per share.

No dividends were paid in 2010.

LEGAL INFORMATION

Company name and registered office

Fives - 27-29 rue de Provence, 75009 Paris - France

Legal form

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

Term

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

Trade and companies registry

542 023 841 RCS Paris

Financial year

January 1 to December 31.

Purpose (summary of Article 3 of the Memorandum and Articles of Association)

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

Distribution of profits

(summary of Article 23 of the Articles of Association)

The General Meeting of shareholders shall have the power to grant each shareholder the option of receiving all or part of the dividend in cash or in shares in accordance with the applicable statutory and regulatory provisions.

Dividends or interim dividends shall be paid under the conditions provided for by law.

Conditions for the holding of General Meetings

(summary of Articles 18, 19 and 21 of the Memorandum and Articles of Association)

General Meetings shall be convened under the conditions laid down by law and chaired by the Chairman of the Supervisory Board or, if unavailable, by whichever member has been designated by the Board.

The agenda shall be prepared as provided for by law.

General Meetings shall deliberate and decide in the conditions of quorum and majority provided for by law.

Voting rights shall be exercised by usufructuaries at Ordinary General Meetings and by bare owners at Extraordinary General Meetings. Shareholders may appoint proxies under the conditions provided for by law.

Decisions made by General Meetings, in accordance with the Memorandum and Articles of Association, shall be binding on all shareholders without exception. They shall be recorded in the minutes signed by the officers of the meeting and kept in a special register initialed and signed as provided for by law, held at the registered office.

Legal documents

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

2010 consolidated financial statements

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Consolidated balance sheet

Assets

In thousands of euros	Dec. 31, 2008	Dec. 31, 2009	Dec. 31, 2010
NON-CURRENT ASSETS			
Intangible assets (note 4.1)	17,260	15,809	37,546
Goodwill (note 4.2)	93,860	87,528	105,617
Property, plant and equipment (note 4.3)	102,131	104,099	105,239
Investments (note 4.4)	9,248	13,118	8,539
	222,499	220,554	256,941
CURRENT ASSETS			
Inventories and work in progress (note 4.5)	131,433	98,171	102,480
Trade and related receivables (note 4.6)	417,524	324,244	267,003
Other receivables (note 4.7)	47,591	50,774	49,859
Cash and cash equivalents (note 4.8)	237,080	230,093	215,132
Prepaid expenses (note 4.14)	10,862	10,577	10,116
	844,490	713,859	644,590
TOTAL	1,066,989	934,413	901,531

Shareholders' equity and liabilities

In thousands of euros	Dec. 31, 2008	Dec. 31, 2009	Dec. 31, 2010
SHAREHOLDERS' EQUITY (note 4.9)			
Share capital	24,042	24,042	24,042
Share premium	1,001	1,001	1,001
Reserves	123,311	135,999	164,209
Profit for the year	33,830	20,221	33,544
	182,184	181,263	222,796
NON-CONTROLLING INTERESTS (note 4.9)	3,198	2,917	2,307
NEGATIVE GOODWILL (note 4.2)	2,076	1,815	1,554
CONTINGENCY AND EXPENSE PROVISIONS (note 4.10)	111,514	124,212	123,903
LIABILITIES			
Loans and borrowings (note 4.11)	131,329	121,173	106,330
Trade and related payables	304,643	246,112	171,707
Progress payments received above sales (note 4.12)	216,013	160,635	168,636
Other payables (note 4.13)	109,146	91,844	100,188
Prepaid income (note 4.14)	6,886	4,442	4,110
	768,017	624,206	550,971
TOTAL	1,066,989	934,413	901,531

Consolidated income statement

In thousands of euros	2008	2009	2010
SALES (note 4.15)	1,352,302	1,282,580	1,049,257
Cost of sales	(1,096,682)	(1,041,992)	(805,628)
GROSS PROFIT	255,620	240,588	243,629
Selling expenses	(61,924)	(59,701)	(63,702)
Administrative expenses	(101,271)	(101,167)	(103,647)
Research and development expenses* (note 4.16)	(15,226)	(15,640)	(17,994)
TOTAL OVERHEADS	(178,421)	(176,508)	(185,343)
Other operating items	6,067	(1,500)	6,388
Employee profit sharing and bonus schemes	(6,968)	(5,072)	(3,337)
Operating profit before amortization and impairment of intangible assets related to acquisitions	76,298	57,508	61,337
Amortization and impairment of intangible assets related to acquisitions (note 4.17)	(1,654)	(1,380)	(2,182)
OPERATING PROFIT	74,644	56,128	59,155
Net financial income (expense) (note 4.18)	11,909	(4,653)	2,826
PROFIT BEFORE EXCEPTIONAL ITEMS AND INCOME TAX	86,553	51,475	61,981
Net exceptional income (expense) (note 4.19)	2,980	(8,447)	(4,182)
Income tax expense (note 4.20)	(28,280)	(15,936)	(17,556)
PROFIT OF CONSOLIDATED COMPANIES BEFORE GOODWILL AMORTIZATION	61,253	27,092	40,243
Goodwill amortization	(26,101)	(5,907)	(6,200)
PROFIT FOR THE YEAR	35,152	21,185	34,043
Attributable to non-controlling interests	1,322	964	499
Attributable to owners of the Group	33,830	20,221	33,544
EARNINGS PER SHARE (IN EUROS) (note 4.22)	15.48	9.25	15.35

* Since financial year 2009, research and development expenses have been shown net of research tax credits. Gross research and development expenses totaled €19,751 thousand in 2010 and €18,389 thousand in 2009.

Consolidated cash flow statement

In thousands of euros	2008	2009	2010
CASH AND CASH EQUIVALENTS AT JANUARY 1	253,005	235,407	229,813
OPERATING ACTIVITIES			
Profit for the year	35,152	21,185	34,043
Adjustments for:			
- amortization and depreciation	40,121	20,947	23,312
- change in provisions for retirement obligations and long-service awards	(7,620)	(285)	(7,666)
- net gain on disposals of assets	(6,237)	(29)	(650)
- other items	4,016	(694)	3,237
Changes in cash and cash equivalents from operating activities	(12,595)	(1,237)	(18,647)
NET CASH PROVIDED BY OPERATING ACTIVITIES	52,837	39,887	33,629
INVESTING ACTIVITIES			
Acquisitions of property, plant and equipment and intangible assets	(27,685)	(16,826)	(11,656)
Disposals of property, plant and equipment and intangible assets	8,843	207	89
Net (increase) decrease in financial assets	2,254	(570)	(57)
Acquisitions of investments	(84,843)	(1,646)	(11,628)
Proceeds from sale of investments	31	521	
NET CASH USED IN INVESTING ACTIVITIES	(101,400)	(18,314)	(23,252)
FINANCING ACTIVITIES			
Dividends paid	(13,818)	(21,244)	(1,116)
Net increase (decrease) in borrowings	54,662	(8,275)	(25,922)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	40,844	(29,519)	(27,038)
Effect of foreign currency translation adjustment	(9,879)	2,352	879
CASH AND CASH EQUIVALENTS AT DECEMBER 31	235,407	229,813	214,031
NET DECREASE IN CASH AND CASH EQUIVALENTS	(17,598)	(5,594)	(15,782)

Details of the main cash flow statement aggregates are provided in note 4.26.

Notes to the consolidated financial statements

1. ACCOUNTING PRINCIPLES

The consolidated financial statements of the Fives group (hereinafter "Fives" or "the Group") have been prepared in accordance with French Law 85-11 of January 3, 1985, the enabling decree of February 17, 1986 and Regulation 99-02 of the French accounting standards board (CRC).

1.1 Changes in accounting principles and presentation

No changes to the accounting principles were made in 2008.

Since financial year 2009, research tax credits, previously recognized as a reduction in income tax, have been accounted for as grants and shown as a reduction in research and development expenses.

No changes to the accounting principles were made in 2010.

1.2 Consolidation methods

The companies in which Fives directly or indirectly holds the majority of voting rights are fully consolidated.

Companies that are jointly controlled directly or indirectly by Fives are proportionately consolidated.

Investments in associates that meet these criteria but which are not material to the consolidated financial statements are not consolidated.

Companies are consolidated on the basis of their separate financial statements at December 31, restated to comply with Group accounting principles. All inter-company transactions are eliminated upon consolidation.

1.3 Foreign currency transactions

Assets and liabilities denominated in foreign currencies are translated at the exchange rate effective at the reporting date, unless they are hedged

by currency forwards. Foreign currency translation differences are recognized in the income statement.

1.4 Translation of financial statements of foreign operations

The balance sheet items of foreign companies are converted into euros using the exchange rate effective at the reporting date. Income statement items are converted using the average exchange rate for the financial year. The resulting translation differences are recognized directly in shareholders' equity.

1.5 Goodwill

Goodwill corresponds to the unallocated difference between the cost of the investment acquired plus the after-tax directly attributable transaction costs, and the proportionate share at fair value of the identifiable assets acquired and liabilities assumed.

Identifiable assets and liabilities are measured at the date the acquired company is consolidated. If new information calls for their revaluation within the financial year following their consolidation, they are adjusted and the carrying amount of goodwill is changed accordingly.

Goodwill is amortized through the income statement on a straight-line basis for a maximum period of 20 years. An impairment test is carried out if there is an indication of impairment. The present value of the business represented by goodwill is measured using the discounted cash flow method, based on the following year's forecasts and subsequent cash flow projections. If the present value of the business reflected in goodwill is lower than the carrying amount, goodwill is written down and an impairment loss is recognized.

1.6 Intangible assets

Separately acquired intangible assets are recognized at their acquisition cost.

Intangible assets, with the exception of brands and goodwill, are amortized on a straight-line basis over their useful lives, including, when applicable, any period of protection provided by law or regulations.

The value of amortizable intangible assets is tested whenever there is an indication of impairment. The value of non-amortizable intangible assets (such as brands) is tested at least once a year at the reporting date and whenever there is an indication of impairment.

Expenses for amortization and impairment of intangible assets acquired as part of a business combination are shown as a separate line item in the consolidated income statement.

Research and development expenses, together with the in-house costs of producing and filing patents, are expensed in the period in which they are incurred.

Research tax credits are accounted for as grants and deducted from research and development expenses.

Software and IT licenses are amortized on a straight-line basis over their expected useful lives.

1.7 Property, plant and equipment

Property, plant and equipment are measured at acquisition cost. A depreciation schedule is established for each depreciable asset at the rate at which economic benefits will be derived, given the asset's expected useful life. 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. Most depreciation is straight-line.

Analysis of buildings led the Group to distinguish between the main structure (the primary construction), which is depreciated over 30 to 50 years depending on the type of construction, and three components:

- Façade, roofing and secondary construction - depreciated over 20 to 30 years;
- Technical and general improvements - depreciated over 15 to 20 years;
- Fixtures and fittings - depreciated over 10 to 15 years.

The main structure of heavy industrial equipment is depreciated over 15 to 25 years depending on the type of machinery. The other components, as well as light industrial equipment, machinery and tools, are depreciated over 5 to 15 years.

If the amounts of property held under finance leases are material, the associated assets and liabilities are restated on the consolidated balance sheet.

1.8 Investments

Unconsolidated equity investments (associates) are measured at their acquisition cost. If their fair value falls below their carrying amount, an impairment loss is recognized. Fair value is measured based on the Group's share of net assets and the business outlook. Any impairment is charged first to the investment and then, where appropriate, to receivables. If necessary, a contingency provision may be recognized.

1.9 Measurement and presentation of long-term contracts

Long-term contracts are defined as those having the following characteristics:

- Generally a long performance period, ranging over at least two financial years;
- They are specifically negotiated for a single project;
- They are complex and/or require a high degree of coordination, usually involving engineering and research work;
- Revenue is recognized when performance obligations are satisfied, within stated contract milestones.

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

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

Long-term contract work in progress is measured by adding the direct production costs incurred to the recognized profits to date and is presented as part of trade and related receivables, net of any payments received that are less than production costs plus recognized profit (calculated on a contract basis).

For long-term contracts in progress, when payments received exceed the cost of production plus recognized profit, the excess is recognized as a liability in the balance sheet as progress payments received above sales.

Probable losses on completion are fully recognized as soon as they are foreseen. The portion of loss on completion that exceeds the loss generated to date is recognized in the balance sheet as a contingency provision.

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.

1.10 Inventories and work in progress (excluding long-term contracts)

Sales of goods such as single pieces of equipment or machinery are not defined as long-term contracts. The associated revenue and profit are recognized when the goods are delivered.

Inventories and work in progress (excluding long-term contracts) are measured using the weighted average cost method, at the lower of acquisition or production cost and net realizable value. An impairment loss is recognized when appropriate.

1.11 Marketable securities

Marketable securities are carried on the balance sheet at their historical acquisition cost plus accrued interest at the reporting date, less any impairment expense.

1.12 Retirement benefits

The Group companies pay retirement and supplementary retirement benefits as is customary and legally required.

The net liability reflecting these obligations is recognized at the reporting date, based on actuarial computations, after allowing for the market value of plan assets.

The actuarial valuations are based on a number of long-range assumptions, reviewed yearly, such as the salary increase rate, the expected return on plan assets and the discount rate.

The portion of actuarial gains and losses exceeding 10% of the obligation or fair value of plan assets, arising from changes in actuarial assumptions regarding the obligations and plan assets, is amortized over employees' remaining working lives, estimated at the reporting date.

1.13 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 such factors as seniority, life expectancy and employee turnover. The effects of changes in actuarial assumptions are recognized in the income statement.

1.14 Income tax

The Group calculates deferred taxes using the liability method, based on temporary differences between the tax base and carrying amount of assets and liabilities reported in the consolidated financial statements. The amount of deferred taxes recognized at the reporting date is determined using the tax rates that will apply for the coming year.

Deferred tax assets are not recognized unless it is sufficiently likely that the deductible amount can be used to offset future liabilities.

1.15 Earnings per share

Basic earnings per share are calculated by dividing profit for the year by the weighted average number of shares outstanding during the year. The weighted average number of shares is not adjusted for any treasury shares recognized under marketable securities.

2. SIGNIFICANT EVENTS OF THE YEAR

Financial year 2008 was marked by the severe economic downturn in the fourth quarter. The economic crisis continued through 2009, with order intake down 44% from 2008 levels.

The net upturn of order intake in 2010 (€1,224 million), up by 67% on a like-for-like basis from 2009 limited the fall in revenue (down 20% on a like-for-like basis compared with 2009) and should allow the Group to quickly regain a level of business in line with the years preceding the economic crisis (note 4.21).

The unfavorable economic environment was factored into the accounting valuations used to prepare the 2008 and 2009 financial statements. At December 31, 2010 the impairment testing did not lead to further write-downs.

On November 30, 2010 Fives acquired Bronx International Inc. (becoming Fives Bronx Inc.), together with its British subsidiary Bronx/Taylor Wilson Ltd. (BTW) (becoming Fives Bronx Ltd.), a world engineering leader in the design and supply of finishing equipment and mechanical processing for pipes and tubes. These companies were consolidated at December 1, 2010.

This acquisition was financed by the Group's own cash for \$44.5 million and by a vendor loan for \$12 million.

Fives Bronx generated sales of approximately \$80 million in 2010.

3. CONSOLIDATION SCOPE

The list of companies included in the consolidation scope is provided in note 4.28.

3.1 Changes in consolidation scope in 2010

Newly-consolidated companies

- Cinetic Decker Filling K.K.;
- Fives Bronx, Inc. and Fives Bronx Ltd. (at December 1, 2010);
- Fives India Engineering & Projects Pvt. Ltd.;
- Fives Pillard (Tianjin, China) International Trading Co. Ltd.;
- Fives Stein Manufacturing;
- Fives Stein Inc.;
- PSA 2000, PSA 2000 Saudi Arabia Ltd. and FI 2006.

The contribution of the newly-consolidated companies acquired (Cinetic Decker Filling K.K at January 1, 2010 and Fives Bronx, Inc. and Fives Bronx Ltd. at December 1, 2010) to the main consolidated balance sheet items at December 31, 2010 and main consolidated income statement aggregates for financial year 2010 are as follows:

CONTRIBUTIONS TO THE CONSOLIDATED BALANCE SHEET

In thousands of euros	Dec. 31, 2010
Goodwill	18,672
Intangible assets	21,553
Property, plant and equipment	157
Investments	94
Inventories	14,233
Trade and related receivables	13,145
Other receivables	26
Cash and cash equivalents	13,345
Contingency and expense provisions	1,159
Loans and borrowings	9,035
Trade and related payables	12,687
Progress payments received above sales	20,076
Other payables	2,224

CONTRIBUTIONS TO THE CONSOLIDATED INCOME STATEMENT

In thousands of euros	2010
Sales	20,557
Operating profit before amortization and impairment of intangible assets related to acquisitions	1,301
Amortization of intangible assets related to acquisitions	(802)
Operating profit	499
Goodwill amortization	(282)

3.2 Changes in consolidation scope in 2009

Newly-consolidated companies

- Fives Stein India Projects Pvt. Ltd.;
- Penelectro Limited.

Mergers

- SCI Nordon Frères, merged into Fives on June 23, 2009;
- North American Combustion Europe Ltd., merged into Fives North American Combustion, Inc. on September 25, 2009.

Deconsolidated companies

- Cinetic Service UK Ltd., after discontinuing operations.

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of euros)

4.1 Intangible assets

	Dec. 31, 2008	Dec. 31, 2009	Dec. 31, 2010
Business goodwill	2,474	2,480	2,513
Technologies, research and development acquired	8,831	8,540	20,824
Brands acquired	3,880	3,766	5,632
Customer relationships and other intangibles acquired			7,185
Order books acquired			5,165
Concessions, patents and licenses	13,887	14,577	13,339
Other intangible assets	2,940	3,401	3,112
GROSS CARRYING AMOUNT	32,012	32,764	57,770
Business goodwill	(1,848)	(1,848)	(1,848)
Technologies, research and development acquired	(446)	(1,463)	(3,642)
Brands acquired		(1)	(1)
Customer relationships and other intangibles acquired			(1,508)
Order book acquired			(10,467)
Concessions, patents and licenses	(10,055)	(11,012)	(2,758)
Other intangible assets	(2,403)	(2,631)	
ACCUMULATED AMORTIZATION AND IMPAIRMENT	(14,752)	(16,955)	(20,224)
NET CARRYING AMOUNT	17,260	15,809	37,546

The acquisition of Fives Bronx on November 30, 2010 led to the recognition of intangible assets relating primarily to the technologies, brands, customer relationships and order book acquired. The net carrying amount of these intangible assets totaled €21,541 thousand at December 31, 2010.

4.2 Goodwill and negative goodwill

Goodwill	Amortization period	Dec. 31, 2008	Dec. 31, 2009	Gross	Dec. 31, 2010	Net
		Net	Net		Amortization and impairment	
Fives North American	20	56,548	51,991	60,344	(7,603)	52,741
Cinetic Landis	20	26,631	25,220	33,337	(8,374)	24,963
Fives Bronx	20			16,693	(48)	16,645
Cinetic Automation Corp.	20	3,790	3,328	8,791	(5,561)	3,230
Cinetic Filling	20	3,638	3,395	12,143	(8,991)	3,152
Cinetic Decker Filling K. K.	10			2,252	(225)	2,027
Fives Fletcher Ltd.	20	1,382	1,221	3,212	(2,150)	1,062
Solios Carbone	6	1,871	1,403	2,807	(1,872)	935
Fives Stein India Projects Pvt. Ltd.	10		970	1,078	(216)	862
TOTAL		93,860	87,528	140,657	(35,040)	105,617

The consolidation in 2010 of Cinetic Decker Filling K.K., acquired at year end 2009, generated goodwill of €2.3 million, amortized over a period of ten years. The acquisition of Fives Bronx at the end of November 2010, generated goodwill of €16.7 million, amortized over a period of twenty years. The appreciation of the dollar and pound sterling in 2010 led to a €5.6 million increase in the net carrying amount of goodwill. Amortization expense for the year totaled €6.5 million.

Negative goodwill	Amortization period	Dec. 31, 2008	Dec. 31, 2009	Dec. 31, 2010
Nordon	20	1,715	1,560	1,405
Fives Stein (Shanghai) Industrial Furnace Co., Ltd.	5	361	255	149
TOTAL		2,076	1,815	1,554

Reversals for the year totaled €0.3 million.

2010 consolidated financial statements

4.3 Property, plant and equipment

	Dec. 31, 2008	Dec. 31, 2009	Acquisitions	Disposals	Reclassification and other	Dec. 31, 2010
Land and developments	11,391	11,510	33	(17)	411	11,937
Leasehold land	1,260	1,260				1,260
Buildings	70,134	78,516	925	(26)	2,511	81,926
Leasehold buildings	9,777	9,647				9,647
Plant, equipment and machinery	92,025	100,711	5,042	(2,851)	4,942	107,844
Leasehold plant, equipment and machinery	668	668				668
Other assets	30,723	32,250	2,329	(1,582)	1,341	34,338
Assets under construction	8,715	2,207	2,493		(723)	3,977
Advances on fixed assets	881	874	187		(822)	239
GROSS CARRYING AMOUNT	225,574	237,643	11,009	(4,476)	7,660	251,836
	Dec. 31, 2008	Dec. 31, 2009	Allowances	Reversals	Reclassification and other	Dec. 31, 2010
Land and developments	(129)	(160)	(197)		(4)	(361)
Buildings	(36,717)	(39,193)	(2,908)	22	(687)	(42,766)
Leasehold buildings	(1,558)	(1,949)	(409)			(2,358)
Plant, equipment and machinery	(62,332)	(67,528)	(7,408)	2,657	(2,115)	(74,394)
Leasehold plant, equipment and machinery	(146)	(245)	(75)			(320)
Other assets	(22,505)	(24,413)	(2,682)	1,526	(773)	(26,342)
Assets under construction	(56)	(56)				(56)
ACCUMULATED DEPRECIATION AND IMPAIRMENT	(123,443)	(133,544)	(13,679)	4,205	(3,579)	(146,597)
NET CARRYING AMOUNT	102,131	104,099				105,239

The increase in the gross amount of property, plant and equipment between December 31, 2009 and December 31, 2010 was mainly attributable to the investments by Fives Celes, Fives Nordon, Fives Cryo (Suzhou) Co., Ltd. and Cinetic Landis Ltd. and, to a lesser extent, to the newly-consolidated companies.

4.4 Investments

	Dec. 31, 2008	Dec. 31, 2009	Dec. 31, 2010
Investments in associates	5,990	8,250	1,407
Related loans, advances and other investments	11,560	12,132	9,746
GROSS CARRYING AMOUNT	17,550	20,382	11,153
Investments in associates	(3,540)	(1,760)	(740)
Related loans, advances and other investments	(4,762)	(5,504)	(1,874)
ACCUMULATED IMPAIRMENT	(8,302)	(7,264)	(2,614)
NET CARRYING AMOUNT	9,248	13,118	8,539

The breakdown of investments in associates is as follows:

	Dec. 31, 2008	Dec. 31, 2009	Dec. 31, 2010		
	Net	Net	Brut	Provision	Net
Cinetic Decker Filling K.K.*		5,244			
Fives Stein India Projects Pvt. Ltd.**	1,051				
Fives India Engineering & Projects Pvt. Ltd.*	286	286			
Fives Engineering (Shanghai) Co., Ltd.	239	239	239		239
Procédair Benelux***	168	168			
Fives Pillard (Tianjin) International Trading Co., Ltd.*	167	167			
Other	539	386	1,168	(740)	428
TOTAL	2,450	6,490	1,407	(740)	667

* Company consolidated since January 1, 2010.

** Company consolidated since January 1, 2009.

*** Dormant company liquidated in December 2010.

2010 consolidated financial statements

Shareholders' equity and profit of non-consolidated investments for financial year 2010 were as follows:

At December 31, 2010	% Ownership	Equity*	2010 Profit
Fives Engineering (Shanghai) Co., Ltd.	100.00	652	177

* 100% shareholders' equity at December 31, 2010 including profit for the year.

Related loans, advances and other investments includes loans to non-consolidated investments, loans extended in connection with government home ownership incentive schemes, guarantees and deposits and marketable securities of which Fives is the bare owner.

4.5 Inventories and work in progress

	Dec. 31, 2008	Dec. 31, 2009	Dec. 31, 2010
Raw materials and consumables	52,000	42,787	42,256
Work in progress under completed-contract method	70,423	48,133	55,331
Semi-finished and finished goods	22,786	22,022	20,707
GROSS CARRYING AMOUNT	145,209	112,942	118,294
Raw materials and consumables	(8,561)	(8,606)	(8,583)
Work in progress under completed-contract method	(1,530)	(2,189)	(2,493)
Semi-finished and finished goods	(3,685)	(3,976)	(4,738)
ACCUMULATED IMPAIRMENT	(13,776)	(14,771)	(15,814)
NET CARRYING AMOUNT	131,433	98,171	102,480

4.6 Trade and related receivables

	Dec. 31, 2008	Dec. 31, 2009	Dec. 31, 2010
Receivables for work-in-progress to be invoiced	206,464	175,562	115,222
Receivables for completed work	182,817	140,868	148,364
Advances and downpayments	36,949	15,285	14,780
GROSS CARRYING AMOUNT	426,230	331,715	278,366
Impairment of receivables for completed work	(8,706)	(7,471)	(11,363)
NET CARRYING AMOUNT	417,524	324,244	267,003

4.7 Other receivables

	Dec. 31, 2008	Dec. 31, 2009	Dec. 31, 2010
Income tax receivables	4,892	9,002	8,373
Deferred tax assets	15,766	16,525	14,179
VAT and related receivables	18,222	9,990	13,299
Other receivables	10,351	16,430	14,010
GROSS CARRYING AMOUNT	49,231	51,947	49,861
Impairment of VAT and related receivables	(29)	(12)	
Impairment of other receivables	(1,611)	(1,161)	(2)
ACCUMULATED IMPAIRMENT	(1,640)	(1,173)	(2)
NET CARRYING AMOUNT	47,591	50,774	49,859

Income tax receivables

Income tax receivables mainly consist of excess amounts paid on account over the tax due for the financial year.

Deferred tax assets

Deferred tax assets mainly correspond to temporary differences relating notably to retirement obligation provisions (see notes 4.10 and 4.20).

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4.8 Cash and cash equivalents

	Dec. 31, 2008		Dec. 31, 2009		Dec. 31, 2010	
	Value		Value		Value	
	Carrying amount	Market	Carrying amount	Market	Carrying amount	Market
Money market funds and other listed securities	140,128	140,118	132,998	132,988	116,962	116,952
Treasury shares	343					
Impairment	(10)		(10)		(10)	
CASH EQUIVALENTS	140,461		132,988		116,952	
CASH	96,619		97,105		98,180	
TOTAL	237,080		230,093		215,132	

4.9 Change in shareholders' equity and non-controlling interests

CHANGE IN SHAREHOLDERS' EQUITY

	Dec. 31, 2008	Dec. 31, 2009	Dec. 31, 2010
Shareholders' equity at January 1	159,113	182,184	181,263
Foreign currency translation reserve	2,238	(1,144)	7,989
Profit for the year	33,830	20,221	33,544
Dividends paid	(12,997)	(19,998)	
TOTAL	182,184	181,263	222,796

Share capital

The share capital of Fives amounted to €24,041,732 at December 31, 2007 and has not changed since. It is divided into 2,185,612 fully-paid, registered shares with a par value of €11. There are no other outstanding equity securities.

Shareholding structure

The majority shareholder of Fives is FL Investco, which held 99.99% of Fives' share capital at December 31, 2010. FL Investco is controlled by funds managed by Charterhouse General Partners (VIII) Limited.

Dividend payments

Fives did not pay any dividends in 2010.

At their Ordinary and Extraordinary Meeting on June 23, 2009, the shareholders authorized a dividend payment of €19,998 thousand, and at their Ordinary and Extraordinary Meeting on June 19, 2008, they authorized a dividend payment of €12,997 thousand.

CHANGE IN NON-CONTROLLING INTERESTS

	Dec. 31, 2008	Dec. 31, 2009	Dec. 31, 2010
Non-controlling interests at January 1	2,704	3,198	2,917
Foreign currency translation adjustment	4	1	7
Profit attributable to non-controlling interests	1,322	964	499
Dividends paid to non-controlling interests	(823)	(1,246)	(1,116)
Change in consolidation scope	(9)	-	
TOTAL	3,198	2,917	2,307

4.10 Contingency and expense provisions

	Dec. 31, 2008	Dec. 31, 2009	Dec. 31, 2010
CONTINGENCY PROVISIONS			
Guarantees	34,892	46,773	48,162
Litigation and claims	17,064	12,565	15,063
Future losses on contracts	1,925	3,301	1,978
Other contingency provisions	5,224	4,592	7,720
EXPENSE PROVISIONS			
Completed contracts	17,070	19,020	23,248
Restructuring	916	2,847	645
Long-service awards	471	468	545
Retirement benefits	30,643	31,480	25,164
Other expense provisions	3,041	2,721	1,378
Deferred tax liabilities*	268	445	
TOTAL	111,514	124,212	123,903

* Since financial year 2010, deferred tax liabilities have been classified as other liabilities (note 4.13).

2010 consolidated financial statements

Contingency provisions

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

Known litigation and claims that could affect the Group's companies were examined at the time the accounts were prepared and, on the advice of legal counsel, the provisions judged necessary were recognized to protect against known risks.

Anticipated future losses on contract work in progress are recognized whenever they are identified through a provision recognized as a liability in the balance sheet, corresponding to the excess of completion loss over project progress.

Retirement benefits

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

- French retirement benefits;
- Italian contractual retirement benefits (TFR);
- British, German, Japanese, Indian and French supplementary retirement plans; the British (except for Cinetic Landis Ltd.), German and French pension funds have been closed to further accrual and the vested rights thereunder were frozen as of the respective closure dates.

Retirement obligations are calculated based on actuarial assumptions that are reviewed annually. The discount rates and expected return on plan assets at December 31, 2010 and 2009 were as follows:

At December 31, 2010	Euro Zone	United Kingdom	Japan	India
Discount rate	4.5%	5.50%	2%	8.20%
Expected return on plan assets	4.1%	6.55% - 7.44%	2.5%	9%

At December 31, 2009	Euro Zone	United Kingdom	Japan	India
Discount rate	4.5%	5.60% - 5.75%	0.8% - 2.0%	7.30%
Expected return on plan assets	4.2%	5.88% - 7.60%	3.0%	6.15%

The salary increase rates used to calculate the obligations are as follows:

At December 31, 2010	Retirement and supplementary retirement benefits		
	Euro Zone	Japan	India
Salary increase rate	2.0% - 2.5%	3%	5%

At December 31, 2009	Retirement and supplementary retirement benefits		
	Euro Zone	Japan	India
Salary increase rate	2.0% - 2.5%	3%	5%

The present value of defined benefit obligations totaled €78,126 thousand at December 31, 2010. The obligation relating to French retirement benefits increased by €3,103 thousand pursuant to the collective bargaining agreement rider signed on June 21, 2010, providing for an increase in the benefits scale. Given the fair value of all plan assets, the net obligation at December 31, 2010 totaled €40,360 thousand, compared with €51,348 thousand at December 31, 2009.

The provision recognized in the consolidated financial statements at December 31, 2010 amounted to €25,164 thousand, which is €15,196 thousand lower than the net obligation due to unrecognized actuarial losses under the corridor method and unrecognized past service costs.

The portion of actuarial gains and losses exceeding 10% of the obligation or fair value of plan assets is amortized over employees' remaining working lives, as estimated at the reporting date. Past service costs are amortized over the remaining vesting period.

Income or expense recognized for the period reflects the current service cost and interest cost, less the expected return on plan assets, recognized net actuarial gains or losses and past service costs, and gains on retirement plan curtailments or settlements. In total, the expenses and changes in provisions for retirement benefit obligations resulted in net income of €41 thousand, comprising €1,262 thousand recognized under operating income, and €1,221 thousand recognized in financial expense. The net income resulted from the closure of a retirement plan in the United Kingdom.

	Retirement benefits		Supplementary retirement obligations				TOTAL
	France	Italy	United Kingdom	Euro Zone	Japan	India	
CHANGE IN PRESENT VALUE OF OBLIGATION							
Present value of obligation at January 1	14,126	2,829	79,933	3,264	4,760	182	105,094
Current service cost	859	-	1,669	75	338	39	2,980
Interest cost	619	99	2,569	145	99	12	3,543
Employee contributions paid	-	-	565	-	-	-	565
Plan amendments	3,103	-	-	-	-	-	3,103
Plan curtailments / settlements	-	-	(38,308)	-	-	-	(38,308)
Newly consolidated	-	-	-	-	440	-	440
Benefits paid	(1,537)	(260)	(1,162)	(313)	(562)	(130)	(3,964)
Actuarial (gain) loss	(292)	-	1,462	(165)	(107)	29	927
Foreign exchange gains and losses	-	-	2,635	-	1,089	22	3,746
Present value of obligation at December 31, 2010	16,878	2,668	49,363	3,006	6,057	154	78,126
CHANGE IN FAIR VALUE OF PLAN ASSETS							
Fair value of plan assets at January 1	166	-	51,185	75	2,225	95	53,746
Return on plan assets	-	-	4,595	5	(27)	6	4,579
Employer contributions paid	-	-	5,333	-	333	19	5,685
Employee contributions paid	-	-	565	-	-	-	565
Plan curtailments / settlements	-	-	(26,944)	-	-	-	(26,944)
Benefits paid	(166)	-	(1,162)	(80)	(562)	(54)	(2,024)
Foreign exchange gains and losses	-	-	1,677	-	484	(2)	2,159
Fair value of plan assets at December 31, 2010	-	-	35,249	-	2,453	64	37,766
COMPONENTS OF AMOUNTS RECOGNIZED IN THE FINANCIAL STATEMENTS							
Net obligation	16,878	2,668	14,114	3,006	3,604	90	40,360
Unrecognized past service costs	(3,027)	-	-	-	-	-	(3,027)
Unrecognized actuarial gains (losses), net	(6,167)	-	(4,762)	186	(1,426)	-	(12,169)
Net provision recognized in the balance sheet at December 31, 2010	7,684	2,668	9,352	3,192	2,178	90	25,164
COMPONENTS OF NET EXPENSE (INCOME) RECOGNIZED FOR FINANCIAL YEAR 2010							
Current service cost	859	-	1,669	75	338	39	2,980
Interest cost	619	99	2,569	145	99	12	3,543
Expected return on plan assets	-	-	(2,234)	(3)	(77)	(8)	(2,322)
Amortization of past service costs	76	-	-	-	-	-	76
Amortization of actuarial gains and losses	270	-	125	(142)	56	32	341
(Gains) losses related to plan curtailments / settlements	-	-	(4,659)	-	-	-	(4,659)
Net expense (income) recognized in the income statement for financial year 2010	1,824	99	(2,530)	75	416	75	(41)
CHANGE IN PROVISIONS FOR RETIREMENT AND OTHER BENEFITS							
Provisions at January 1	7,231	2,829	16,664	3,350	1,319	87	31,480
Employer contributions paid	-	-	(5,333)	-	(333)	(19)	(5,685)
Net (income) expense recognized	1,824	99	(2,530)	75	416	75	(41)
Benefits paid directly by the employer	(1,371)	(260)	-	(233)	-	(76)	(1,940)
Newly consolidated	-	-	-	-	440	-	440
Foreign exchange gains and losses	-	-	551	-	336	23	910
Provisions recognized in the balance sheet at December 31, 2010	7,684	2,668	9,352	3,192	2,178	90	25,164

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4.11 Loans and borrowings

	Dec. 31, 2008	Dec. 31, 2009	Dec. 31, 2010
Bank loans	98,569	91,249	79,672
Finance obligations	9,452	8,611	7,901
Other loans and borrowings	21,978	21,033	17,656
Bank overdrafts	1,330	280	1,101
TOTAL	131,329	121,173	106,330
Amounts due:			
■ in less than one year	22,863	22,027	36,850
■ between 1 and 2 years	17,708	26,702	28,335
■ between 2 and 3 years	23,569	24,882	21,409
■ between 3 and 4 years	23,481	18,392	13,321
■ between 4 and 5 years	27,041	24,077	1,125
■ in more than 5 years	16,667	5,093	5,290
Secured by collateral:			
■ mortgages			
■ pledges	97,195	87,412	77,882

Bank loans

Bank loans consist largely of the loan for the acquisition of the North American sub-group in 2008 (€49.0 million at December 31, 2010) and loans to Fives Cinetic (€13 million, \$15.2 million and £3.9 million at December 31, 2010), from the bank syndicate led by the Royal Bank of Scotland (RBS). The early repayment clauses of these bank loans did not apply at December 31, 2010.

Bank borrowings from RBS were contracted at variable interest rates. The interest rate risk of euro-denominated debt is hedged until January 31, 2011 by fixed-for-floating interest rate swaps.

In addition, the Group can, at each due date, opt for one, three or six month interest periods. When market conditions allow, the Group sets up basis swap transactions (floating for floating interest rate swaps), in order to benefit from banks' arbitrage on the short-term yield curve. Interest payment periods are then selected in order to perfectly match the basis swap features (one month for the basis swap transaction at December 31, 2010).

At December 31, 2010, obligations arising from debt hedging derivative instruments were the following:

	Pay	Receive	Notional amount € thousands	Start date	Maturity date
Fixed rate swap	1.5650 %	6-month Euribor	43,556	31.07.09	31.01.11
Fixed rate swap	1.5930 %	6-month Euribor	12,996	31.07.09	31.01.11
Basis swap	6-month Euribor	1-month Euribor + spread	49,000	31.07.10	31.01.11

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Finance leases

Finance leases mainly reflect the leases financing the head offices of Cinetic Assembly and Cinetic Filling.

Other financial liabilities

At December 31, 2010, other financial liabilities included a loan of \$12 million (€9 million) granted by the vendors in connection with the Fives Bronx acquisition, as well as the outstanding amount due (€3.8 million) on the loan granted by FL Investco to Fives for the acquisition of the Fives North American sub-group in 2008.

They also included liabilities relating to employee profit sharing, and grants and deposits received.

The decrease in other financial liabilities between December 31, 2009 and December 31, 2010 is mainly attributable to the repayment by Fives of loans granted by FL Investco.

4.12 Advances and progress payments on contract work in progress

	Dec. 31, 2008	Dec. 31, 2009	Dec. 31, 2010
Advances and payments received - completed-contract method	47,849	33,703	56,681
Progress payments received above sales	168,164	126,932	111,955
TOTAL	216,013	160,635	168,636

4.13 Other liabilities

	Dec. 31, 2008	Dec. 31, 2009	Dec. 31, 2010
Income tax liabilities	8,027	4,779	5,560
Deferred tax liabilities*			793
Accrued tax and social security payables	82,134	72,445	71,212
Amounts due on acquisitions of fixed assets	2,595	1,647	5,051
Other payables	16,390	12,973	17,572
TOTAL	109,146	91,844	100,188

* Before financial year 2010, deferred tax liabilities were classified as "contingency and expense provisions" (note 4.10).

4.14 Prepaid expenses and income

Prepaid expenses and income recognized in the balance sheet mature in less than one year.

4.15 Sales by geographic region

	2008	2009	2010
France	264,740	208,831	205,367
Europe (excluding France)	234,195	141,039	125,569
Africa and Middle East	355,698	366,859	193,151
North America	209,327	288,629	189,186
Central and South America	27,474	15,044	29,659
ASEAN	32,870	20,615	25,532
India	42,989	56,238	71,756
China	145,574	148,401	149,974
Rest of Asia and Oceania	39,435	36,924	59,063
TOTAL	1,352,302	1,282,580	1,049,257

4.16 Research and development expenses

	2008 Pro forma	2009	2010
Research and development expenses, gross	(15,226)	(18,389)	(19,751)
Research tax credits and grants received	620	2,749	1,757
TOTAL	(14,606)	(15,640)	(17,994)

Since financial year 2009, research and development expenses have been shown net of the tax credits received by the Group for its research and development programs. In 2010, these tax credits mainly related to the Group's French companies.

The 2008 pro forma column shows research and development expenses including tax credits, which were recognized under income tax in the income statement in 2008.

4.17 Amortization, depreciation and impairment included in operating profit

Operating profit includes amortization, depreciation and impairment allowances for property, plant and equipment and intangible assets under the following line items:

	2008	2009	2010
Included in cost of sales	(7,001)	(8,073)	(8,996)
Included in overheads and other operating items	(5,365)	(5,587)	(5,544)
Amortization and impairment of intangible assets related to acquisitions	(1,654)	(1,380)	(2,182)
TOTAL	(14,020)	(15,040)	(16,722)

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4.18 Net financial income (expense)

	2008	2009	2010
Interest expense	(5,851)	(4,711)	(3,324)
Interest income	5,204	1,289	1,185
Net gain on disposals of marketable securities	3,545	1,287	684
Cost of net financial debt	2,898	(2,135)	(1,455)
Income from non-consolidated associates	61	48	513
Foreign exchange gains (losses)	8,854	(2,490)	5,227
Net change in provisions on investments and related receivables	5	(117)	(57)
Other	91	41	(1,402)
TOTAL	11,909	(4,653)	(2,826)

The change in foreign exchange gains and losses in 2008, 2009 and 2010 was mainly due to the variation of the net unrealized gain on financing granted to American subsidiaries in dollars for the acquisition in 2008 of the North American sub-group and in 2010 of the Bronx sub-group.

4.19 Net exceptional income (expense)

	2008	2009	2010
Net restructuring costs	(2,230)	(7,862)	(3,814)
Net impact of disposals of property, plant and equipment, intangible and financial assets	6,041	(314)	720
Profit (loss) of newly-consolidated companies	(5)	382	192
Other	(826)	(653)	(1,280)
TOTAL	2,980	(8,447)	(4,182)

Net restructuring costs in 2008 and in 2009 arose mainly from accrued expenses and indemnities paid by certain French subsidiaries in the automobile division.

Proceeds from asset disposals in 2008 mainly reflect gains on the sale of land at Fives' historical site in Lille, France.

The previous-period profit (loss) of newly-consolidated companies represents the unconsolidated earnings of companies consolidated for the first time during the year, net of any provisions recognized by their parent companies.

4.20 Income tax expense

	2008	2009	2010
French companies included in the tax group*	(15,547)	(11,261)	(6,860)
French companies not included in the tax group	(1,767)	(1,881)	(540)
Foreign companies	(6,796)	(3,899)	(6,437)
Sub-total current tax	(24,110)	(17,041)	(13,837)
Change in deferred tax	(4,170)	1,105	(3,719)
TOTAL	(28,280)	(15,936)	(17,556)

* Including foreign tax of €789 thousand in 2008, €479 thousand in 2009 and €287 thousand in 2010 paid by permanent establishments.

French current tax

Fives and its French subsidiaries that are directly or indirectly more than 95%-owned, are included in the tax group established in 2007 by FL Investco, shown in note 4.28. The tax savings resulting from offsetting the taxable losses of loss-making companies with the taxable income of profit-making companies are recognized in FL Investco's financial statements.

Deferred tax

Deferred taxes recognized in the consolidated balance sheet at December 31, 2010 comprise €14,179 thousand of deferred tax assets compared with €16,525 thousand at December 31, 2009, and €793 thousand of deferred tax liabilities compared with €445 thousand at December 31, 2009.

They primarily reflect temporary differences between the tax base of an asset or liability and its carrying amount in the balance sheet. No deferred tax assets were recognized on the tax losses of French or foreign companies.

Reconciliation of income tax expense

	2008	2009	2010
CONSOLIDATED PROFIT BEFORE TAX	63,432	37,121	51,599
Theoretical tax expense (at 33.33%)	(21,144)	(12,374)	(17,200)
Permanent differences	(7,127)	80	(1,062)
Utilization of previously unrecognized tax losses	2,228	1,047	4,868
Unutilized tax losses	(3,307)	(5,998)	(5,405)
Change in unrecognized temporary differences	(709)	(1,044)	141
Effect of tax rate differences	1,056	1,740	2,270
Other items	723	613	(1,168)
CURRENT AND DEFERRED TAX EXPENSE	(28,280)	(15,936)	(17,556)

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4.21 Market segment information

The Fives group designs and supplies process equipment, turnkey production lines and plants for the world's leading industrial players. The Group is uniquely positioned due to its command of cross-disciplinary technologies and its expertise in engineering and complex project management. These skills allow the Group to develop strong synergy between its various companies.

In order to assess the market's major trends, the Group monitors consolidated data for sub-groups of subsidiaries in the following markets:

- **Automotive/Logistics:** comprises Fives Cinetic and its subsidiaries (detailed in note 4.28), whose main activity is in the automotive and logistics industries;
- **Cement:** comprises Fives FCB and Fives Pillard and their subsidiaries (detailed in note 4.28), whose activity mainly targets the cement industry;
- **Energy / Sugar:** comprises Fives Cail, Fives Cryo, Fives Nordon, Fives North American (since July 31, 2008) and their subsidiaries (detailed list in note 4.28), whose activity mainly addresses all classes in the energy production industry (nuclear, fossil and renewable);
- **Metals:** comprises the sub-groups formed by Fives Stein, F.L. Métal, Fives Bronx (since December 1, 2010), Solios Environnement and their subsidiaries (detailed list in note 4.28), whose main activity serves the steel and aluminum industries.

The following figures were calculated based on consolidations at division level. Other (including intercompany eliminations) corresponds to Fives' contribution and the elimination of transactions between the four divisions defined above.

	2008	2009	2010
ORDER INTAKE			
Automotive/Logistics	343,641	194,638	401,432
Cement	262,054	87,569	69,734
Energy/Sugar	274,255	229,253	287,207
Metals	410,407	216,612	469,168
Other (including inter-company eliminations)	(767)	(933)	(3,540)
TOTAL	1,289,590	727,139	1,224,001
SALES			
Automotive/Logistics	355,377	259,506	276,976
Cement	259,011	284,211	125,115
Energy/Sugar	260,793	263,454	285,336
Metals	478,438	475,400	365,653
Other (including inter-company eliminations)	(1,317)	9	(3,823)
TOTAL	1,352,302	1,282,580	1,049,257

4.22 Earnings per share

	2008	2009	2010
Net profit attributable to owners of the company	33,830	20,221	33,544
Weighted average number of shares	2,185,612	2,185,612	2,185,612
Earnings per share (in euros)	15.48	9.25	15.35

Fives did not issue any dilutive instruments.

4.23 Off-balance sheet commitments

	Dec. 31, 2008	Dec. 31, 2009	Dec. 31, 2010
COMMITMENTS GIVEN			
Bank guarantees and other sureties	399,976	275,318	260,082
Obligations under finance leases	37	19	31
COMMITMENTS RECEIVED			
Bank guarantees and other sureties	89,865	62,214	54,734

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

Currency hedging

In order to hedge the foreign exchange risk linked to their contracts, the Group's operating subsidiaries may use financial instruments, primarily currency forwards.

Interest rate hedging

The Group uses derivative instruments for hedging purposes, as part of its risk management policy. The instruments outstanding at the reporting date are presented in note 4.11.

Pledges

To secure the bank loan taken out on July 27, 2006, Fives Cinetic pledged the equity securities it holds in certain subsidiaries. Fives agreed to act as joint guarantor for all amounts owed by Fives Cinetic and pledged the shares it owns in Fives Cinetic to the bank syndicate as security.

To secure the bank loan taken out in July 2008 (amounting to €49.3 million, including accrued interest, at December 31, 2010) to acquire the North American businesses, Fives also pledged the note receivable it holds against Fives North American Combustion, Inc.

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4.24 Personnel expenses and headcount at December 31

	2008	2009	2010
Personnel expenses	296,758	302,092	310,134

Headcount at December 31

By category	Dec. 31, 2008	Dec. 31, 2009	Dec. 31, 2010
Engineers and management	1,733	2,030	2,123
Supervisory and office staff	2,551	2,244	2,264
Other employees	1,395	1,240	1,252
TOTAL	5,679	5,514	5,639

By type of contract	Dec. 31, 2008	Dec. 31, 2009	Dec. 31, 2010
Permanent contract	5,320	5,079	5,178
Short-term contract	260	333	348
Apprenticeships and internships	99	102	113
TOTAL	5,679	5,514	5,639

4.25 Remuneration of management bodies

In 2010, the aggregate direct and indirect remuneration paid by Fives and its subsidiaries to the thirteen members of the Group's Executive Committee amounted to €3,510 thousand.

4.26 Consolidated cash flow statement

Details of the main cash flow statement aggregates are as follows:

Cash and cash equivalents

Cash and cash equivalents includes money market funds and other similar listed securities and cash (see note 4.8) less treasury shares (€343 thousand at December 31, 2008) and bank overdrafts (see note 4.11).

Operating activities

Adjustments to reconcile profit for the year with net cash from operating activities included the elimination of the following non-cash items:

- amortization and depreciation of €23,312 thousand in 2010, €20,947 thousand in 2009 and €40,121 thousand in 2008, including €6,200 thousand, €5,907 thousand and €26,101 thousand respectively of goodwill amortization and impairment. The increase in 2008 was due to the goodwill impairment loss recognized by Fives relating to Fives Cinetic;
- changes in provisions for retirement obligations and long-service awards;
- net gains on the disposal of assets. For 2010, 2009 and 2008 these amounted to €650 thousand, €29 thousand and €6,237 thousand respectively, and were mainly due to the disposal of real estate assets.
- other non-cash items, particularly the change in deferred income tax and provisions for equity investments and loans to subsidiaries, accrued interest and previous-period profit (loss) of newly-consolidated companies.

Changes in cash flows from operating activities include changes in net working capital, changes in contingency and expense provisions (excluding retirement obligations and long-service awards) and changes in income tax payable. In 2010, this line item showed a cash requirement of €18,647 thousand.

Investing activities

Acquisitions of property, plant and equipment and intangible assets amounted to €11,656 thousand (compared with €16,826 thousand in 2009 and €27,685 thousand in 2008).

Proceeds from disposals of property, plant and equipment and intangible assets totaled €89 thousand in 2010 and €207 thousand in 2009. In 2008, proceeds from disposals of property, plant and equipment and intangible assets amounted to €8,843 and primarily resulted from the sale of Fives' historic site in Lille, France.

The change in financial assets does not include changes in equity investments. In 2010, the charge in financial assets was negative by €57 thousand and by €570 thousand in 2009. In 2008, the charge in financial assets was positive by €2,254 and primarily reflected the repayment in 2008 of a loan made in 2007 to an unconsolidated subsidiary.

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Acquisitions and sales of investments

Acquisitions of investments in 2010 mainly reflect the opening cash balances of newly-consolidated companies less the amounts paid to acquire Fives Bronx, Inc. and Fives Bronx Ltd.

In 2009, this line item mainly represented the opening cash balances of newly-consolidated companies and the acquisition cost of Cinetic Decker Filling K.K. In 2008, this line item reflected the acquisition of the North American businesses.

Financing activities

Dividends paid

In 2010, Fives did not pay any dividends. The amount of €1,116 thousand relates to the dividends paid by Fives Pillard and its subsidiaries to non-controlling interests.

In 2009 and 2008, Fives paid shareholders dividends of €19,998 thousand and €12,997 thousand, respectively. In addition, non-controlling interests of the Fives Pillard businesses received dividends totaling €1,246 thousand in 2009 and €821 thousand in 2008.

Net (decrease) increase in borrowings

In 2010, borrowings decreased by €25,922 thousand. This was mainly due to the repayment of RBS loans by Fives Cinetic and the repayment of the FL Investco loan by Fives.

In 2009, borrowings decreased by €8,275 thousand mainly due to the repayment of RBS loans by Fives Cinetic.

In 2008, the Group raised additional funding of €54,662 thousand, primarily to finance the purchase of the North American businesses. This net increase included the following items:

- a loan of €49,000 thousand from RBS;
- two loans from FL Investco for an aggregate €14,940 thousand, including €10,000 thousand to finance the purchase of the North American businesses;
- repayment to RBS of €8,436 thousand for the Fives Cinetic loans.

Effect of translation differences

Translation differences arise when foreign subsidiaries present their consolidation package in a currency other than the euro and represent the difference between the foreign exchange rates applied to the opening and closing balances of cash and cash equivalents, as well as the difference between the average exchange rate and rate at the reporting date, applied to cash flows for the year. They also include the effect of changes in the euro-dollar parity applied to the dollar loans granted to the American subsidiaries.

4.27 Auditors' fees

Total fees charged by the statutory auditors of Fives and its subsidiaries for financial years 2009 and 2010, as presented in the consolidated financial statements, amounted to:

	2009			2010		
	Statutory audit	Other work	TOTAL	Statutory audit	Other work	TOTAL
Deloitte	534	92	626	444	139	583
Ernst & Young	485	37	522	597	209	806
Grant Thornton	197	80	277	174	66	240
TOTAL	1,216	209	1,425	1,215	414	1,629

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4.28 Consolidated companies at December 31, 2010

Consolidated Companies	Location	Consolidation Method	Percentage	
			Voting Rights	Ownership
Fives*	Paris, France		Parent Company	
AUTOMOTIVE/LOGISTICS				
Fives Cinetic*	Paris, France	FC	99.99	99.99
Cinetic Assembly*	Montévrain, France	FC	99.99	99.99
Cinetic Automation*	Héricourt, France	FC	99.96	99.96
Cinetic Automation Corp.	United States	FC	100.00	99.99
Cinetic Decker Filling K.K.	Japan	FC	100.00	99.99
Cinetic DyAG Corp.	United States	FC	100.00	99.99
Cinetic Filling*	Le Bignon, France	FC	99.99	99.99
Cinetic Giustina S.r.l.	Italy	FC	100.00	99.99
Cinetic Landis Corp.	United States	FC	100.00	99.99
Cinetic Landis Ltd.	United Kingdom	FC	100.00	99.99
Cinetic Machining*	Saint-Laurent-les-Tours, France	FC	99.99	99.99
Cinetic Service*	Montévrain, France	FC	100.00	99.99
Cinetic Service Slovakia s.r.o.	Slovakia	FC	100.00	99.99
Cinetic Sorting Corp.	United States	FC	100.00	99.99
Cinetic Sorting K.K.	Japan	FC	100.00	99.99
Cinetic Sorting S.p.a.	Italy	FC	100.00	99.99
Cinetic Transitiq*	Grigny, France	FC	99.98	99.98
Fives Cinetic S.r.l.	Italy	FC	100.00	99.99
Fives Inc.	United States	FC	100.00	99.99
CEMENT				
Fives FCB*	Villeneuve-d'Ascq, France	FC	99.99	99.99
Cementos Plantas Construcciones SA de CV	Mexico	FC	99.90	99.90
Cement Process Technologies Egypt	Egypt	FC	99.00	99.00
Fives Pillard	Marseille, France	FC	85.18	85.18
Fives Pillard España S.A.	Spain	FC	67.00	57.07
Fives Pillard (Tianjin) International Trading Co., Ltd.	China	FC	100.00	85.18
Pillard Feuerungen GmbH	Germany	FC	47.50	40.46
ENERGY/SUGAR				
Fives Cail*	Villeneuve-d'Ascq, France	FC	99.99	99.99
Fives Cail KCP Ltd.	India	PC	50.00	40.00
Fives Fletcher Ltd.	United Kingdom	FC	100.00	99.99
Fives Lille do Brasil Ltda.	Brazil	FC	100.00	99.99
Fletcher Smith Inc.	United States	FC	100.00	99.99
Fives Énergie*	Paris, France	FC	100.00	100.00
Fives North American Combustion France, SAS*	Marseille, France	FC	100.00	100.00
Fives North American Combustion Netherlands B.V.	Netherlands	FC	100.00	100.00
Fives North American Combustion UK, Ltd.	United Kingdom	FC	100.00	100.00
North American Combustion Holdings, Ltd.	United Kingdom	FC	100.00	100.00
Fives North American Combustion, Inc.	United States	FC	100.00	99.99
Fives North American Combustion Canada Inc.	Canada	FC	100.00	99.99
North American Construction Services, Ltd.	United States	FC	100.00	99.99

Consolidated Companies	Location	Consolidation Method	Percentage	
			Voting Rights	Ownership
ENERGY / SUGAR				
Nordon*	Paris, France	FC	100.00	100.00
Fives Cryo*	Golbey, France	FC	99.80	99.80
Fives Cryo (Suzhou) Co., Ltd.	China	FC	100.00	99.80
Fives Cryomec A.G.	Switzerland	FC	100.00	99.80
Fives Nordon*	Nancy, France	FC	99.99	99.99
METALS				
<u>F.L. Métal*</u>	Seclin, France	FC	99.99	99.99
Fives DMS*	Seclin, France	FC	99.99	99.99
Fives Industries*	Seclin, France	FC	99.99	99.99
F.L. Industries, Inc.	United States	FC	100.00	99.99
<u>Fives Bronx, Inc.</u>	United States	FC	100.00	99.99
Fives Bronx Ltd.	United Kingdom	FC	100.00	99.99
<u>Fives Stein*</u>	Ris-Orangis, France	FC	99.99	99.99
Fives Celes*	Lautenbach, France	FC	99.99	99.99
Fives Stein Belgium	Belgium	FC	100.00	99.99
Fives Stein Bilbao S.A.	Spain	FC	100.00	99.99
Fives Stein Inc.	United States	FC	100.00	100.00
Fives Stein India Projects Private Ltd.	India	FC	100.00	99.99
Fives Stein (Shanghai) Industrial Furnace Co., Ltd.	China	FC	100.00	99.99
Fives Stein Ltd.	United Kingdom	FC	100.00	99.99
Fives Stein Manufacturing*	Bar-le-Duc, France	FC	100.00	99.99
Penelectro Limited	United Kingdom	FC	100.00	99.99
Stein Heurtey Australia PTY Ltd.	Australia	FC	100.00	99.99
<u>Solios Environnement*</u>	Saint-Germain-en-Laye, France	FC	99.99	99.99
FI 2006*	Paris, France	FC	100.00	100.00
Fives India Engineering & Pojects Pvt. Ltd.	India	FC	100.00	100.00
PSA 2000*	Saint-Germain-en-Laye, France	FC	100.00	99.99
PSA 2000 Saudi Arabia Ltd.	Saudi Arabia	FC	100.00	99.99
Solios Carbone*	Givors, France	FC	99.99	99.99
Solios Environment Corp.	United States	FC	100.00	99.99
Solios Environnement Inc.	Canada	FC	100.00	99.99
Solios Services Southern Africa Proprietary Ltd.	South Africa	FC	100.00	99.99
Solios Thermal Ltd.	United Kingdom	FC	100.00	75.10

* Companies consolidated in the FL Investco tax group.

FC: Fully consolidated

PC: Proportionately consolidated

Fives and its subsidiaries have been consolidated in the FL Investco group since 2007.

Statutory Auditors' Report - Consolidated financial statements Year Ended December 31, 2010

ERNST & YOUNG AUDIT
11 allée de l'Arche
92037 Paris-La Défense Cedex

DELOITTE & ASSOCIÉS
185 avenue Charles-de-Gaulle
92524 Neuilly-sur-Seine Cedex

To the shareholders,

In accordance with our appointment as statutory auditor assigned to us by your Annual General Meeting, we hereby report to you for the year ended December 31, 2010 on:

- the audit of the accompanying consolidated financial statements of Fives,
- the justification of our assessments,
- and the specific procedures and disclosures required by law.

The consolidated financial statements were approved by the Executive Board. Our role is to express an opinion on these financial statements, based on our audit.

I. Opinion on the consolidated financial statements

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

In our opinion, the consolidated financial statements give a true and fair view of the financial position and the assets and liabilities of the Group as at December 31, 2010 and the results of its operations for the year then ended, in accordance with French accounting regulations.

II. Justification of our assessments

In accordance with the requirements of Article L. 823-9 of the French Company Law (Code du Commerce) relating to the justification of our assessments, we hereby report the following matters:

- As mentioned in Note 1.5 to the consolidated financial statements, in the event an impairment loss is indicated, goodwill is tested based on the profit projections of the companies concerned.

We assessed the reasonableness of the assumptions used and checked calculations made in those tests.

- As explained in Notes 1.14 and 4.20 to the consolidated financial statements, deferred tax assets are recognised for the entities which are expected to be profit making. We ascertained that this approach was consistent with the budget estimates.

- As mentioned in Notes 1.9 to the consolidated financial statements, income or losses on long-term contracts are recognised according to the percentage of completion method, depending on the estimated costs on completion. These estimates are made by the project managers under the supervision of the companies' general management. Based on the work performed by the auditors of the subsidiaries, we assessed the reasonableness of those estimates.

These assessments were performed as part of our audit approach for the consolidated financial statements taken as a whole and contributed to the expression of our opinion in the first part of this report.

III. Specific procedures and disclosures

We have also verified the information on the Group given in the management report, as required by French law and in accordance with French professional standards.

We have no matters to report regarding the fair presentation and consistency with the consolidated financial statements of this information.

Paris - La Défense and Neuilly-sur-Seine, March 30, 2011

ERNST & YOUNG AUDIT
Marc Stoessel

The Statutory auditors

DELOITTE & ASSOCIÉS
Pascal Colin

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Fives

French limited company (Société Anonyme)
with Executive Board and Supervisory Board
Share capital €24,041,732
Registered office: 27-29 rue de Provence, 75009 Paris (France)
Tel: +33 (0)1 45 23 75 75 - Fax: +33 (0)1 45 23 75 71
E-mail: contact@fivesgroup.com

www.fivesgroup.com

542 023 841 R.C.S. PARIS – APE 7010Z

 Créé par Le Square – 01 45 06 56 44

Edited by the Communication Department of Fives

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