

MANAGEMENT REPORT



2019



haulotte.com

Haulotte 
LET'S DARE TOGETHER

MANAGEMENT REPORT

ANNUAL FINANCIAL REPORT FISCAL YEAR ENDED 31 DECEMBER 2019

GENERAL COMMENTS

Definitions

In this annual financial report, except where otherwise indicated:

- The terms the "**Company**" or "**HAULOTTE GROUP**" refer to **HAULOTTE GROUP** a French public limited company (Société Anonyme) with capital of €4,078,265.62 whose registered office is located at La Péronnière 42152 L'Horme, France, registered in Saint-Etienne (France) (RCS No. 332 822 485).
- The term "**Groupe**" refers to the Company and all companies consolidated by the latter.

Forward-looking statements

This annual financial report also includes forward-looking information about the Group's objectives and development priorities. These forward-looking statements are sometimes identified by the use of the future or conditional tense or forward-looking terminology, including the terms "believes," "estimates," "anticipates," "expects," "intends," "may," "will" or "should" or variations thereof or other comparable terminology. It should be noted that the realization of these objectives and development forecasts do not represent historical data and as such should not be interpreted as providing assurance that the facts and data presented will occur, that the assumptions will be confirmed and the objectives reached. These represent objectives that by nature might not be achieved and the information presented in this annual financial report may prove to be erroneous without the Group being subject, in any manner whatsoever, to an obligation to update these statements, subject to the applicable regulation at notably, the AMF (Autorité des Marchés Financiers) General Regulation.

COVID-19 health crisis – Situation as of 30/04/20

The COVID-19 health crisis has affected the Group's activities in several regions of the world, first in China and then in the Europe region.

The Group has already taken all the necessary measures to best manage the first consequences of this unprecedented crisis and enable Haulotte to calmly address its next steps. It has been decided:

- The temporary shutdown of production sites to comply with health regulations in the countries concerned: in France between 19 March and 20 April 2020, reduction of production rates in the United States.
- The continuation of Distribution and Service activities in strict compliance with the health measures required locally to allow operational continuity for as long as necessary:
 - Rigorous Telework on French territory for all activities that allow for it.
 - Maintain communication with all our customers and partners.
 - Active and supportive contribution to prevent and contain the spread of the virus.

In the first quarter of 2020, Group sales were €132.9 million, down -19% (at constant exchange rates and excluding IAS 29) compared to 2019 and were already negatively impacted by COVID-19.

Given the uncertainties regarding the duration and extent of the health crisis related to COVID-19, Haulotte has decided to suspend, at this stage, its financial guidance for the year 2020 and will communicate new elements as soon as conditions allow.

MANAGEMENT REPORT

ANNUAL FINANCIAL REPORT FISCAL YEAR ENDED 31 DECEMBER 2019

RESPONSIBILITY FOR THE FRENCH VERSION OF ANNUAL FINANCIAL REPORT

Person making the responsibility statement

In accordance with article L.451-1-2 of the French monetary and financial code, we inform you that the person responsible for the annual financial report is Mr. Alexandre Saubot, Deputy Chief Executive Officer of Haulotte Group.

Responsibility statement

L'Horme, 30 April 2020

"I furthermore declare that, to the best of my knowledge, the financial statements have been prepared in accordance with the applicable financial reporting standards and give a true and fair view of the assets and liabilities, financial position and results of the operations of the Company and the group formed by the companies included in the consolidated financial statements, and that the management report for the period, included herewith presents business trends, the results and financial position of the company and consolidated operations and the description of the main risks and uncertainties".



Alexandre Saubot

Deputy Chief Executive

MANAGEMENT REPORT

ANNUAL FINANCIAL REPORT FISCAL YEAR ENDED 31 DECEMBER 2019

TABLE OF CONTENTS

PART 1: ECONOMIC INFORMATION	5
1 - Review of operations and results for the year under review	6
2 - Progress made or difficulties encountered	6
3 - Presentation of parent company financial statements and significant accounting policies – Results of operations the Company	6
4 - Comprehensive analysis of the Company's revenue, earnings and financial position, and notably debt with respect to the volume and complexity of business activity.	7
5 - Analysis of key indicators of a financial and non-financial nature relating to the company's specific business, and in particular information relating to environmental questions and personnel	7
6 - Key risks and uncertainties - The company's exposure to risks concerning price, credit, liquidity and capital resources - Information on market risks	7
7 - Use of financial instruments - Company financial risk management objectives and policy	8
8 - Foreseeable changes in the company's situation and outlook	8
9 - Important post-closing events between the end of the financial period and the date of the management report	9
10 - Research and development of the Company	9
11 - Breakdown of trade payables and receivables of the Company by maturity	9
12 - The internal control and risk management procedures adopted by the company and in particular those relating to the preparation and processing of financial and accounting information.....	9
13 - Summary of dealings in the period ended in own shares by executives and parties mentioned in Article L.621-18-2 of the French monetary and financial code	15
14 - Presentation of the Board of Directors' annual review on regulated agreements remaining in force and its findings	15
15 - Information on dealings by the Company in its own shares	14
PART 2: INFORMATION ON SUBSIDIARIES AND ASSOCIATES	15
1 - Operations of subsidiaries and controlled companies	17
2 - Acquisitions of shareholdings or controlling interests	18
3 - Disposals of shareholdings related to adjustments of cross-shareholdings	18
4 - Own shares held through controlled companies	18
5 - List of existing branch offices	18
PART 3: INFORMATION ON HOLDINGS IN THE CAPITAL	17
1 - Changes in the Company's share capital during the period	19
2 - Identity of holders of significant shareholdings	19
3 - Employee stock ownership	18
4 - Stock options to subscribe for new shares or purchase existing shares	20
5 - Information on the Company's share	20
PART 4: TAX INFORMATION	21
1 - Sumptuary expenses and disallowed deductions	21
2 - Dividends distributed by the Company in the last three fiscal years	21
PART 5: GROUP MANAGEMENT REPORT	20
1 - Presentation of the consolidated financial statements and significant accounting policies	22
2 - Changes in the presentation of the annual accounts or methods of valuation applied in prior years	22
3 - Review of operations and results of the Group for the year under review:	22
4 - Comprehensive analysis of revenue, earnings and financial position of consolidated operations, and notably debt with respect to the volume and complexity of their business activity.	21
5 - Description of the main risks and uncertainties for the company's subsidiaries	22
6 - The exposure of subsidiaries to risks concerning price, credit, liquidity and capital resources	24

MANAGEMENT REPORT

ANNUAL FINANCIAL REPORT FISCAL YEAR ENDED 31 DECEMBER 2019

7 - Information about the use of financial instruments by the company when this is relevant for the measurement of its assets, liabilities, financial position and profits or losses.	25
8 - Foreseeable changes in the Group's situation and outlook	25
9 - Significant events between the closing date and the date of publication of the consolidated financial statements.....	25
10 - Research and development of the Group	25
APPENDIX 1: FIVE-YEAR FINANCIAL SUMMARY	26
APPENDIX 2: BOARD OF DIRECTORS' REPORT ON CORPORATE GOVERNANCE	25
1 - Corporate governance	27
2 - List of offices and functions exercised by each corporate officer for the period ended 31 December 2019.....	33
3 - Compensation policy established by the Board of Directors (Article L. 225-37-2 of the French commercial code)	34
4 - Compensation of officers paid in the period ended 31 December 2019 (article L. 225-37-3 of the French commercial code)	37
5 - Agreements covered by article L.225-37-4 2° of the French commercial code	43
6 - Procedures implemented by the Board of Directors in application of Article L. 225-39, subsection 2 of the French commercial code	44
7 - Items having a potential impact in the event of public offerings.....	44
8 - Summary of delegations of authority in force granted by the general meeting of the shareholders to the Board of Directors for capital increases in compliance with articles L. 225-129-1 L. 225-129-2 and L.225-129-2:.....	44
APPENDIX 3: SPECIAL REPORT ON THE RESTRICTED STOCK UNIT AWARDS PRESENTED TO THE ORDINARY AND EXTRAORDINARY GENERAL MEETING OF 26 MAY 2020 (ARTICLE L. 225-197-4 OF THE FRENCH COMMERCIAL CODE)	50

MANAGEMENT REPORT

ANNUAL FINANCIAL REPORT FISCAL YEAR ENDED 31 DECEMBER 2019

PART 2: ECONOMIC INFORMATION

1 - REVIEW OF OPERATIONS AND RESULTS FOR THE YEAR UNDER REVIEW

HAULOTTE GROUP is among the worldwide leaders in the market for self-propelled aerial work platforms both as a manufacturer of the main equipment categories (telescopic booms, articulating booms, scissor lifts, vertical masts) and as a global distributor.

In a worldwide market for aerial work platforms that remained largely stable over the year, Haulotte Group SA's sales grew by €7 million or 2% in 2019 in relation to the prior year.

The slowdown of the European market was confirmed, after reaching the peak of its cycle in the 2019 first half to end the year down in relation to 2018. Despite this, Haulotte reinforced its position as the market leader.

In the Asia-Pacific region, the aerial platform market registered strong growth in 2019, driven largely by China and Australia.

In North America, Haulotte continued to register growth in sales.

With the exception of the Brazilian market which experienced a sharp rebound, the other markets in Latin America declined significantly.

The fiscal year ended 31 December 2019 submitted for approval to the ordinary general meeting is the company's thirty-fifth year of operations since the Company's creation.

2 - PROGRESS MADE OR DIFFICULTIES ENCOUNTERED

Growth in revenue in 2019 and the improvement in the margin was not enough for the Company to break even at the level of operating results, notably in light of the level of fixed costs. The increase of the fixed costs is explained by the implementation of the strategic plan, in particular in Research & Development and Digital.

3 - PRESENTATION OF PARENT COMPANY FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES – RESULTS OF OPERATIONS THE COMPANY

3.1 Presentation of statutory accounts:

Highlights of the statutory accounts of **HAULOTTE GROUP** SA for the financial year ended 31 December 2019 are presented below: (€ thousands)

FINANCIAL HIGHLIGHTS			
In € thousands	FISCAL 2019	FISCAL 2018	CHANGE (%)
REVENUE	286,256	279,519	+ 2.41%
OPERATING PROFIT	(3,812)	(10,363)	+ 63.22%
NET FINANCIAL INCOME (EXPENSE)	(2,910)	2,556	-213.85%
EXTRAORDINARY PROFIT (LOSS)	(298)	(1,464)	+79.64%
NET PROFIT (LOSS)	(3,229)	(6,362)	+49.25%

Please refer to the notes to the annual financial statements for all additional explanations.

MANAGEMENT REPORT

ANNUAL FINANCIAL REPORT FISCAL YEAR ENDED 31 DECEMBER 2019

3.2 Changes in the presentation of the annual accounts or methods of valuation applied in prior years

We inform you that the annual financial statements were prepared according to the same presentation and methods were used in prior periods. Changes in accounting methods are presented in the summary of significant accounting policies in Note 2 to the separate annual financial statements.

3.3 Analysis of statutory results

Boosted by higher volumes, the net margin increased by €5 million or 12% in 2019 compared to 2018.

At the same time, committed fixed costs rose by €3 million or 5% in 2019, driven by the increase of research and development expenditures (+ €2 million) due to the implementation of our new strategic plan

The level of fees received by our foreign plants registered a significant increase of €5 million due to the growth of activity in these areas.

At the end, these different elements have not enabled Haulotte Group SA to reach operating breakeven which still registering an improvement by ending the year with an operating loss of €3 million in 2019 compared to a loss of €10 million in 2018.

The financial loss reflects the impairment of our treasury shares linked to the significant decline in the share price.

In light of the above, 2019 ended the year with a loss of slightly more than €3 million.

As required by article R.225-102 of the French commercial code, this report includes a table summarising the results of the Company over the last five years.

4 - COMPREHENSIVE ANALYSIS OF THE COMPANY'S REVENUE, EARNINGS AND FINANCIAL POSITION, AND NOTABLY DEBT WITH RESPECT TO THE VOLUME AND COMPLEXITY OF BUSINESS ACTIVITY

Readers are invited to refer to paragraphs 1, 2 and 3 above and 6.2 and 7 below.

5 - ANALYSIS OF KEY INDICATORS OF A FINANCIAL AND NON-FINANCIAL NATURE RELATING TO THE COMPANY'S SPECIFIC BUSINESS, AND IN PARTICULAR INFORMATION RELATING TO ENVIRONMENTAL QUESTIONS AND PERSONNEL

Readers are invited to refer above to paragraphs 1, 2 and 3, section 5 below in this report as well as the Company's Non-Financial Statement.

MANAGEMENT REPORT

ANNUAL FINANCIAL REPORT FISCAL YEAR ENDED 31 DECEMBER 2019

6 - KEY RISKS AND UNCERTAINTIES - THE COMPANY'S EXPOSURE TO RISKS CONCERNING PRICE, CREDIT, LIQUIDITY AND CAPITAL RESOURCES - INFORMATION ON MARKET RISKS

In accordance with the provisions of article L225-100-1 of the French commercial code, a description of key risks and uncertainties facing the Company is presented below.

6.1 Key risks and uncertainties

Because the company outsources a significant share of its production, the sourcing capacities of its suppliers constitute a primary risk. To prevent risks of supply chain disruptions, the strategy widely adopted for a number of years for diversifying suppliers must be pursued. For several years the credit situation of suppliers considered to represent a higher risk has been monitored and specific measures have been taken to ensure that the industrial model remains constantly in sync with market demand.

The market risk is the second significant risk factor. On that basis, visibility has improved though caution continues to be necessary, against the backdrop of a global environment marked by continuing uncertainties.

Another significant risk is the sensitivity of sales to credit restrictions in financial markets. **Haulotte Group** proposes financing solutions to its customers either through a financing entity or, for a non-significant percentage of sales, direct financing, by maintaining receivable risks at a reasonable level.

6.2 The company's exposure to risks concerning price, credit, liquidity and capital resources

The major share of the company's sales is generated through its distribution subsidiaries. Despite fierce competition, these subsidiaries have successfully maintained the level of sale prices for new products.

With the existing syndicated credit facility maturing on 30 September 2019, the Group finalised its negotiations with the banking syndicate to obtain a new facility.

This was obtained on 17 July 2019 with a term of 5 years, with the possibility of being extended for one year (not more than twice in the first and second year of the agreement).

7 - USE OF FINANCIAL INSTRUMENTS - COMPANY FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICY

The company has recourse to forward currency sales (mainly in USD and GBP).

The Company does not systematically hedge interest rate and foreign exchange risk.

However, transactions are carried out according to market opportunities. In such cases, they are destined to cover existing assets or liabilities rather than for speculative purposes.

MANAGEMENT REPORT

ANNUAL FINANCIAL REPORT FISCAL YEAR ENDED 31 DECEMBER 2019

8 - FORESEEABLE CHANGES IN THE COMPANY'S SITUATION AND OUTLOOK

Within the context of lower sales in Europe and North America, Haulotte Group SA is expecting a decline in sales in 2020 of approximately 7%.

Boosted by an expected decrease of the components' costs (decrease started since the 2nd semester of 2019), a significant improvement in the margin is expected in 2020 to contribute to a positive operating result.

Net financial income is expected to be balanced, the cost of the debt being offset by the expected improvement of the financial situation of our subsidiaries.

In light of the above, and a research tax credit of approximately €2.5 million, a net profit is expected in 2020.

9 - IMPORTANT POST-CLOSING EVENTS BETWEEN THE END OF THE FINANCIAL PERIOD AND THE DATE OF THE MANAGEMENT REPORT

No material event with a potential significant impact on the assessment of the situation of the company has occurred or was known to exist after the end of the reporting period.

10 - RESEARCH AND DEVELOPMENT OF THE COMPANY

The Company's research and development efforts continued in the period.

Among the noteworthy events in 2019 was the launch of the STAR 8S vertical mast. Another highlight of the period was the commencement of deliveries of the HTL3207 telehandler presented at INTERMAT 2018.

At the same time, the Group has expanded its research focusing on optimising operator safety.

The medium-term objective of these efforts in R&D is to accelerate the roll-out of new machines or renew our existing product ranges in the years ahead.

Research and development expenditures amounted to €13,989,000 in 2019.

MANAGEMENT REPORT

ANNUAL FINANCIAL REPORT FISCAL YEAR ENDED 31 DECEMBER 2019

11 - BREAKDOWN OF TRADE PAYABLES AND RECEIVABLES OF THE COMPANY BY MATURITY

In compliance with the provisions of articles L.441-6-1 paragraph 1 of the French commercial code, an aged trial breakdown of trade receivables and payables is provided below for the fiscal year ended 31 December 2019.

Trade payable	Statutory information on receivables and payables (Article D.441 I.-1 of the French commercial code*): Invoices received unpaid at the end of the reporting period in arrears			
	1 to 30 days	31 to 60 days	> 60 days	Total
(A) PORTION IN ARREARS				
Number of invoices concerned	271	90	268	629
Total amount of invoices concerned including VAT	875 657	327 231	710 760	1 913 648
% of total amount of purchases ex-VAT of the period	0,30 %	0,11%	0,25 %	289 610 643
(B) INVOICES EXCLUDED FROM (A) RELATING TO DISPUTED PAYABLES				
Number of supplier invoices paid at the beginning of january		1 341		
Number of disputed supplier invoices		1 263		
Total number of subsidiary invoices involving a current account-related payables		111		
Amount of the supplier invoices paid at the beginning of january		4 652 195		
Amount of disputed invoices		2 014 219		
Amount of subsidiary invoices involving a current account-related payable		1 052 820		
Accounts receivable				
	Statutory information on receivables and payables (Article D.441 I.-1 of the French commercial code*): Invoices issued and unpaid at the end of the reporting period in arrears			
	1 to 30 jours	31 to 60 days	> 60 days	Total
(A) PORTION IN ARREARS				
Number of invoices concerned	113	68	315	452
Total amount of invoices concerned including VAT	776 298	516 182	3 145 007	4 437 486
% of revenue ex-VAT of the period	0,27 %	0,18 %	1,10 %	286 256 557
(B) INVOICES EXCLUDED FROM (A) RELATING TO DISPUTED RECEIVABLES AND SUBSIDIARIES				
Number of disputed customer invoices		350		
Total number of subsidiary invoices involving a current account-related receivable		4573		
Amount of disputed customer invoices		4 123 251		
Amount of subsidiary invoices involving a current account-related receivable		68 643 772		

MANAGEMENT REPORT

ANNUAL FINANCIAL REPORT FISCAL YEAR ENDED 31 DECEMBER 2019

12 - THE INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES ADOPTED BY THE COMPANY AND IN PARTICULAR THOSE RELATING TO THE PREPARATION AND PROCESSING OF FINANCIAL AND ACCOUNTING INFORMATION

A. Objectives of the Company in the areas of internal control and risk management procedures

The purpose of the internal control procedures in force in the company is to ensure that management and operating practices, and also employee behaviour, adhere to the framework defined by the guidelines given to the businesses of the company by the governing bodies, applicable laws and regulations, and the values, standards and internal rules of the company, to verify that the accounting, financial and management information provided to corporate governance bodies of the Company fairly reflect the operation and situation of the Company and its subsidiaries.

One of the objectives of internal control is to prevent and manage the risks resulting from the business operations of the company and its subsidiaries and the risk of error or fraud, in particular in the accounting and financial areas (operating, financial, compliance or other risks).f

As with any control system, it is not possible to provide an absolute guarantee that these risks have been completely eliminated.

B. Summary of procedures in place

a) General organisation for the internal control and risk management procedures at the Company level

Each department at the headquarters and in the subsidiaries is responsible for implementing and monitoring internal control procedures.

These internal control procedures are placed under the responsibility of the Group's Finance Department and Secretariat General who draws up the procedures, promotes their application and ensures their consistency and proper functioning.

A core body of written internal procedures is available for consultation on the Company's intranet.

Accordingly, the different participants in the internal control process within the Company include:

- the finance and information systems division (with Consolidation and Reporting, Management Control, Credit Management, Internal Audit and Information Systems),
- the Secretariat General (with the legal department and the human resources department),
- the Industrial Division (with the Quality and Operational Excellence department).

MANAGEMENT REPORT

ANNUAL FINANCIAL REPORT FISCAL YEAR ENDED 31 DECEMBER 2019

b) Presentation of summarised internal control and risk management procedures adopted by the Company

The Finance Division:

The Finance Division draws up written procedures covering the main subjects and financial flows within the Group. These procedures are disseminated to all financial contacts of the headquarters and subsidiaries and updated on a regular basis.

The Finance Division includes the following departments

- **Internal audit**

After completing a risk mapping initiative, the Group's executive committee created an internal audit department tasked with the following missions:

- reducing business-related risks,
- implementing procedures for reporting incidents recorded to Management,
- raising awareness of Haulotte entities and departments about the importance of respecting procedures,
- obtaining action plans from entities audited to comply with procedures,
- ensuring the implementation of the action plans proposed by the audited entities and the achievement of the expected outcome,
- improving and adapting procedures by taking into account observations made during audit assignments.

- **The Financial Control department :**

This department includes two units :

- an industrial financial control unit represented at each production site and for R&D, purchasing and quality functions by a dedicated team at the headquarters,
- a management control unit for the distribution subsidiaries, spearheaded from the headquarters, ensuring financial oversight for the Group's different distribution and service subsidiaries in coordination with the regional financial controllers.

In addition, the regional financial controller is the intermediary between the Group and the controller for each subsidiary of its region. This division ensures the financial control functions for the support and equipment rental business functions.

These teams contribute to implementing the internal control procedures by:

- ensuring the security of assets, notably through inventory procedures,
- ensuring and assisting in the dissemination of the Group's accounting and management rules,
- ensuring that expenditures are incurred in accordance with the budget defined at the beginning of each period and within the framework of the rules for incurring expenses and delegations of authority defined by the Group.

- **The Cash Management department:**

It is responsible for the following activities :

- cash management,
- management of banking relations and bank balancing transactions, management of multi-currency cash positions,
- credit management.

It ensures that :

- the principles defined for managing customer credit risk are correctly applied and controls the exposure of the Group's main customers. To this purpose, it monitors the evolution of accounts receivable for all subsidiaries, controls the levels of outstanding balances and reconciles the cash budget with outstanding trade receivables of subsidiaries,
- organises the collection, monitors outstanding financing amounts and consolidates all Group financial commitments.

MANAGEMENT REPORT

ANNUAL FINANCIAL REPORT FISCAL YEAR ENDED 31 DECEMBER 2019

- **The Consolidation and Reporting department:**

This department is responsible for producing the consolidated annual and interim financial accounts and the corresponding financial communications as well as monthly reporting.

This department assists the local financial managers in the application of the procedures for financial reporting in accordance with IFRS. It also conducts a number of visits to the subsidiaries to ensure these procedures are applied.

- **The Group Accounting department:**

This department is responsible for the accounting for Haulotte Group SA. It is also responsible for coordinating and managing the transfer pricing policy at Group level.

- **The Information Systems department:**

In 2017, this department implemented a Single sign-on (SSO) system for which the first applications included mail, Sharepoint Online, Skype, Foerdis and proxy-web.

In addition, it is also continuing to define the security policies largely focusing on protecting access to systems and restricting access to identified named individuals and ensure the security of printing and information exchanges: an IT system security plan will be implemented soon, the IT charter is now applicable et communicated to each new employee and communications to targeting users ("best practices") are currently being developed.

The Information Systems Department continues to actively participate in the working group for combating fraud and scamming (management of fraudulent emails, "fake president" frauds, etc.). On that basis, many scamming attempts were prevented in 2019.

A new ticketing tool has been implemented in 2019 (EasyVista), and now 100% of the users' requests (request = change request) are subject to a double approval (an approval of the Manager' requester and IT). A system of prioritization of the tickets has been created so that all the important and impacting requests are known to everyone.

In the actual context, with the development of the teleworking and tools in Saas mode, the security and control are part of the strategic directions that will be developed in 2020 and 2021 within the Information Systems department.

The Secretariat General:

- **The Group Legal Department**

Given the importance of the issues handled by the legal team, a few years ago the Company has decided to reinforce its role by creating a full-fledged Legal Department in line with the company's other activities.

The Legal department continues to participate in "Safety Committees" meetings held on a regular basis (every two months, and more if required). These meetings bring together all parties concerned by the efficient management of technical and legal monitoring of incidents and accidents known to the Group and in which, the presence of one of our products was noted.

The Legal department participates in "intellectual property committee" meetings also attended by the industrial division, the secretariat general, the marketing department and the intellectual property manager of the Group. These periodic meetings provide a mechanism for monitoring filings and intellectual property disputes for the entire Group. They also serve as a means to notify different participants of the existence of prior rights.

In addition, the Legal Department is directly involved in the process of drafting standard documents with its suppliers and distributors to ensure a legal and commercial base for the relations.

Several internal communications actions are implemented by the Legal department, in collaboration with the financial, communications and DID teams, in order to inform and alert staff about the risks of and the measures to combat social engineering fraud.

The Legal department collaborates with all departments concerned with legal matters and provides its support to the Internal Audit department.

MANAGEMENT REPORT

ANNUAL FINANCIAL REPORT FISCAL YEAR ENDED 31 DECEMBER 2019

In addition, the Legal department regularly participates in meetings organised by Middenext offering a forum for exchange and discussing legislative and regulatory developments concerning listed companies and in consequence new obligations of the Company. It also participates in working meetings organised by the trade associations of its industry sector (FIM, CISMA).

- **The Human Resources department with a corporate department and correspondents at each manufacturing site:**
 - The Security charter seeking to improve the safety of employees in their day-to-day activities, introduced in France was then expanded to other countries where the Group operates, in order to strengthen controls in this area. With this objective, the "Safety Challenges" were renewed.
 - The Recruitment procedure in place continues to be applied.
 - This department ensures the promotion of the Management Group Procedure, a set of essential Group rules in HR, Finance, Legal Affairs and Insurance areas.
 - In the area of risk management, country and people review procedures have been implemented. - The purpose of these reviews is to promote exchanges between teams of the headquarters and subsidiaries as well as the production sites and also to provide insight on employee morale and relations between employees and management.
 - The purpose of the country review is to provide a presentation of each subsidiary covering namely their organisation, operating procedures and key performance indicators for different departments.
 - The "people review" provides an opportunity for carrying out a review through exchanges with +1 and +2 reporting levels with the Human Resources departments for each of their staff.
 - To benefit from an even more comprehensive view of available resources, the HR department uses a forward-looking employment and skills management tool covering all Group employees. It was first deployed in France in 2017 followed by English-speaking sites in other countries in 2018 and 2019.

Industrial Division

The Quality function of the Group was redesigned in 2019 and the position of "Chief Quality and Operational Excellence Officer" was created with hierarchical or functional responsibility over the following managers:

- the plant quality managers. Each production site has its own quality department coordinated by the quality manager of the site with several functions represented: customer quality (aftermarket service), product quality assurance, the quality process for painting and assembling, suppliers and an environmental coordinator,
- the project quality managers,
- the design quality managers,
- the supplier quality managers, and
- the systems quality managers.

The role of the Chief Quality and Operational Excellence Officer is to define and implement the quality strategy, define the applicable frames of reference (system, ISO, procedures, etc.) and manage a continuous improvement approach at every level of the company.

c) Risks associated with producing financial and accounting information

The Reporting & Consolidation department is responsible for producing the interim and annual consolidated financial statements, under the oversight of the Group Finance Department and Executive Management.

This Department ensures the quality of the monthly accounting closings for the different Group companies, managed, according to the case, by local accounting departments or chartered accountants for small size subsidiaries, and their restatement according to applicable IFRSs.

The consistent application of Group accounting principles is ensured by this same department that is also responsible for monitoring changes in standards.

The most important accounting principles, and namely those which may have a material impact on the Group's accounts, are documented and distributed to all subsidiaries.

These concern standards for recognising financing transactions, revenue recognition, the impairment or non-collection of trade receivables, provisions for inventories, rules for the depreciation and amortisation of fixed assets.

In accordance with local regulations, financial and accounting information is verified by local auditors. The Group's joint-auditors review the consolidated financial statements with the assistance of local auditors or undertake their own audit assignments if necessary.

MANAGEMENT REPORT

ANNUAL FINANCIAL REPORT FISCAL YEAR ENDED 31 DECEMBER 2019

In the last phase, financial and accounting information is approved by the Board of Directors for the first six-month period and annually, after being presented to the Board of Directors convened in the capacity of Audit Committee.

The Board of Directors also fulfils the functions of the Audit Committee. It ensures the efficacy of the internal control and risk management systems for financial areas, in addition to monitoring the process for producing financial information. It reports on its mission to the Board of Directors.

The entire process for producing and processing financial and accounting information described above contributes to managing and limiting risks in this area.

13 - SUMMARY OF DEALINGS IN THE PERIOD ENDED IN OWN SHARES BY EXECUTIVES AND PARTIES MENTIONED IN ARTICLE L.621-18-2 OF THE FRENCH MONETARY AND FINANCIAL CODE

In accordance with article L.621-18-2 of the French monetary and financial code and articles 222-23 and 223-26 of the of the General Regulation of the AMF, the French financial market authority (*Autorité des Marchés Financiers*), the Company was informed of no transactions covered by article 19 of Regulation (EU) No. 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse for the period ended 31 December 2019:

14 - PRESENTATION OF THE BOARD OF DIRECTORS' ANNUAL REVIEW ON REGULATED AGREEMENTS REMAINING IN FORCE AND ITS FINDINGS

In accordance with proposition No. 4.8 of AMF recommendation 2012-05, we hereby inform you of the conclusions of the Board of Directors' meeting of 3 March 2020 of its annual review of regulated agreements in accordance with article L. 225-40-1 of the French commercial code entered into and authorised in prior periods and remaining in force in the period ended 31 December 2019.

The Board of Directors reviewed these regulated agreements at its meeting of 3 March 2020. After determining that these agreements continued to meet the criteria providing the basis for their initial authorisation, this authorisation was unanimously maintained by the Board of Directors, while it is specified that all agreements entered into with SAS JM Consulting expired on 31 December 2019 and will not be renewed in subsequent periods.

Readers are invited to refer to the Auditors' special report on agreements and commitments referred to in Article L. 225-38 of the French commercial code.

In addition, please refer to Note 16 to the consolidated financial statements for the period ended 31 December 2019 on related-party transactions.

MANAGEMENT REPORT

ANNUAL FINANCIAL REPORT FISCAL YEAR ENDED 31 DECEMBER 2019

15 - INFORMATION ON DEALINGS BY THE COMPANY IN ITS OWN SHARES

The Company's ordinary and extraordinary meeting of 28 May 2019 granted the authority to the Board of Directors, which it may in turn delegate in accordance with applicable laws, for a period of eighteen months, as from the date of the general meeting, to acquire or have acquired shares of the Company in accordance with the provisions of articles L.225-209 *et seq.* of the French commercial code.

In accordance with article L.225-211, paragraph 2 of the French commercial code, we inform you that in the fiscal year ended 31 December 2019, information on trading by the Company in its shares is provided below:

Number of shares purchased in fiscal 2019	267,321
Average purchase price of own shares in fiscal 2019	7.11
Execution fees	N/A
Number of shares sold in fiscal 2015	250,246
Average sale price of own shares in fiscal 2015	7.18
Number of shares cancelled in fiscal 2015	0
Number of treasury shares recorded in the name of the Company at 31 December 2019	1,853,642
Percentage of treasury shares held at 31 December 2019	5.91%
Net carrying value of treasury shares at 31 December 2019	9,493,427
Nominal value of treasury shares at 31 December 2019	240,973
Market value of treasury shares at 31 December 2019 (share price of €5.30 on the date)	9,824,303

The breakdown according to the purpose for the use of own shares at 31 December 2019 was as follows:

Purposes of share buy-backs	Number of shares
Ensuring the liquidity of the Company's shares through a liquidity agreement entered into with an investment services provider, that complies with a code of conduct recognised by the French financial market regulator, the AMF (Autorité des Marchés Financiers);	155,237
Meeting the obligations resulting from stock option programs or other share grants to employees or directors or executives of the Company or affiliated companies;	0
Meeting the obligations arising from debt securities exchangeable into ownership interest;	0
Holding the shares for subsequent remittance to be tendered in payment or exchange in connection with possible acquisitions, spin-offs or contributions in accordance with market practices admitted by the AMF;	1,629,558
Cancelling all or part of the shares thus acquired	68,847
TOTAL	1,853,642

No shares of the Company were reallocated for other purposes or objectives.

MANAGEMENT REPORT

ANNUAL FINANCIAL REPORT FISCAL YEAR ENDED 31 DECEMBER 2019

PART 3: INFORMATION ON SUBSIDIARIES AND ASSOCIATES

1 - OPERATIONS OF SUBSIDIARIES AND CONTROLLED COMPANIES

In accordance with the provisions of article L.233-6 paragraph 2 of the French commercial code, we hereby report to you on the operations and results of the Company and the subsidiaries that it controls by business division:

At year-end, HAULOTTE GROUP exercised controlling interests in 39 subsidiaries. The results of these subsidiaries are summarised below (€ thousands):

Subsidiary	Percentage of holding	2019 revenue in € thousands	2018 revenue in € thousands	2019 net profit / loss in € thousands	2018 net profit / loss in € thousands
HAULOTTE FRANCE. SARL.	99,99%	97 953	88 590	2 687	2 662
HAULOTTE SERVICES France SARL	100% par HAULOTTE France SARL	-	-	-	-
TELESCOPELLE SAS	100,00%	123	114	66	60
HAULOTTE ACCESS EQUIPMENT MANUFACTURING (CHANGZHOU) CO. Ltd	100,00%	53 107	41 713	3 940	3 373
HAULOTTE ARGENTINA SA	100,00%	8 824	8 296	-1 905	-1 544
HAULOTTE ARGES SRL	100,00%	114 101	134 827	7 439	10 157
HAULOTTE AUSTRALIA Pty Ltd	100,00%	51 697	42 342	-1 019	1 354
HAULOTTE DO BRAZIL Ltda	99,98%	10 015	6 575	-1 826	-5 243
HAULOTTE HUBARBEITSBUHNEN GmbH	100,00%	54 936	65 704	2 009	1 225
HAULOTTE IBERICA S.L	98,71%	35 314	32 652	2 443	5 325
HAULOTTE ITALIA S.r.l.	99,00%	35 520	32 001	1 826	1 387
HAULOTTE MEXICO SA DE CV (2)	99,99%	9 150	10 085	178	-354
HAULOTTE MIDDLE EAST FZE	100,00%	4 597	13 307	1 368	881
HAULOTTE NETHERLANDS B.V	100,00%	20 643	17 601	623	307
HAULOTTE POLSKA SP ZOO	100,00%	24 043	17 766	1 236	1 055
HAULOTTE SCANDINAVIA AB	100,00%	29 305	22 321	1 023	-72
HAULOTTE SINGAPORE Ltd	100,00%	17 861	17 931	374	760
HAULOTTE TRADING (SHANGHAI) CO LTD	100,00%	17 778	15 182	-2 179	-2 963
HAULOTTE UK Ltd	100,00%	15 012	17 967	581	445
HAULOTTE US Inc	100,00%	59 417	56 904	-400	2 794
HAULOTTE VOSTOK OOO	100,00%	30 864	27 115	1 570	-251
HORIZON HIGH REACH LIMITED	100,00%	8 791	6 525	1 440	-2 246
LEVANOR MAQUINARIA DE ELEVACION SA	91,00%	-	-	-17	-12
MUNDIELEVACAO, ALUGER E TRANSPORTE DE PLATAFORMAS LDA	90%par LEVANOR	-	-	-0	-6
N.D.U MAQUINARIA Y PLATAFORMAS ELEVADORAS, SL	100%par HAULOTTE IBERICA SL	-	-	-150	-
EQUIPRO / BIL-JAX (I)	100% par HAULOTTE US Inc.	68 355	54 793	-2 622	-2 303
Haulotte North America Manufacturing L.L.C	100%par BIL-JAX				
HAULOTTE CHILE SPA	100,00%	5 134	-	892	-
HORIZON HIGH REACH CHILE SPA	100,00%	6 176	8 710	-1 367	-628
HAULOTTE INDIA PRIVATE LTD	99,99%	9	5	33	22

MANAGEMENT REPORT

ANNUAL FINANCIAL REPORT FISCAL YEAR ENDED 31 DECEMBER 2019

Subsidiary	Percentage of holding	2019 revenue in € thousands	2018 revenue in € thousands	2019 net profit / loss in € thousands	2018 net profit / loss in € thousands
ACARLAR DIS TICARET VE MAKINA SANAYI A.S.	100,00%	10 375	4 249	504	849
HAULOTTE DIGITAL SUPPORT CENTER	95,00%	1 282	15	2	-511
HAULOTTE JAPON	100,00%	-		8	
HAULOTTE CANADA	100,00%				

Three new subsidiaries were created in 2019:

- Haulotte North America Manufacturing L.L.C, wholly-owned by BilJax Inc., on 1 January 2019,
- Haulotte Japan, wholly-owned by Haulotte Group, on 4 January 2019,
- Haulotte Canada, wholly-owned by Haulotte Group, on 15 October 2019.

2 - ACQUISITIONS OF SHAREHOLDINGS OR CONTROLLING INTERESTS

In accordance with articles L.233-6 paragraph 1 and L.247-1, I-1° of the French commercial code, we hereby inform you that the Company has not acquired any holdings in the period ended in any other company having its registered office in France representing more than one twentieth, one tenth, one fifth, one third, one half or two thirds of the capital or voting rights of the company or acquiring a controlling interest in such company, must notify the Company.

3 - DISPOSALS OF SHAREHOLDINGS RELATED TO ADJUSTMENTS OF CROSS-SHAREHOLDINGS

In accordance with article R.233-19, paragraph 2 of the French commercial code, we inform you that the Company has not divested any shares for the purpose of eliminating cross-shareholdings prohibited by articles L.233-29 and L.233-30 of the French commercial code.

4 - OWN SHARES HELD THROUGH CONTROLLED COMPANIES

In accordance with article L.233-13 of the French commercial code, we inform you that no company directly or indirectly controlled by the Company holds own shares.

5 - LIST OF EXISTING BRANCH OFFICES

In compliance with article L.232-1, II of the French commercial code, the list of branch offices as of today is disclosed below:

Address	City
Quartier Serve Bourdon	Lorette (42)
Rue d'Harfleur	Le Creusot (71)
104 rue de Courcelles	Reims (51)

MANAGEMENT REPORT

ANNUAL FINANCIAL REPORT FISCAL YEAR ENDED 31 DECEMBER 2019

PART 4: INFORMATION ON HOLDINGS IN THE CAPITAL

1 - CHANGES IN THE COMPANY'S SHARE CAPITAL DURING THE PERIOD

None.

2 - IDENTITY OF HOLDERS OF SIGNIFICANT SHAREHOLDINGS

In accordance with the provisions of article L 233-13 of the French commercial code and based on the information and notifications received pursuant to articles 233-7 and L 233-12 of the French Commercial Code, the identity of shareholders directly or indirectly owning over 5%, 10%, 15%, 20%, 25%, 30%, 33%, 50%, 66%, 90% or 95% of the share capital or voting rights on the closing date, i.e. on 31 December 2019, and modifications that might have been made in the period, are disclosed below:

Thresholds	Name of the shareholder	Percentage of holding	
		Capital	Voting rights
5% to 10%			
10% to 15%			
15% to 20%			
20% to 25%			
25% to 33% 1/3			
33% 1/3 to 50%			
50% to 66% 2/3	SOLEM SAS	54.40%	
66% 2/3 to 90%			70.08 %
90% to 95%			
More than 95%			

By letter dated 9 April 2019, the Caisse des Dépôts (56 rue de Lille, 75356 Paris 07 SP), indirectly through CDC Entreprises Valeurs Moyennes, reported having crossed above the threshold fixed by the articles of association of 3% of Haulotte Group's capital and in consequence holding 941,904 shares and voting rights representing 3% of the capital and 1.93% of the voting rights issued.

By letter dated 14 June 2019, the Caisse des Dépôts (56 rue de Lille, 75356 Paris 07 SP), indirectly through CDC Entreprises Valeurs Moyennes, reported having crossed above the threshold fixed by the articles of association of   of Haulotte Group's voting rights and in consequence holding 987,811 shares and voting rights representing 3.14% of the capital and 2.02% of the voting rights issued.

By letter dated 2 September 2019, Quaero Capital SA (Rue de Lausanne 20bis, CH-1201 Geneva), in its capacity as manager of collective investment funds, reported having crossed above the threshold of 1% of Haulotte Group's capital on 21 August 2019 and in consequence holding 1.02% of its capital and  .65% of its voting rights.

By email dated 18 September 2019, Norges Bank Investment Management (Bankplassen 2, Oslo 0151, Norway), reported having crossed below the disclosure thresholds provided for under the Articles of Association of 4% of the capital of Haulotte Group on 17 September 2019, and in consequence holding 1,252,579 shares of the Company, representing 3.99% of its share capital.

By letter dated 2 December 2019, Federal Finance Gestion (1, all e Louis Lichou, 29480 Le Relecq-Kerhuon), reported having crossed above the threshold of 1% of Haulotte Group's capital on 20 November 2019 and in consequence holding 330,000 shares representing 1.05% of its capital and 0.6775% of its voting rights.

MANAGEMENT REPORT

ANNUAL FINANCIAL REPORT FISCAL YEAR ENDED 31 DECEMBER 2019

3 - EMPLOYEE STOCK OWNERSHIP

In accordance with the provisions of article L.225-102 of the French commercial code, we hereby inform you that no shares making up the Company's share capital were held by employees of the Company or by personnel of affiliated companies within the meaning of article L.225-180 as part of an employee stock ownership plan provided for by articles L.443-1 to L.443-9 of the French labour code, and by employees and former employees in connection with a company savings plan (*Plan d'Epargne d'Entreprise*) governed by chapter III of the Law 88-1201 of 23 December 1988 on collective investment undertakings and the creation of debt investment funds. Also taken into account are registered shares held directly by employees in accordance with articles L.225-187 and L.225-196 of said Code according to the version previous to the entering into force of Law 2001-152 of 19 February 2001 on employee stock savings plans, article L.225-197-1 of this Code, article L.3324-10 of the French labour code, article 31-2 of Ordinance 2014-948 of 20 August 2014 on governance and equity transactions on companies with public participation and article 11 of the Privatisation Act 86-912 of 6 August 1986 in its version prior to its implementation by the aforementioned Ordinance 2014-948 of 20 August 2014.

4 - STOCK OPTIONS TO SUBSCRIBE FOR NEW SHARES OR PURCHASE EXISTING SHARES

We inform you that a restricted stock unit plan for ordinary shares was implemented by the Board of Directors on 13 March 2018 for the benefit of employees of the Company and eligible subsidiaries.

This plan concerns 70,000 shares awarded to seven employees, or 10,000 shares per beneficiary which represents 0.22% (rounded) of the share capital. Details of this award are provided in the special report attached hereto.

5 - INFORMATION ON THE COMPANY'S SHARE

At 31 December 2019, the Company's share capital was comprised of 31,371,274 shares. The market capitalisation at 31 December 2019 was €166 million.

Information on share price trends and trading activity for the period is provided below:

Date	High (price)	High (date)	Low (price)	Low (date)	Closing price	Average price (opening)	Average price (closing)	Trading volume (number of shares)	Trading volume (in €M)	Number of trading sessions
Jan.-19	9.65	10/01/2019	8.18	03/01/2019	8.53	8.987	8.963	506,614	4.53	22
Feb.-19	9.08	12/02/2019	8.11	15/02/2019	8.38	8.466	8.462	680,872	5.79	20
Mar.-19	8.66	01/03/2019	7.29	15/03/2019	7.31	7.853	7.795	1,094,897	8.30	21
Apr.-19	9.54	17/04/2019	7.28	12/04/2019	8.72	8.125	8.170	1,146,287	9.51	20
May-19	8.76	02/05/2019	7.06	31/05/2019	7.06	7.865	7.799	524,590	4.09	22
Jun.-19	7.91	18/06/2019	7	03/06/2019	7.1	7.458	7.461	433,236	3.24	20
Jul.-19	7.8	04/07/2019	6.94	31/07/2019	7	7.387	7.374	517,143	3.80	23
Aug.-19	7.18	01/08/2019	6.17	29/08/2019	6.27	6.646	6.608	672,188	4.42	22
Sep.-19	7.4	12/09/2019	5.85	27/09/2019	5.93	6.321	6.281	1,995,847	12.53	21
Oct.-19	5.98	01/10/2019	4.76	23/10/2019	4.9	5.317	5.279	1,809,523	9.44	23
Nov.-19	5.6	27/11/2019	4.805	18/11/2019	5.17	5.043	5.045	1,765,494	8.95	21
Dec.-19	5.42	13/12/2019	4.86	04/12/2019	5.3	5.119	5.124	839,008	4.31	20

In the period ended, the HAULOTTE GROUP share traded between a range of a high of €9.65 (10 January 2019) and a low of €4.76 (23 October 2019).

MANAGEMENT REPORT

ANNUAL FINANCIAL REPORT FISCAL YEAR ENDED 31 DECEMBER 2019

PART 5: TAX INFORMATION

1 - SUMPTUARY EXPENSES AND DISALLOWED DEDUCTIONS

In compliance with the provisions of article 223 *quater* of the French general tax code, accounts of the period ended include non-deductible expenses of €121,237 according to article 39-4 of the French general tax code and on that basis the corresponding theoretical tax or €33,946 based on a theoretical tax rate of 28%.

2 - DIVIDENDS DISTRIBUTED BY THE COMPANY IN THE LAST THREE FISCAL YEARS

As required by article 243 bis of the French general tax code, information on dividends paid for the last three fiscal years is disclosed below:

	Dividends distributed (excl. treasury shares)	Distributed amount eligible for the 40 % tax basis reduction provided for under article 158 3 2 of the French general tax code	Distributed amount not eligible for the 40 % tax basis reduction provided for under article 158 3 2 of the French general tax code
Fiscal year ended 31 December 2018	€6.495.638,38	€6.495.638,38	None
Fiscal year ended 31 December 2017	€ 6.507.391,22	€ 6.507.391,22	None
Fiscal year ended 31 December 2016	€ 6.506.408,92	€ 6.506.408,92	None

MANAGEMENT REPORT

ANNUAL FINANCIAL REPORT FISCAL YEAR ENDED 31 DECEMBER 2019

PART 6: GROUP MANAGEMENT REPORT

In accordance with the provisions of articles L.233-16 and L.225-100-1 of the French commercial code, we hereby report to you on the management of the Group for the period ended 31 December 2019.

1 - PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

Companies included in the scope of consolidation are listed in paragraph 1 of section 2 of this report. The situation of these companies is described in paragraph 1 of part 1 and in the table contained in paragraph 1 of part 2 of this report.

The Group's financial statements at 31 December 2019 have been prepared in accordance with IFRSs as adopted by the European Union.

2 - CHANGES IN THE PRESENTATION OF THE ANNUAL ACCOUNTS OR METHODS OF VALUATION APPLIED IN PRIOR YEARS

No changes were made in the presentation of the consolidated financial statements or methods of valuation applied in prior years. Changes in accounting methods are presented in the summary of significant accounting policies in Note 3 to the consolidated financial statements.

3 - REVIEW OF OPERATIONS AND RESULTS OF THE GROUP FOR THE YEAR UNDER REVIEW

In a worldwide market for aerial work platforms that remained largely stable over the year, Haulotte registered growth in revenue in 2019 driven by gains in most regions and a significant improvement in the equipment sales mix.

The Group's current operating income (EBIT) remained close to that of 2018, impacted by lower sales in the second half, higher average component costs and an increase in fixed costs linked to the deployment of the strategic plan, "Let's dare together".

MANAGEMENT REPORT

ANNUAL FINANCIAL REPORT FISCAL YEAR ENDED 31 DECEMBER 2019

4 - COMPREHENSIVE ANALYSIS OF REVENUE, EARNINGS AND FINANCIAL POSITION OF CONSOLIDATED OPERATIONS, AND NOTABLY DEBT WITH RESPECT TO THE VOLUME AND COMPLEXITY OF THEIR BUSINESS ACTIVITY

Group results for the period break down as follows

In € millions	FY 2019	FY 2018
Revenue	609.8	555.9
Current operating income	33.9	33.6
Operating profit/(loss) from continuing operations	29.2	29.1
Pre-tax profit from continuing operations	26.7	25.3
NET INCOME OF CONSOLIDATED COMPANIES	19.5	23.8
Net profit attributable to owners of the Group	19.5	23.9
Of which income/(loss) from continuing operations	19.5	17.9
Of which income/(loss) from discontinued operations		5.9

Total revenue for 2019 rose to €609.8 million up from €555.9 million in 2018, representing growth of 8% at constant exchange rates from the prior year.

Annual sales in Europe grew +5%.

The Asia-Pacific region ended the period with +15% growth in sales (at constant exchange rates).

The Americas region was up 10% (at constant exchange rate).

For the year, equipment sales (+8%), equipment rental sales (+23%) and services (+7%) registered gains at constant exchange rates.

Current operating income from continuing operations of the Group amounted to €33.9 million, compared to €33.6 million in 2018. This performance was impacted by lower sales in the second half, an increase in average component costs in relation to 2018 (even if these costs started to decrease in the second half) and higher fixed costs linked to the deployment of the strategic plan, "Let's dare together".

In 2019, non-current items concerned mainly litigation costs (net of allowances and reversals for litigation contingencies) representing a charge of €4.8 million compared to €4.2 million in 2018.

Operating profit from continuing operations amounted to €29.2 million compared to 29.1 million for the previous year.

At 31 December 2019, consolidated net income for the period was €19.5 million compared to €23.9 million in 2018.

Group net debt (including guarantees) increased in the period from €124.0 million at 31 December 2018 to €150.3 million at 31 December 2019.

This debt is primarily carried by Haulotte Group S.A., with in particular the syndicated credit facility of the Group, of which €88.5 million had been drawn at 31 December 2019.

17 July 2019, the Group obtained a new syndicated credit facility for the purpose of refinancing the previous facility expiring on 30 December 2019. Refer to information operating highlights (note 2) of the consolidated financial statements.

MANAGEMENT REPORT

ANNUAL FINANCIAL REPORT FISCAL YEAR ENDED 31 DECEMBER 2019

5 - DESCRIPTION OF THE MAIN RISKS AND UNCERTAINTIES FOR THE COMPANY'S SUBSIDIARIES

The main material risks and uncertainties that could have a material impact on the Group identified at 31 December 2019 relate on the one hand to market risk and the foreign exchange environment in which the Group operates and, on the other hand, items relating to its liquidity situation.

The European market experienced a slowdown in 2019. Despite this, Haulotte registered growth in most of its markets, strengthening its leadership position.

The Asia-Pacific region ended the period with strong growth in revenue, driven mainly by China and Australia.

In North America, revenue also registered gains, particularly in the scaffolding segment.

With the exception of the Brazilian market, the other markets in Latin America declined significantly. In this context, Haulotte's revenue for the region remained steady.

The equipment rental business registered strong growth in the period.

The Group maintains its policy of a centralised management of foreign exchange and pays specific attention to the variation of foreign currencies on its main markets, as these could significantly affect its financial performance.

Based on the level of cash resources and credit lines open and available at 31 December 2019 compared with cash forecasts for the first few months of 2020, the Group's ability to cover its liquidity requirements remains intact. Information on borrowings and payables is provided in note 20 to the consolidated financial statements.

6 - THE EXPOSURE OF SUBSIDIARIES TO RISKS CONCERNING PRICE, CREDIT, LIQUIDITY AND CAPITAL RESOURCES

The Group exposure is largely limited to credit and liquidity risk.

6.1 Credit risk

The exchange rate risk is described in note 5b to the consolidated financial statements.

6.2 Liquidity risk

The liquidity risk is described in note 5c to the consolidated financial statements

MANAGEMENT REPORT

ANNUAL FINANCIAL REPORT FISCAL YEAR ENDED 31 DECEMBER 2019

7 - INFORMATION ABOUT THE USE OF FINANCIAL INSTRUMENTS BY THE COMPANY WHEN THIS IS RELEVANT FOR THE MEASUREMENT OF ITS ASSETS, LIABILITIES, FINANCIAL POSITION AND PROFITS OR LOSSES

Financial instruments used by the Group are destined to cover its foreign exchange and interest rate risks.

7.1 Exchange rate risk

The exchange rate risk as described in notes 5a et 17 to the consolidated financial statements.

7.2 Interest rate risk

The interest rate risk as described in notes 5a to the consolidated financial statements.

8 - FORESEEABLE CHANGES IN THE GROUP'S SITUATION AND OUTLOOK

In the context of lower sales in the European and North American markets, the Group registered a decline in sales of close to 10%, while current operating income (excluding currency gains or losses) remained largely steady in relation to 2019.

9 - SIGNIFICANT EVENTS BETWEEN THE CLOSING DATE AND THE DATE OF PUBLICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

No material event with a potential significant impact on the assessment of the situation of the Group has occurred or was known to exist after the end of the reporting period.

10 - RESEARCH AND DEVELOPMENT OF THE GROUP

Research and development have remained an important focus of Group efforts for several years. Innovation processes have been defined as one of the strategic processes of the Group.

The objective of this process is to propose new products or renew existing lines addressing the needs of its customers. Paragraph 10 of section 1 provides detailed information on the most important achievements of the period concerning Haulotte Group S.A.. R&D expenditures were also incurred for the Group's other plants. Research and development expenditures by the Group in the period amounted to €16,246,000.

MANAGEMENT REPORT

ANNUAL FINANCIAL REPORT FISCAL YEAR ENDED 31 DECEMBER 2019

APPENDIX 1 - FIVE-YEAR FINANCIAL SUMMARY

Closing date	31/12/2019	31/12/2018	31/12/2017	31/12/2016	30/12/2015
Length of the fiscal year (months)	12	12	12	12	12
SHARE CAPITAL AT YEAR-END					
COMMON STOCK	4 078 266	4 078 266	4 078 266	4 078 266	4 063 765
Number of shares					
- ordinary shares	31 371 277	31 371 274	31 371 274	31 371 274	31 259 734
- TREASURY SHARES	1 853 642	1 836 567	1 777 898	1 812 230	1 814 303
- dividend-right shares	29 517 635	29 534 707	29 593 376	29 559 044	29 445 431
Maximum number of future shares to be created					
- from the conversion of bonds					
- from subscription rights					
OPERATIONS AND RESULTS					
SALES EX-VAT	286 256 556	279 519 047	244 466 351	215 588 260	232 272 603
Profit before income tax, profit-sharing, depreciation and provisions	12 275 616	-4 400 505	-23 071 567	-3 993 457	13 371 335
CORPORATE INCOME TAX	-3 791 511	-2 908 722	-2 802 161	-2 335 951	-466 047
Employee profit-sharing					
Allowances and Reversals of depreciation, amortisation and provisions, expense reclassifications	19 296 382	4 870 294	-29 551 919	1 319 162	12 224 854
NET INCOME	-3 229 255	-6 362 077	9 282 513	-2 976 667	1 612 528
DISTRIBUTED PROFIT		6 495 638	6 507 391	6 506 409	6 480 761
EARNINGS PER SHARE					
Profit after income tax, profit-sharing, and before depreciation, amortisation and provisions	0,51	-0,05	-0,65	-0,05	0,44
Profit after income tax, profit-sharing, depreciation, amortisation and provisions	-0,10	-0,20	0,30	-0,09	0,05
Distributed dividends		0,22	0,22	0,22	0,22
PERSONNEL					
AVERAGE NUMBER OF EMPLOYEES FOR THE FISCAL YEAR	676	643	618	598	578
TOTAL PAYROL	31 091 823	27 776 208	25 641 354	25 212 616	23 930 881
TOTAL BENEFITS PAID (SOCIAL SECURITY, WELFARE BENEFITS, ETC.)	13 145 674	13 247 689	12 335 070	12 005 087	11 389 629

MANAGEMENT REPORT

ANNUAL FINANCIAL REPORT FISCAL YEAR ENDED 31 DECEMBER 2019

APPENDIX 2 - BOARD OF DIRECTORS' REPORT ON CORPORATE GOVERNANCE

Dear shareholders,

In accordance with the provisions of the last paragraph of article L. 225-37 of the French commercial code, we hereby present in this report on corporate governance, the disclosure required by regulations in force and notably those of article L. 225-37-4 of the French commercial code.

The terms of this report were prepared and adopted by the Board of Directors on 3 March 2020.

1 - CORPORATE GOVERNANCE

In accordance with the provisions of article L.225-37-4, paragraph 5 to 9, of the French commercial code, we hereby report to you on:

- the preparation and organisation of the Board's work;
- the reasons justifying the absence of a diversity policy applied to members of the Board of Directors as well as information on how the Company seeks to achieve balanced representation of men and women on the Management Committee implemented by executive management for the purpose of regularly assisting the performance of its general missions and results in terms of gender diversity for the 10% category of senior positions;
- limitations on the powers of the Chief Executive Officer (*directeur général*) that may exist;
- in the event that the provisions of the Middelnext Code of corporate governance to which the Company refers would have been set aside, the reasons for this; and
- the special procedures the participation of shareholders in general meetings or the provisions of the articles of association providing for such procedures.

1.1 Composition of the Board of Directors and the diversity policy applied to its members

1.1.1 Choice of corporate governance code

The Company has decided to refer to the Middelnext Code of December 2009 and revised in September 2016 as its reference for corporate governance in accordance with the provisions of article L.225-37-4, 8° of the French commercial code. The Company considered that this code was best adapted to its size and shareholder structure.

This code can be consulted at the Middelnext website (www.middelnext.com).

In accordance with the Middelnext Code recommendation 19, the Board of Directors duly noted on 3 March 2020 the specific points to be watched listed therein.

MANAGEMENT REPORT

ANNUAL FINANCIAL REPORT FISCAL YEAR ENDED 31 DECEMBER 2019

1.1.2 Composition of the Board of Directors

The composition of the Company's Board of Directors includes the following eight directors, of which three are independent:

Last name, first name, title or function of the directors	Year of first appointment	Expiration date of office in progress	Independent director	Audit Committee member
Pierre Saubot Chair of the Board of Directors - Chief Executive Officer Director	1989	At the close of the general meeting of shareholders called to approve the financial statements for the year ending on 31 December 2023	No	-
Alexandre Saubot Deputy Chief Executive Officer Director	1999 1999	At the close of the general meeting of shareholders called to approve the financial statements for the year ending on 31 December 2021 At the close of the general meeting of shareholders called to approve the financial statements for the year ending on 31 December 2021	No	-
Elisa Savary Director	1998	At the close of the general meeting of shareholders called to approve the financial statements for the year ending on 31 December 2021	No	Member
Hadrien Saubot Director	2004	At the close of the general meeting of shareholders called to approve the financial statements for the year ending on 31 December 2021	No	Member
José Monfront Director	2004	At the close of the general meeting of shareholders called to approve the financial statements for the year ending on 31 December 2021	No	Member
Michel Bouton Director	2001	At the close of the general meeting of shareholders called to approve the financial statements for the year ending on 31 December 2021	Yes	Member
Anne Danis Fatôme Director	2018	At the close of the general meeting of shareholders called to approve the financial statements for the year ending on 31 December 2023	Yes	Member as of 12 March 2019
Elodie Galko Director	2018	At the close of the general meeting of shareholders called to approve the financial statements for the year ending on 31 December 2023	Yes	Member as of 12 March 2019

On the date of this report, the Board of Directors has not considered it opportune to implement a diversity policy within the meaning of article L.225-37-4, 6° of the French commercial code, in light of the family composition, reduced size and current operations of the Board. However, it is noted that the Board of Directors has been committed over the last years to open up its membership to figures from the outside contributing a different perspective on the Board's decisions, in particular by appointing independent directors within the meaning of the Middlednext Code recommendation 3.

With respect to the company's efforts to achieve a balanced representation of men and women on the company's management board, the last recruitment concerned a member of the Executive Committee at the end of 2016 (starting in February 2017). This recruitment was in line with the Company's goal of increasing the executive Committee's international profile and the membership of women resulting in selection of a specialised firm to that purpose. To date, no woman has applied for this position.

If the recruitment of a new member to the committee should be considered in the future, the Company will the same policy with respect to expanding its international profile and the membership of women.

With respect to its results in the area of gender diversity for the 10% category of senior positions, women represented 10.94% at 31 December 2019, an increase from 3.5% one year earlier.

MANAGEMENT REPORT

ANNUAL FINANCIAL REPORT FISCAL YEAR ENDED 31 DECEMBER 2019

1.1.3 Application of the principle of balanced gender representation on the Board of Directors

In compliance with article L.225-18-1 of the French commercial code, we inform you that the breakdown of directors by gender is as follows:

- Number of male directors: 5,
- Number of female directors: 3.

1.1.4 Independent directors

The notion of independent member adopted is that provided by Recommendation 3 of the Middelnext Code, and namely:

- they must not have been during the last five years an employee or executive officer of the company or a company in its group;
- they must not have had any material business relationship with the company or its group for the last two years (as a client, supplier, competitor, service provider, creditor, banker, etc.);
- they must not be a reference shareholder of the company or hold a significant percentage of voting rights;
- they must not have a close relationship or close family ties with a corporate officer or a reference shareholder;
- they must not have been an auditor of the company in the course of the previous six years.

On 3 March 2020, the Board of Directors examined the situation of its membership with respect to these criteria of independence. On that basis, it was determined that three were independent under the definition of the MiddleNext code: Mr. Michel Bouton, Ms. Anne Danis-Fatôme and Ms. Elodie Galko.

1.1.5 Terms of office

The term of office of members of the Board of Directors is set at six (6) years. This term was considered by the company to be in compliance with Recommendation 9 of the Middelnext Code. To date, the Company has not considered it useful to propose a modification to the articles of association providing for the staggered renewal of the terms of office of directors, in light of its size and membership.

1.1.6 Conduct of business rules

In accordance with Recommendation 1 of the Middelnext Code, each member of the Board of Directors is made aware of the obligations arising from his or her appointment and encouraged to adhere to the rules of conduct relating to his or her appointment. At the beginning of their term of office, each director signs the board's internal rules of procedure and undertakes notably to:

- comply with the provisions of statute relating to holding multiple offices,
- comply with applicable regulations,
- inform the Board in the event of conflict of interest arising after being appointed to the office,
- demonstrate diligence in attending meetings of the board and the general meeting,
- ensure that they possess all necessary information for the agenda of the meetings of the Board before making any decision, and
- respecting professional confidentiality.

On the date of this report, the Chair-CEO and the Deputy CEO have not accepted other directorships in listed companies, including foreign companies, outside the Group.

MANAGEMENT REPORT

ANNUAL FINANCIAL REPORT FISCAL YEAR ENDED 31 DECEMBER 2019

1.1.7 Review of known conflicts of interest

In accordance with article 4.3 of the Company's rules of procedure, each director is required to disclose any situation giving the appearance or which might give the appearance of a conflict of interest between the corporate interest and his or her direct or indirect personal interest or the interest of the shareholder or a group of shareholders he or she represents.

In the event of such situation, the director concerned must:

- inform the Board of Directors as soon as he or she learns of this,
- draw all resulting conclusions regarding the exercise of his or her office. And on this basis, according to the case he or she must:
 - either refrain from participating in the vote of the corresponding proceedings,
 - or not attend the meeting of the Board of Directors during which the conflict of interest exists,
 - or, as an extreme measure, resign from his or her functions as director.

On 3 March 2020, in accordance with Middelnext Code Recommendation 2, the Company's Board of Directors reviewed the known conflicts of interests and no situation of a potential or proven conflict of interest was brought to its attention.

1.1.8 Choice of members of the Board of Directors

When each member of the Board of Directors is appointed or reappointed, information about their experience, expertise and the list of offices exercised is provided in the report presented by the Board of Directors to the general meeting presenting the draft resolutions submitted for your approval. This information is also made available online on the Company's website. The appointment or renewal of each member of the Board of Directors is subject to a specific resolution, in accordance with Recommendation 8 of the Middelnext Code.

1.1.9 Mission of the Board of Directors

In accordance with article 2 of the Board's rules of procedure, the board's missions, in addition to the powers recognised by the law and the articles of association, are as follows:

- Representing all shareholders,
- Issuing opinions about all decisions relating to the major strategic, economic, social, financial or technological priorities of the Company and ensure they are implemented by executive management,
- Considering a proposal calling for an audit or verification by the chairman or the audit committee,
- Reviewing the points to be watched of the Middelnext Code.

1.1.10 Evaluating the Board's work and practices

The Board of Directors has been studying for several years the interest of adopting an evaluation procedure in line with Recommendation 11 of the Middelnext Code on corporate governance in its version of September 2016.

To that purpose, the Board of Directors adopted the following procedure for self-assessment to be carried out at the end of each meeting of the Board called to approve the Company's annual accounts.

- a self-assessment questionnaire prepared by the Company's legal department will be sent to each director in advance of the Board meeting,
- each questionnaire will be returned to the legal department after being completed in order to prepare a summary of the responses on an anonymous basis to be presented to the Board meeting,
- on the basis of this summary, the Board will be asked to consider areas for improvement to be adopted in connection with its work for the period in progress.

MANAGEMENT REPORT

ANNUAL FINANCIAL REPORT FISCAL YEAR ENDED 31 DECEMBER 2019

1.1.11 Creation of committees

In accordance with Recommendation 6 of the Middlednext Code we hereby report to you on the Company's choice with respect to special committees.

1.1.11.1 Audit Committee

On 9 March 2011 the Board of Directors decided to create an Audit Committee in accordance with article L.823-20,4° of the French commercial code for a limited period.

The functioning and the attributes of the Company's Audit Committee are described in article 6 of the Company's rules of procedures available for consultation on the Company's website.

1.1.11.2 Composition

On the date of this report, the Board of Directors, when it meets for the purpose of exercising the missions of Audit Committee, is comprised of the following six members:

- Michel Bouton, independent director, audit committee chair,
- José Monfront,
- Hadrien Saubot,
- Elisa Savary,
- Anne Danis Fatôme,
- Elodie Galko.

Anne Danis Fatome and Elodie Galko accepted to be members of the audit committee of the Board of Directors as from 12 March 2019.

1.1.11.3 Number of audit committee meetings in the period ended 31 December 2019

The audit committee met three times(3) with an average attendance rate of 69 %.

1.2 Conditions of preparation and organisation of the Board of Directors' work

Meetings are conducted and decisions voted according to the conditions of quorum and majority provided for by statute and the Company's articles of association.

In accordance with Recommendation⁷ of the Middlednext Code, the Board of Directors has internal rules of procedures divided into the eight areas covered by this recommendation and available for consultation at the Company's website.

The internal rules of procedures initially adopted by the Board of Directors on 11 March 2009, and subsequently modified by the Board on 9 March 2011 and 20 January 2017, notably provide that except for transactions covered by articles L. 232-1 and L. 233-16 of the French commercial code, and as applicable, by the Company's articles of association, directors who take part in a meeting of the Board through videoconferencing or electronic methods that allow their identification and effective participation are deemed present for determining the quorum and majority.

The means adopted must be capable of permitting the identification of participants and guaranteeing their effective participation.

MANAGEMENT REPORT

ANNUAL FINANCIAL REPORT FISCAL YEAR ENDED 31 DECEMBER 2019

1.2.1 Meeting convening procedures

Directors are called to meetings according to the procedures authorised by article 13 of the Company's articles of association.

In accordance with article L.823-17 of the French commercial code, the statutory auditors were called to the Board meetings that reviewed and adopted the interim and also the annual accounts.

1.2.2 Procedures for remitting documents and information required to make decisions

Board members have received in advance of each meeting, all documents and information that are useful for making informed decisions and the performance of their duties.

1.2.3 Report on the Board of Directors' activities in the period ended 31 December 2019

The minutes of each meeting are drawn up under the responsibility of the Chair of the Board of Directors and the Deputy CEO. These minutes are transcribed into the record after being signed by the chair of the meeting and one director.

During the period ended 31 December 2019, the Company's Board of Directors met three (3) times on the dates indicated below.

MANAGEMENT REPORT

ANNUAL FINANCIAL REPORT FISCAL YEAR ENDED 31 DECEMBER 2019

Meeting dates	Number of directors present or represented	Rate of participation	Main items of business on the agenda
12 March 2019	4	50.00%	<p>Examination of the conclusions of the audit committee meeting of 4 March 2019 – Update on the audit committee composition</p> <p>Review and approval of the separate parent company and consolidated financial statements for the period ended 31 December 2018</p> <p>Proposal for the appropriation of net profit for the year to the annual ordinary general meeting</p> <p>Annual review of agreements covered by article L.225-38 <i>et seq.</i> of the French commercial code entered into an authorised in prior periods and remaining in force in the year ended</p> <p>Adoption of the principles and criteria for setting, allocating and granting fixed, variable and exceptional compensation making up the total compensation and benefits of any kind attributable to the Chair-CEO and the Deputy CEO</p> <p>Review of the elements of compensation paid to or granted for the period ended 31 December 2018 to Messrs. Pierre Saubot and Alexandre Saubot on the basis of their offices</p> <p>Annual meeting on the company' policy on workplace and wage equality in compliance with the provisions of article L.225-37-1 of the French commercial code</p> <p>Review of the independence of directors (R3 Middenext)</p> <p>As applicable, review of conflicts of interest known by the company (R2 Middenext)</p> <p>Review of the Middenext "points to be watched" (R19 Middenext)</p> <p>Proposal to grant authority to the Board of Directors for the purchase by the Company of its own shares</p> <p>Adoption of the management report and the report on the management of the Board of Directors for the period ended 31 December 2018</p> <p>Adoption of the report of the Board of Directors on corporate governance drawn up in accordance with the provisions of Article L. 225-37, subsection 6 of the French commercial code</p> <p>Preparation and convening of an ordinary and extraordinary general meeting – Review and adoption of the Board of Directors' report and draft resolutions to be presented to the ordinary and extraordinary general meeting of 28 May 2019</p>
28 May 2019	7	87.50%	<p>Implementation of the authorisation to be granted by the general meeting of 28 May 2019 to deal in the Company's shares in accordance with the provisions of article L.225-209 of the French commercial code</p>
11 September 2019	7	87.50%	<p>Review and approval of the interim consolidated accounts established on 30 June 2019</p> <p>Preparation of the interim report in compliance with article L.451-1-2 III of the French monetary and financial code;</p> <p>Production of forward-planning documents in accordance with articles L. 232-2, R. 232-2 and R. 232-3 of the French commercial code</p>

MANAGEMENT REPORT

ANNUAL FINANCIAL REPORT FISCAL YEAR ENDED 31 DECEMBER 2019

1.3 Restrictions imposed by the Board of Directors on the powers of the Chief Executive Officer

The powers of the chair and chief executive officer of the Company are not subject to any limits other than those imposed by law.

As such, he is vested with the broadest powers to act in all circumstances in the name of the Company. He exercises his powers within the limits of the corporate purpose and subject to the powers expressly granted to shareholders' meetings and the Board of Directors. He represents the Company in its dealings with third parties.

1.4 Shareholders' participation in the shareholders' meetings

In accordance with article L. 225-37-4, 9° of the French commercial code, article 16 of the Company's articles of association provides special procedures for the participation of shareholders in general meetings (copies of the articles of association are available at the Company's registered office and the registrar of the commercial court).

MANAGEMENT REPORT

ANNUAL FINANCIAL REPORT FISCAL YEAR ENDED 31 DECEMBER 2019

2 - LIST OF OFFICES AND FUNCTIONS EXERCISED BY EACH CORPORATE OFFICER FOR THE PERIOD ENDED 31 DECEMBER 2019

To comply with the provisions of article L.225-37-4, 1° of the French commercial code, a list of the offices and functions exercised in any company during the period ended 31 December 2019 by each corporate officer is provided below.

Corporate offices concerned:	Offices and functions exercised in the Company	Offices and functions exercised outside the Company
Pierre Saubot	<ul style="list-style-type: none"> - Chairman of the Board of Directors - Chief Executive Officer - Director 	<ul style="list-style-type: none"> - General Manager of Solem SAS - Managing Partner of Société Commerciale du Cinquau, - Co-Manager of SCI Lancelot.
Alexandre Saubot	<ul style="list-style-type: none"> - Deputy CEO - Director 	<ul style="list-style-type: none"> - Chair of the Board of Solem SAS, - Representative of Haulotte Group, Chair of Telescopelle SAS, - Managing Partner of Haulotte France SARL, - Managing Partner of Haulotte Services France SARL, - Co-Manager of SCI Lancelot. - Director of Haulotte Netherlands BV, - Director of Haulotte Iberica, - Director of Haulotte Scandinavia, - Director of Haulotte Italia, - Manager of Haulotte GmbH, - Director of Haulotte Polska, - Director of Haulotte UK, - Director of Haulotte Australia, - Chair of Haulotte US, - Director of Haulotte Singapore, - Director of Haulotte Arges, - Chair of Haulotte Trading (Shangai) Co. Ltd, - Director of Haulotte Mexico, - Director of Haulotte Middle East, - Representative of Haulotte Group, sole director of Horizon High Reach Limited, - Director of Haulotte India, - Director of Levanor, - Director of MundiElevacao, - Chair of the Board of Directors of Haulotte Access Equipment Manufacturing (Changzhou), - Chair of the Board of Directors of Acarlar, - Chairman-CEO of Haulotte Canada, - Director of Haulotte Japan
Elisa Savary	<ul style="list-style-type: none"> - Director 	<ul style="list-style-type: none"> - None
Hadrien Saubot	<ul style="list-style-type: none"> - Director 	<ul style="list-style-type: none"> - None
José Monfront	<ul style="list-style-type: none"> - Director 	<ul style="list-style-type: none"> - Director of Haulotte Access Equipment Manufacturing (Changzhou), - Chair of JM Consulting.
Michel Bouton	<ul style="list-style-type: none"> - Director 	<ul style="list-style-type: none"> - None
Anne Danis Fatôme	<ul style="list-style-type: none"> - Director 	<ul style="list-style-type: none"> - Participation in research groups under the auspices of the Legal High Committee for Financial Markets of Paris (Haut Comité Juridique de la Place Financière de Paris or HCJP)
Elodie Galko	<ul style="list-style-type: none"> - Director 	<ul style="list-style-type: none"> - Regional director of Duval group in Toulouse

MANAGEMENT REPORT

ANNUAL FINANCIAL REPORT FISCAL YEAR ENDED 31 DECEMBER 2019

3 - COMPENSATION POLICY ESTABLISHED BY THE BOARD OF DIRECTORS (ARTICLE L. 225-37-2 OF THE FRENCH COMMERCIAL CODE)

In accordance with articles L. 225-37-2 et R.225-29-1 of the French commercial code as amended by Order 2019-1234 of 27 November 2019 and Decree 2019-1235 of 27 November 2019, a description is provided in this section of the compensation policy of the Company applicable to all officers for the period ending 31 December 2020.

As a reminder, Mr. Pierre Saubot and Mr. Alexandre Saubot received compensation solely for their respective offices of Chairman and Chief Executive Officer of Solem, a simplified French joint stock company (*société par actions simplifiée*) with share capital of €476,735.25 having its registered office at 187, route de Saint Leu in Epinay-sur-Seine (93806) and registered in Bobigny (RCS No. 332 978 162) (hereafter "**Solem**"). Solem is the controlling company within the meaning of article L.233-16 of the French commercial code.

Concerning the administrators, the Company's historic compensation policy has been to not provide compensation to the latter as board members. In particular, directors do not receive the compensation referred to in Article L.225-45 of the French commercial code.

In consequence, officers of the Company do not receive any compensation, in any form whatsoever (fixed, variable, exceptional or in shares) for the offices they hold within the Company. The officers of the Company do not benefit from any commitments made by the latter or by any company controlling or controlled companies within the meaning of II and III of Article L. 233-16 of the French commercial code, and the corresponding components of compensation or benefits in connection with the termination or a change in function or subsequent thereto, or contingent rights granted pursuant to defined retirement benefit obligations meeting the characteristics of the plans mentioned in Articles L. 137-11 and L. 137-11-2of the French social security code.

In light of the above, the information referred to in 4° à 6° and 8° of Article R.225-29-1, I and 1° to 4° and 7° of Article R.225-29-1, II of the French commercial code are not applicable.

This officer compensation policy is set in strict compliance with the Company's corporate interests and in reference to its commercial strategy. The Board of Directors considers that compensation determined and set exclusively at the level of Solem makes it possible to provide fair compensation to the officers opposite concerned based on a larger consolidation scope at the level of the parent company, taking into account notably the performance of not only the Company but also its sister companies and subsidiaries.

This compensation policy of the Company is determined by the Board of Directors, acting on a proposal by executive management. This compensation policy is revised at least once a year at the time of the review of the annual accounts and, at any time during the financial year, at the initiative of the Board of Directors, should circumstances require.

The proposal of executive management takes into account in particular the conditions of compensation and employment of the Company's employees.

The implementation of the compensation policy is verified at least once a year by the Board of Directors at the time of the review of the annual accounts.

The compensation policy applies by operation of the law under the supervision of the Board of Directors to newly appointed corporate officers or those whose appointment has been renewed.

In order to prevent conflicts of interest in connection with the determination, revision and implementation of the compensation policy, the Board of Directors has appointed three independent directors as defined by the Middelnext corporate governance code. In addition, the Board of Directors' charter includes a procedure for preventing conflicts of interest.

The length of directors' terms of office is presented in section 1.1.5 of this report. In addition, it is noted that on the date of this special report, there exists no employment contract or service agreement contract has been entered into directly between an officer and the Company. With respect to intragroup service agreements entered into between Solem and the Company, please refer to the Auditors' special report on regulated agreements prepared in accordance with Article L. 225-40 of the French commercial code.

This compensation policy is defined in a draft resolution submitted to the approval of the shareholders' general meeting to be held on 26 May 2020 in accordance with Article L. 225-37-2, II of the French commercial code.

MANAGEMENT REPORT

ANNUAL FINANCIAL REPORT FISCAL YEAR ENDED 31 DECEMBER 2019

4 - COMPENSATION OF OFFICERS PAID IN THE PERIOD ENDED 31 DECEMBER 2019 (ARTICLE L. 225-37-3 OF THE FRENCH COMMERCIAL CODE)

For the purpose of complying with the provisions of Article L.225-37-3, I of the French commercial code (as amended pursuant to Order 2019-1234 of 27 November 2019 and Decree 2019-1235 of 27 November 2019), information required thereunder is presented in this section for each officer.

In application of Article L. 225-100, II and III of the French commercial code (as amended pursuant to Order 2019-1234 of 27 November 2019 and Decree 2019-1235 of 27 November 2019), it is hereby requested that you vote on a draft resolution concerning the information referred to in Article L. 225-37-3 of the French commercial code and, on the other hand, to vote by means of distinct resolutions, on the fixed, variable or exceptional components making up the total compensation and benefits of any nature paid in or granted for the period ended for the Chairman-CEO and Deputy CEO.

The tables presented below were prepared in reference to the Middlednext code of corporate governance issued in September 2016. Any heading not included in the following tables in relation to the table templates proposed by the MiddleNext Code corporate governance is considered as not applicable.

• **Table 1: Summary of compensation for each executive officer**

Pierre Saubot Chair and chief executive officer	Fiscal year ended 31 December 2018		Fiscal year ended 31 December 2019	
	Amounts paid (Gross base compensation before tax)	Percentage relative to the fixed and variable compensation	Amounts paid (Gross base compensation before tax)	Percentage relative to the fixed and variable compensation
Fixed annual compensation paid by Solem for the office of chief executive officer exercised within this company	€ 88,374	97%	€ 90.506	99%
Variable annual compensation paid by Solem for the office of chief executive officer exercised within this company	€ 3.000	3%	€ 500	1%
TOTAL	€ 91.374	100%	€ 91.006	100%

Alexandre Saubot Deputy chief executive officer	Fiscal year ended 31 December 2018		Fiscal year ended 31 December 2019	
	Amounts paid (Gross base compensation before tax)	Percentage relative to the fixed and variable compensation	Amounts paid (Gross base compensation before tax)	Percentage relative to the fixed and variable compensation
Fixed annual compensation paid by Solem for the office of chair exercised within this company	€ 333.060	78%	€ 341.055	78%
Variable annual compensation paid by Solem ² for the office of chair exercised within this company	€ 95.000	22%	€ 95.000	22%
TOTAL	€ 428.060	100%	€ 436.055	100%

MANAGEMENT REPORT

ANNUAL FINANCIAL REPORT FISCAL YEAR ENDED 31 DECEMBER 2019

• Table 2: Other compensation received by non-executive officers

Elisa Savary Director	Fiscal year ended 31 December 2018		Fiscal year ended 31 December 2019	
	Amounts paid (Gross base compensation before tax)	Percentage relative to the fixed and variable compensation	Amounts paid (Gross base compensation before tax)	Percentage relative to the fixed and variable compensation
Fixed annual compensation paid by Solem for the office of chief executive officer exercised within this company	€ 55,978	97%	None	N/A
Variable annual compensation paid by Solem ² for the office of chief executive officer exercised within this company	€ 2,000	3%	€ 500 (variable compensation owed in connection with the functions of chief executive officer terminated at the end of 31/12/2018)	N/A
TOTAL	€ 57,978	100%	NONE	N/A

Hadrien Saubot Director	Fiscal year ended 31 December 2018		Fiscal year ended 31 December 2019	
	Amounts paid (Gross base compensation before tax)	Percentage relative to the fixed and variable compensation	Amounts paid (Gross base compensation before tax)	Percentage relative to the fixed and variable compensation
Fixed annual compensation paid by Solem for the office of chief executive officer exercised within this company	€ 55,978	98%	None	N/A
Variable annual compensation ² paid by Solem for the office of chief executive officer exercised within this company	€ 1,000	2%	€ 500 (variable compensation owed in connection with the functions of chief executive officer terminated at the end of 31/12/2018)	N/A
TOTAL	€ 56.978	100%	NONE	N/A

José Monfront Director	Fiscal year ended 31 December 2018		Fiscal year ended 31 December 2019	
	Amounts paid (Gross base compensation before tax)			
None	None	None	None	None
TOTAL	None	None	None	None

Michel Bouton Director	Fiscal year ended 31 December 2018		Fiscal year ended 31 December 2019	
	Amounts paid (Gross base compensation before tax)			
None	None	None	None	None
TOTAL	None	None	None	None

MANAGEMENT REPORT

ANNUAL FINANCIAL REPORT FISCAL YEAR ENDED 31 DECEMBER 2019

Anne Danis Fatôme Director	Fiscal year ended 31 December 2018	Fiscal year ended 31 December 2019
	Amounts paid (Gross base compensation before tax)	Amounts paid (Gross base compensation before tax)
None	None	None
TOTAL	None	None

Elodie Galko Director	Fiscal year ended 31 December 2018	Fiscal year ended 31 December 2019
	Amounts paid (Gross base compensation before tax)	Amounts paid (Gross base compensation before tax)
None	None	None
TOTAL	None	None

MANAGEMENT REPORT

ANNUAL FINANCIAL REPORT FISCAL YEAR ENDED 31 DECEMBER 2019

• **Table 3: Other indemnities or benefits granted to corporate officers**

The following table provides details on the compensation and benefits of company officers:

Corporate officers	Employment contract		Supplemental retirement scheme		Compensation or benefits owed or potentially due upon termination or a change in function		Payments relating to a non-competition clause	
	Yes	No	Yes	No	Yes	No	Yes	No
<p>Pierre Saubot</p> <p>Chair and Chief Executive Officer</p> <p>Beginning of the renewed term of office: 13/03/2018 End of appointment: At the close of the general meeting of shareholders called to approve the financial statements for the year ending on 31 December 2023</p> <p>Director</p> <p>Beginning of the renewed term of office: 29/05/2018 End of appointment: At the close of the general meeting of shareholders called to approve the financial statements for the year ending on 31 December 2023</p>		X		X		X		X
<p>Alexandre Saubot</p> <p>Deputy Chief Executive Officer</p> <p>Beginning of the renewed term of office: 13/03/2018 End of appointment: At the close of the general meeting of shareholders called to approve the financial statements for the year ending on 31 December 2021</p> <p>Drector</p> <p>Beginning of the renewed term of office: 24/05/2016 End of appointment: At the close of the general meeting of shareholders called to approve the financial statements for the year ending on 31 December 2021</p>		X		X		X		X
<p>Elisa Savary</p> <p>Director</p> <p>Beginning of the renewed term of office: 24/05/2016 End of appointment: At the close of the general meeting of shareholders called to approve the financial statements for the year ending on 31 December 2021</p>		X		X		X		X
<p>Hadrien Saubot</p> <p>Director</p> <p>Beginning of the renewed term of office: 24/05/2016 End of appointment: At the close of the general meeting of shareholders called to approve the financial statements for the year ending on 31 December 2021</p>		X		X		X		X

MANAGEMENT REPORT

ANNUAL FINANCIAL REPORT FISCAL YEAR ENDED 31 DECEMBER 2019

Corporate officers	Employment contract		Supplemental retirement scheme		Compensation or benefits owed or potentially due upon termination or a change in function		Payments relating to a non-competition clause	
José Monfront								
Director								
Beginning of the renewed term of office: 24/05/2016		X		X		X		X
End of appointment: At the close of the general meeting of shareholders called to approve the financial statements for the year ending on 31 December 2021								
Michel Bouton								
Director								
Beginning of the renewed term of office: 24/05/2016		X		X		X		X
End of appointment: At the close of the general meeting of shareholders called to approve the financial statements for the year ending on 31 December 2021								
Anne Danis Fatôme								
Beginning of term of office: 29/05/2018								
End of appointment: At the close of the general meeting of shareholders called to approve the financial statements for the year ending on 31 December 2023		X		X		X		X
Elodie Galko								
Beginning of term of office: 29/05/2018								
End of appointment: At the close of the general meeting of shareholders called to approve the financial statements for the year ending on 31 December 2023		X		X		X		X

- **Ratio between the level of compensation of the Chairman-CEO and Deputy CEO and, on the one hand, the average compensation on a full-time equivalent basis of employees of the Company other than the corporate officers, and the other hand, the median compensation on a full-time equivalent basis of employees of the company other than corporate officers (French commercial code, art. L.225-37-3, 6°)**

	Fiscal year ended 31 December 2019	
	Pierre Saubot Chair-CEO	Alexandre Saubot Deputy Chief Executive Officer
Ratio between the compensation of the officer concerned and the average compensation of employees on a full-time equivalent basis	2.12	10.16
Ratio between the compensation of the officer concerned and the median compensation of employees on a full-time equivalent basis	2.69	12.89
Ratio between the compensation of the corporate officer concerned and the minimum wage	4.99	23.89

MANAGEMENT REPORT

ANNUAL FINANCIAL REPORT FISCAL YEAR ENDED 31 DECEMBER 2019

- **Changes in annual compensation, performances of the Company, average compensation of employees of the company on a full-time equivalent basis, other than executive officers, and the above ratios, for the last five years (French commercial code, art. L.225-37-3, 7°)**

Fiscal year	31/12/2014		31/12/2015		31/12/2016		31/12/2017		31/12/2018		31/12/2019	
Corporate offices concerned:	Pierre Saubot	Alexandre Saubot										
Total gross compensation received within Solem	€ 87,500.00	€ 350,500.00	€ 88,274.00	€ 387,284.00	€ 88,132.00	€ 408,521.00	€ 88,132.00	€ 408,521.00	€ 91,374.00	€ 428,060.00	€ 91,006.00	€ 436,055.00
<i>Change in revenue between N-1 and N</i>	N/A	N/A	0.88%	10.49%	-0.16%	5.48%	0.00%	0.00%	3.68%	4.78%	-0.40%	1.87%
Average compensation of HGSA employees (full-time, excluding senior executives, gross amount)	€ 40,396.00		€ 41,392.00		€ 41,801.00		€ 41,060.00		€ 42,551.00		€ 42,932.00	
<i>Change in the average compensation of employees between N-1 and N</i>	N/A		2.47%		0.99%		-1.77%		3.63%		0.90%	
Median compensation of HGSA employees (full-time, excluding senior executives, gross amount)	€ 31,603.00		€ 33,023.00		€ 32,986.00		€ 32,888.00		€ 33,785.00		€ 33,822.00	
<i>Change in the median compensation of employees between N-1 and N</i>	N/A		4.49%		-0.11%		-0.30%		2.73%		0.11%	
Amount of the minimum wage	€ 17,344.56		€ 17,490.24		€ 17,599.44		€ 17,763.24		€ 17,981.64		€ 18,254.64	
<i>Change in the minimum wage between N-1 and N</i>	N/A		0.84%		0.62%		0.93%		1.23%		1.52%	
Ratio between the compensation and the average compensation paid to HGSA employees	2.17	8.68	2.13	9.36	2.11	9.77	2.15	9.95	2.15	10.06	2.12	10.16
<i>Change in ratio between N-1 and N</i>	N/A		-1.54%		7.84%		-1.14%		4.45%		1.80%	
Ratio between the compensation and the median compensation paid to HGSA employees	2.77	11.09	2.67	11.73	2.67	12.38	2.68	12.42	2.70	12.67	2.69	12.89
<i>Change in ratio between N-1 and N</i>	N/A		-3.45%		5.74%		-0.05%		5.60%		0.30%	
	5.04	20.21	5.05	22.14	5.01	23.21	4.96	23.00	5.08	23.81	4.99	23.89

MANAGEMENT REPORT

ANNUAL FINANCIAL REPORT FISCAL YEAR ENDED 31 DECEMBER 2019

Fiscal year	31/12/2014	31/12/2015	31/12/2016	31/12/2017	31/12/2018	31/12/2019					
Ratio between the compensation and the minimum wage											
<i>Change in ratio between N-1 and N</i>	N/A	0.04%	9.57%	-0.78%	4.83%	-0.92%	-0.92%	2.42%	3.51%	-1.81%	0.34%
Indicators of the Company's performance (on a consolidated basis)											
EBIT (current operating income)	€ 31,700,000.00	€ 32,400,000.00	€ 27,700,000.00	€ 42,400,000.00	€ 35,600,000.00	€ 35,900,000.00					
<i>Change in EBIT between N-1 and N</i>	N/A	2.21%	-14.51%	53.07%	-16.04%	0.84%					
Revenue excl. VAT	€ 412,600,000.00	€ 445,300,000.00	€ 457,800,000.00	€ 499,400,000.00	€ 555,900,000.00	€ 609,800,000.00					
<i>Change in revenue excl. VAT between N-1 and N</i>	N/A	7.93%	2.81%	9.09%	11.31%	9.70%					

Methodology note

1. Procedures for the calculation of ratios referred to in article L.225-37-3 6° of the French commercial code:

- For the numerator: total compensation based on the gross compensation before tax, received by the Chairman-CEO (or the Deputy CEO) within Solem in the absence of compensation received within the Company.
- For the denominator.

For average compensation, the Company has calculated the average compensation of employees of the Company on an equivalent full-time basis.

for median compensation, the Company has calculated the median compensation of employees of the Company on an equivalent full-time basis.

2. Scope of employees concerned: Within the being of Article L.225-37-3 6° of the French commercial code, only employees of the Company, on a non-consolidated basis, or on 31 December 2019, 729 employees (or 43.34% of Group employees based on the consolidated accounts at 31 December 2019).

3. Performance indicators selected in accordance with Article L.225-37-3 7° of the French commercial code.

As indicators of performance, the Company has selected revenue and current operating income (EBIT) as these aggregates are presented in the consolidated financial statements of the Company for the last five years.

5 - AGREEMENTS COVERED BY ARTICLE L.225-37-4 2° OF THE FRENCH COMMERCIAL CODE

For the purpose of complying with the provisions of article L.225-37-4 2° of the French commercial code, we remind you that this report is required to mention, except for ordinary agreements entered into under normal conditions, those agreements entered into either directly or through a third party, between:

- on the one hand, one of the directors or shareholders possessing more than 10% of the voting rights of a company,
- and, on the other hand, another company controlled by the first within the meaning of article L. 233-3 of the French commercial code, possessing more than 40% of the voting rights and that no other partner or shareholder of our company holds, directly or indirectly a percentage exceeding the percentage it holds.

No agreements of this type were entered into in the period ended 31 December 2019.

MANAGEMENT REPORT

ANNUAL FINANCIAL REPORT FISCAL YEAR ENDED 31 DECEMBER 2019

6 - PROCEDURES IMPLEMENTED BY THE BOARD OF DIRECTORS IN APPLICATION OF ARTICLE L. 225-39, SUBSECTION 2 OF THE FRENCH COMMERCIAL CODE

To comply with article L.225-37-4, 10° of the French commercial code, the Board of Directors implemented a procedure in order to regularly assess if the ordinary agreements entered into under normal conditions properly fulfil these conditions.

A method for identifying financial flows between Group companies has already been adopted by the Finance Division, notably in connection with the transfer pricing policy.

To supplement this method, the Finance Department and Legal Department developed the following procedure to be applied once a year when the annual financial statements are reviewed.

Identification of all ordinary agreements entered into under normal agreements remaining in force or entered into in the period ended.

A summary of their main terms and conditions and features.

A presentation of all agreements to the Board of Directors to be convened in order to approve the annual financial statements in order to determine if these agreements continue to meet the criteria of ordinary agreements entered into under normal conditions. Persons directly or indirectly concerned by an agreement do not participate in its evaluation.

7 - ITEMS HAVING A POTENTIAL IMPACT IN THE EVENT OF PUBLIC OFFERINGS

In application of article L.225-37-5 of the French commercial code, we report to you on those items which we consider likely to have an impact in the case of a takeover bid or public exchange offer.

7.1 Shareholder structure

On 31 December 2019, the share capital and voting rights of the Company were majority-held by Solem that is itself held by the Saubot family.

We invite you to refer to part 3 of the Board of Directors' management report to which this report is attached.

7.2 Restrictions under the Articles of Association on the exercise of voting rights and the transfer of shares or the provisions of agreements reported to the company in compliance with article L. 233-11 of the French commercial code

Article 9 (Transfer and transmission of shares) of the Company's articles of association, provides that legal entities or natural persons that acquire or cease to hold a fraction equal to 1% of the share capital or the voting rights or any multiple thereof, must notify the company within fifteen days of crossing such thresholds.

Under its Articles of Association, if the company has not been thus notified, shares that exceed the fraction to be reported under this disclosure requirement shall be deprived of voting rights at the request of one or more shareholders holding 5% of the share capital (with such request recorded in the minutes of the General Meeting).

MANAGEMENT REPORT

ANNUAL FINANCIAL REPORT FISCAL YEAR ENDED 31 DECEMBER 2019

7.3 List of direct or indirect shareholdings in the Company's capital of which it has knowledge by virtue of articles L.233-7 and L.233-12 of the French commercial code

We invite you to refer to part 3 of the Board of Directors' management report to which this report is attached.

7.4 157.4 - Holders of shares conferring special control rights and a description thereof

All shares of the Company confer upon shareholders a right to participate in shareholders' meetings under the conditions and subject to the provision provided for by law and regulations.

Shares shall confer a right to a percentage of the company's assets, the distribution of earnings and proceeds after liquidation, equal to the proportion of the share capital they represent.

In accordance with article 16 of the bylaws, a double voting right is granted to all fully paid-up shares in proportion to the capital they represent subject to proof that they have been registered for at least four (4) years in the name of the same shareholder.

This right is also granted pursuant to the capitalisation of reserves, earnings or additional paid-in capital to free registered shares granted on the basis of existing shares entitled to the same right.

7.5 Powers of the Board of Directors, in particular for the issuance or repurchase of shares

We invite you to refer to part 3 of the Board of Directors' management report to which this report is attached as well as the table summarising the delegations of authority and powers granted to the Board of Directors by the shareholders' general meeting.

7.6 Agreements entered into by the Company which are modified or terminated in the event of a change of control of the Company

Agreements have been entered into by the Company containing clauses in the event of a change in control, and notably in the case of contracts entered into with certain service providers or financial institutions.

MANAGEMENT REPORT

ANNUAL FINANCIAL REPORT FISCAL YEAR ENDED 31 DECEMBER 2019

8 - SUMMARY OF DELEGATIONS OF AUTHORITY IN FORCE GRANTED BY THE GENERAL MEETING OF THE SHAREHOLDERS TO THE BOARD OF DIRECTORS FOR CAPITAL INCREASES IN COMPLIANCE WITH ARTICLES L. 225-129-1 L. 225-129-2 AND L.225-129-2

To this report is attached, in accordance with the provisions of article L.225-37-4, 3° of the French commercial code, a table of delegations of authority in force granted by the general meeting of the shareholders relating to capital increases, in application of articles L.225-129-1 and L.225-129-2, and indicating the uses made thereof in the period.

Nature of the delegation of authority or powers granted to the Board of Directors by the Company in accordance with article L.225-129-1 and L.225-129-2 of the French commercial code	General meeting date	Length of validity	Maximum nominal amount of capital increases which may be carried out immediately and/or in the future (excluding issuances of debt securities)	Capital increase(s) carried out in the period ended 31 December 2019	Residual amounts at 31 December 2019
Grant of authority to the Board of Directors to increase the share capital by issuing ordinary shares or any securities giving access to the capital while maintaining the preferential subscription right.	28/05/2019 12 th resolution	26 months	<p>€1,223,479.69 (or the equivalent amount in the event of an issue in another currency), whereby it is specified that :</p> <ul style="list-style-type: none"> - the maximum nominal amount of capital increases that may be carried out, immediately or in the future, under this delegation of authority shall be included under the overall ceiling set forth below in the seventeenth resolution of the combined general meeting of 28 May 2019, - this amount will be increased, as necessary, by the nominal amount of shares to be issued, to preserve, in accordance with the law, and, as necessary, applicable contractual provisions, the rights of holders of securities giving access to the company's capital, 	None	Identical to the maximum nominal value
Grant of authority to the Board of Directors to increase the share capital by issuing ordinary shares or any securities giving access to the capital while cancelling the preferential subscription right and through a public offering.	28/05/2019 13 th resolution	26 months	<p>€815,653.12 (or the equivalent amount in the event of an issue in another currency), whereby it is specified that :</p> <ul style="list-style-type: none"> - the maximum nominal amount of capital increases that may be carried out, immediately or in the future, under this delegation of authority shall be included under the overall ceiling set forth below in the seventeenth resolution of the combined general meeting of 28 May 2019, - these amounts may be increased, as necessary, by the nominal amount of ordinary shares to be issued, to preserve, in accordance with the law, and, as necessary, applicable contractual provisions providing for other cases for adjustments, the rights of holders of securities giving access to the company's capital; 	None	Identical to the maximum nominal value

MANAGEMENT REPORT

ANNUAL FINANCIAL REPORT FISCAL YEAR ENDED 31 DECEMBER 2019

Nature of the delegation of authority or powers granted to the Board of Directors by the Company in accordance with article L.225-129-1 and L.225-129-2 of the French commercial code	General meeting date	Length of validity	Maximum nominal amount of capital increases which may be carried out immediately and/or in the future (excluding issuances of debt securities)	Capital increase(s) carried out in the period ended 31 December 2019	Residual amounts at 31 December 2019
<p>Delegation of authority granted to the Board of Directors to increase the share capital through the issuance of ordinary shares or all securities giving access to the share capital, cancelling the pre-emptive subscription rights of shareholders, in connection with an offering for the benefit qualified investors or a restricted circle of investors as provided for in section II of Article L.411-2 of the French financial and monetary code (<i>code monétaire et financier</i>)</p>	<p>28/05/2019 14th resolution</p>	<p>26 months</p>	<p>€815,653.12, nor in any case, exceed the limits provided for by applicable regulations on the issue date (by way of indication, on the date of the combined general meeting of 28 May 2019, the issue of equity securities carried out by an offering covered by article L.411-2 II of the French monetary and finance code is limited to 20 % of the share capital of the Company per 12-month period, where said capital is determined on the date of the decision by the Board of Directors to use this delegation of authority), whereby it is specified that:</p> <ul style="list-style-type: none"> - these amounts may be increased, as necessary, by the additional amount of shares to be issued, to preserve, in accordance with the law, and, as necessary, applicable contractual provisions providing for other cases for adjustments, the rights of holders of securities giving access to shares; - the nominal amount of all capital increases that may be carried out shall be included under the overall ceiling set forth below in the seventeenth resolution of the combined general meeting of 28 May 2019. 	<p>None</p>	<p>Identical to the maximum nominal value</p>
<p>Authorisation granted to the Board of Directors in connection with issues entailing waiver of preferential subscription rights through a public offer or a private placement referred to in Article L. 411-2-II of the French monetary and financial code in order to set the issue price according to the procedures established by the general meeting within the limit of 10% of the share capital per year.</p>	<p>28/05/2019 15th resolution</p>	<p>26 months</p>	<p>In accordance with Article L. 225-136 of the French commercial code, within the limit of 10% of the Company's share capital (as determined on the date of the decision to make use of this authorisation by the Board of Directors) per 12 month period and under the conditions notably of payment, provided for by the thirteenth and fourteenth resolutions of the combined general meeting of 28 May 2019 above</p>	<p>None</p>	<p>Identical to the maximum nominal value</p>
<p>Delegation of authority granted to the board of directors to increase the number of shares to be issued in the event of a capital increase, with or without shareholders' preferential subscription rights</p>	<p>28/05/2019 16th resolution</p>	<p>26 months</p>	<p>In accordance with Article L.225-135-1 and R.225-118 of the French commercial code, within the limit of 15% of the initial issue.</p> <p>The nominal amount of all capital increases decided by virtue of this delegation of authority in connection with capital increases of the Company, with or without preferential subscription rights granted by virtue of the twelfth to fourteenth resolutions, will be included under the total ceiling provided for below in the seventeenth resolution of the combined general meeting of 28 May 2019.</p>		

MANAGEMENT REPORT

ANNUAL FINANCIAL REPORT FISCAL YEAR ENDED 31 DECEMBER 2019

Nature of the delegation of authority or powers granted to the Board of Directors by the Company in accordance with article L.225-129-1 and L.225-129-2 of the French commercial code	General meeting date	Length of validity	Maximum nominal amount of capital increases which may be carried out immediately and/or in the future (excluding issuances of debt securities)	Capital increase(s) carried out in the period ended 31 December 2019	Residual amounts at 31 December 2019
<p>Limitation of the total nominal amount of capital increases that may be made by virtue of the delegations of authority granted under the (i) resolution sixteen adopted by the combined general meeting of 30 May 2017, (ii) resolution sixteen and seventeen adopted by the combined general meeting of 29 May 2018 (iii) and resolutions twelve to fourteen, sixteen and eighteen adopted by the combined general meeting of 28 May 2019</p>	<p>28/05/2019 17th resolution</p>	<p>-</p>	<p>The total aggregate amount of capital increases that may be carried out by virtue of these delegations of authority granted under (i) resolution sixteen adopted by the combined general meeting of 30 May 2017 and (ii) resolutions sixteen and seventeen adopted by the combined general meeting of 29 May 2019 and (iii) resolutions twelve to fourteen, sixteen and eighteen of the combined general meeting of 28 May 2019 is set at €3,900,000 (or the equivalent thereof in another currency or monetary unit calculated in reference to multiple currencies on the issue date), whereby to this maximum amount will be added, as applicable, the additional amount of shares to be issued in order to preserve, in compliance with the law and, where appropriate, applicable contractual provisions, the rights of holders of securities and other rights giving access to shares</p> <p>Total aggregate amount of debt securities that may be issued by virtue of the delegations granted above under the terms of (i) resolutions sixteen and seventeen adopted by the general meeting of 29 May 2018 and by virtue of (ii) resolutions eleven to fifteen adopted by the combined general meeting of 28 May 2019 is set at €2,855,000 (or the equivalent thereof in another currency or monetary unit calculated by reference to multiple currencies on the issue date), whereby this maximum amount will not apply to the amount of debt securities to be issued pursuant to a decision or authorisation by the board of directors in compliance with Article L. 228-40 of the French commercial code.</p>	<p>None</p>	<p>Identical to the maximum nominal value</p>
<p>Delegation of powers to be granted to the board of directors to increase the share capital of the company through the capitalisation of reserves, retained earnings and additional paid-in capital</p>	<p>29/05/2018 20th resolution</p>	<p>26 months</p>	<p>The total nominal amount of capital increases that may be carried immediately or in the future, may not exceed €1,500,000, to which may be added, as necessary, an additional amount to preserve, in accordance with statute or regulations and, as necessary, applicable contractual provisions, the rights of holders of securities or other rights conferring entitlement to shares, whereby it is specified that this maximum amount is set independently and separately from the maximum amount set forth above.</p>	<p>None</p>	<p>Identical to the maximum nominal value</p>
<p>Authority given to the Board of Directors in accordance with article L. 225-197-1 to L. 225-197-6 of the French commercial code to award restricted stock (bonus shares) from existing or future shares for the benefit of employees and/or officers covered by article L. 225-197-1, II of the French commercial code.</p>	<p>30/05/2017 16th resolution</p>	<p>38 months</p>	<p>The total number of shares that may be awarded by the Board may not exceed 0.5% of the share capital existing on the date of the grant decision.</p>	<p>See the special report drawn up by Board of Directors in accordance with the provisions of Article L. 225-197-6 of the French commercial code</p>	

MANAGEMENT REPORT

ANNUAL FINANCIAL REPORT FISCAL YEAR ENDED 31 DECEMBER 2019

Nature of the delegation of authority or powers granted to the Board of Directors by the Company in accordance with article L.225-129-1 and L.225-129-2 of the French commercial code	General meeting date	Length of validity	Maximum nominal amount of capital increases which may be carried out immediately and/or in the future (excluding issuances of debt securities)	Capital increase(s) carried out in the period ended 31 December 2019	Residual amounts at 31 December 2019
<p>Authority granted to the Board of Directors to issue ordinary shares or securities conferring rights to the share capital of the Company in connection with public exchange offers initiated by the company, entailing the cancellation of shareholders' preferential subscription rights</p>	<p>29/05/2018 16th resolution</p>	<p>26 months</p>	<p>resolve that the maximum nominal amount of capital increases which may be carried out immediately or in the future, may not exceed €150,000 (or the equivalent amount in the event of an issue in another currency), to which will be added, if applicable, the additional amount of shares to be issued, for the purpose of preserving, in accordance with applicable legislative or regulatory provisions and, where appropriate, applicable contractual provisions, the rights of holders of securities and other rights giving access to shares</p> <p>The nominal amount of all capital increases that may be carried out shall be included under the overall ceiling set forth below in the nineteenth resolution adopted by the combined general meeting of 28 May 2019.</p> <p>The maximum nominal amount of the debt securities that may be issued is set at €150,000 (or the equivalent amount in the event of an issue in another currency), whereby it is specified that:</p> <ul style="list-style-type: none"> - this amount shall be increased, as applicable, by any redemption premium above par, - it shall be included under the overall ceiling set forth below in the seventeenth resolution adopted by the combined general meeting of 28 May 2019. 	<p>None</p>	<p>Identical to the maximum nominal value</p>
<p>Delegation of authority to be granted to the Board of Directors to increase the share capital of the Company within the limit of 10% of the capital as consideration for contributions in-kind of equity securities or other securities giving access to the share capital of third-party companies outside of a public exchange offer entailing the cancellation of shareholders' preferential subscription rights</p>	<p>29/05/2018 17th resolution</p>	<p>26 months</p>	<p>resolve that the maximum nominal amount of capital increases which may be carried out immediately or in the future, may not exceed €150,000 (or the equivalent amount in the event of an issue in another currency), to which will be added, if applicable, the additional amount of shares to be issued, for the purpose of preserving, in accordance with applicable legislative or regulatory provisions and, where appropriate, applicable contractual provisions, the rights of holders of securities and other rights giving access to shares</p> <p>The nominal amount of all capital increases that may be carried out shall be included under the overall ceiling set forth below in the nineteenth resolution adopted by the combined general meeting of 28 May 2019.</p> <p>The maximum nominal amount of the debt securities that may be issued is set at €150,000 (or the equivalent amount in the event of an issue in another currency), whereby it is specified that:</p> <ul style="list-style-type: none"> - this nominal amount shall be increased, as applicable, by any redemption premium above par, 	<p>None</p>	<p>Identical to the maximum nominal value</p>

MANAGEMENT REPORT

ANNUAL FINANCIAL REPORT FISCAL YEAR ENDED 31 DECEMBER 2019

APPENDIX 3 - SPECIAL REPORT ON THE RESTRICTED STOCK UNIT AWARDS PRESENTED TO THE ORDINARY AND EXTRAORDINARY GENERAL MEETING OF 26 May 2020 (ARTICLE L. 225-197-4 OF THE FRENCH COMMERCIAL CODE)

To the shareholders:

In accordance with the provisions of article L.225-197-4 of the French commercial code, we hereby present you the special report on the use made by your Board of Directors during the year of the authorization granted by resolution sixteen of the extraordinary general meeting of 30 May 2017, for a period of thirty-eight (38) months, to award without consideration, on one or more occasions, restricted stock units (RSUs) to employees of the Company, or selected categories thereof, and/or corporate officers meeting the conditions set by article L. 225-197-1, II of the French commercial code, as well as employees of French or foreign companies or economic interest groups in which the Company directly or indirectly holds at least 10% of the existing capital or voting rights or issue new shares a nominal amount within the limit of 0.5% of the Company's share capital on the date of the grant decision.

The different information required by regulation is reproduced below and was approved by the Board of Directors on 3 March 2020.

The Board of Directors decided on 13 March 2018 to use the delegation of authority granted to it by resolution sixteen of the extraordinary general meeting of 30 May 2017 to award shares (restricted stock units or RSUs) of the Company in accordance with the provisions of article L.225-197-1 *et seq.* of the French commercial code.

Shareholders meeting date	30 May 2017 – 16th resolution
Date of grant by the Board of Directors of conditional rights to receive existing or future shares of the Company	13 March 2018
Number of shares able to be awarded	70.000
Percentage of the capital (rounded) on the date of grant by the Board of Directors	0.24%
Number of RSUs awarded to corporate officers on the basis of their offices and functions exercised in the Company	0
Number granted to the ten employees of the Company or companies covered by article L.225-197-2 of the French commercial code who are not officers having received the highest number	70.000
Unit value of RSUs awarded based on the closing price of the Company's share on the grant date, i.e. 13 March 2018	€19.12
Date when the shares are fully vested (1)	14 March 2021
End of the holding period (2)	N/A
Number of shares fully vested on the date of this report	0
Number of shares cancelled or lapsed on the date of this report	0
Number of shares able to be awarded on the date of this report	0

MANAGEMENT REPORT

ANNUAL FINANCIAL REPORT FISCAL YEAR ENDED 31 DECEMBER 2019

The grant of contingent rights to receive existing shares or shares to be issued on the Company will become fully vested, for each of the beneficiaries, only on condition that on the vesting date, they fulfil the conditions imposed by the plan rules, and namely:

- *that each beneficiary continues to be an employee of the Company or a company covered by article L.225-197-2 of the French commercial code;*
- *that Haulotte group has met certain performance targets according to which the number of RSUs fully vested may be subject to adjustments.*

As an exception to the above, the following is provided:

- *in the case where a beneficiary is affected during the vesting period by a situation of disability corresponding to the second or third categories provided for in Article L. 341-4 of the French Social Security Code, such beneficiary may request to receive delivery in advance of the restricted stock units awarded at any time from the date of disability. **The RSUs will thereupon become freely transferable subject to certain provisions provided for in the plan rules;***
- *in the case where a beneficiary dies before the end of the vesting period, his or her heirs or beneficiaries may be entitled to receive the restricted stock units by requesting their grant in advance from the Company by registered letter with acknowledgement of receipt within a period of six (6) months from the date of the beneficiary's death.*

In accordance with the powers granted to it by the decision of the general meeting of 30 May 2017 as well as the provisions of article L.225-197-1 of the French commercial code, and in light of the vesting period set for three (3) years, the Board of Directors of the Company has decided to cancel the holding period. The RSUs will thereupon become freely transferable, assignable and transmissible upon the end of the vesting period in accordance with, and subject to compliance with the provisions of the plan rules, of the Company's articles of association and applicable laws and regulations whose various provisions are destined to ensure the transparency and security of financial markets and notably those relating to insider misconduct or trading.

