

# MANAGEMENT REPORT 2011



**Haulotte**   
G R O U P

More than lifting

# EXCERPT OF THE MANAGEMENT REPORT

presented to the annual ordinary and extraordinary general meeting of 24 May 2012

## > MANAGEMENT DISCUSSION AND ANALYSIS

### Business sectors –Product offering – Market

Haulotte Group is one of the three 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. The Company's offering was completed in spring 2007 with the launch of the telehandler.

Based on available data for the industry, the Company's market share contracted marginally reflecting notably a strong rebound in regions where Haulotte Group's presence is less significant. The worldwide market for aerial work platforms grew 86% in value between 2010 and 2011. Haulotte Group achieved growth in all geographical regions, particularly in Latin America and Asia with total Group revenue in 2011 up 23%.

The Group focused its commercial efforts in growth regions while continuing to develop its services activities to achieve increased added value and customer satisfaction.

Revenue growth had a very positive impact on the Group's operating margin, making it possible to increase production output of the plants and in turn reduce idle facility costs and improve margins. Changes in raw material prices in 2011 had a negative impact on the cost of components though remained limited.

### Review of operations and results for the year under review

The fiscal year ended 31 December 2011 for which the accounts are submitted for approval to the ordinary general meeting is the company's twenty-seven year of operations since its creation.

In this period the company had sales of €151 million, and is up sharply compared to last year when it was €98 million, Export sales accounting for 69% of the total.

### Presentation of statutory accounts

Highlights of the statutory accounts of Haulotte Group SA for 2011 are presented below:

Financial highlights	Fiscal 2011	Fiscal 2010
Revenues	151 315	98 347
Operating profit	(14 362)	(24 670)
Net financial income (expense)	(21 892)	(14 519)
Extraordinary profit (loss)	3 593	88
Net profit (loss)	(32 031)	(26 746)

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## **Analysis of statutory results**

2011 revenue of Haulotte Group SA rose sharply compared to last year.

Operating profit improves but still negative. This loss resulted mostly from the sub-activity of the Group's manufacturing sites.

Net financial expense amounted to €21.9 million primarily from provisions recognized for current account advances to subsidiaries.

The net loss for the period was €32.03 million.

## **Progress made or difficulties encountered**

Fiscal 2011 was marked by sales growth in all regions. The margin remained impacted by low volumes and pressure on sales prices, particularly in the case of large European accounts. We continue to be disadvantaged relative to our US competitors by a Euro/US dollar exchange rate that lowers our margins in Asia, North and Latin America. Virtually all existing inventories were sold in 2011 while production output increased at all plants. Exceptional measures taken in 2009-2010 that included short-term work and wage freezes have now been discontinued.

## **Foreseeable changes in the company's situation and outlook**

Despite a certain wait-and-see attitude by major equipment rental companies since late summer 2011, the need to renew the installed base in Europe and positive trends for emerging markets supports growth prospects for the period ahead with double-digit gains expected for Haulotte Group in 2012.

Margins are expected to improve on growth in volumes and a reduction in subnormal capacity usage.

Significant changes are not expected for component costs and committed fixed costs (overhead).

Efforts focusing on research and development will remain sustained.

## **Important post-closing events**

We indicate that no significant event that could have a significant impact on the assessment of the situation of the company have occurred or became known after the closing date of the exercise.

## **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 the 6 first paragraphs and the 2 below.



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## **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 of diversifying suppliers of key components must be pursued. Measures were implemented to monitor suppliers considered to represent a higher risk in order to secure the resumption of activity.

The Group's positions in Europe, North America and Asia allow it to produce its different product lines on the basis of costs in different currencies. This strengthens its competitiveness in relation to its two major competitors that are US companies.

The third significant risk is the sensitivity of our sales to credit restrictions by financing markets. The current economic crisis had an impact on 2011 and will continue to represent a drag on sales in 2012. For strategic customers, Haulotte Group will provide financing for a portion of sales, while maintaining trade receivable risks at reasonable levels.

Finally, a risk specific to our business is the absence of long-term commitments by our customers. This risk was confirmed in 2011 by a backlog of orders representing only a few weeks of activity. Visibility is slightly better for 2012, but the flexibility of our organization remains a key element of success.

## **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. In 2011, we continue specific commercial initiatives to reduce inventories of older models.

At 31 December 2011, the outstanding amount for syndicated credit lines totalled €134.5 million with a remaining balance for a drawdown of an additional €9.4 million. At year-end, the Group had cash and cash equivalents of €16.4 million

Haulotte Group has already reached an agreement with its banks to extend the period for suspending the testing of financial ratios until 30 June 2012. Discussions are in progress with the banking syndicate to renegotiate the payment schedule and terms of the syndicated loan whose date for final repayment is July 2013.

These negotiations initiated in the first quarter of 2012 provide grounds for confidence about meeting the next requests for repayments in the period and the availability of sufficient capital resources to fund operating activities over the next 12 months.

## **Use of financial instruments - Company financial risk management objectives and policy**

The company has recourse to interest rate and currency derivatives such as interest rate swaps, collars, forward currency sales (mainly in USD).

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The company does not systematically hedge interest rate and foreign exchange risk. However, transactions are undertaken according to market opportunities. In such cases, they are destined to cover existing assets or liabilities rather than for speculative purposes.

## 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 that were used in prior periods.

## Research and development

Research and development efforts continued in 2011 with prospects for the launching of new models in 2012 focusing mainly on Anglo-Saxon markets. The «new product development process» has contributed to improved selection of projects and validating at each key phase the transition to the following phase. This approach is starting to produce positive results and contribute to more relevant responses in relation to market demands. The development of new technical solutions will also enable us to reduce production costs for certain models.

## Disallowed deductions under 39-4 of the French general tax code concerning sumptuary and amortisation expenses:

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 €53,533 with a corresponding tax of €17,844.

## Breakdown of trade payables of the Company by maturity

In compliance with the provisions of articles L.441-6-1 subsection 1 and D.441-4 of the French Commercial Code, a table is provided below providing the breakdown of outstanding trade payables by maturity for the fiscal year ended 31 December 2010 and 2011.

<b>Due dates in 2011</b>	<b>Trade payables balance 31/12/2010 (€ thousands)</b>	<b>Trade payables balance 31/12/2009 (€ thousands)</b>
January	21 094	8 759
February	12 461	6 801
March	2 940	2 015
April	789	805
<b>Total</b>	<b>37 286</b>	<b>18 380</b>



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## Five-year financial summary

In compliance with the provisions of article R.225-102 of the French Commercial Code, the five-year financial summary for the Company is presented in **Appendix 1** hereto.

## > PROPOSED APPROPRIATION OF INCOME FOR THE YEAR

We hereby submit for your approval the annual financial statements (balance sheet, income statement and notes) as presented showing a loss for the year of € **32 031 564.33**.

We propose that you allocate the full amount of the loss for the year ended 31 December of € (32 031 564.33) to «Retained earnings» that would in consequence be reduced from € 72 126 392.68 to € **40 094 828.35**.

## > DIVIDENDS PAID FOR THE LAST THREE FISCAL YEARS

In accordance with article 243 bis of the French General Tax Code, information on dividends paid for the last three fiscal years is disclosed below:

Fiscal year	Gross income eligible for tax allowance		Income not eligible for tax allowances	Tax allowance rate
	Dividends per share	Other distributions		
2008	0,22			Taux 40 %
2009	None	None	None	None
2010	None	None	None	None

## > SUBSIDIARIES AND ASSOCIATES

### Acquisitions of shareholdings or controlling interests:

We inform you that the Company acquired no new shareholdings or controlling interests in any company in the financial period ended.

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## Disposals of shareholdings related to adjustments of cross-shareholdings:

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 and the French Commercial Code.

## Other disposals:

We inform you that the Company sold its share in its subsidiary ABM to Haulotte France.

## Results of subsidiaries

At year-end, the company exercised controlling interests in 40 subsidiaries. The results of these subsidiaries are summarised below (thousands of euros):

Subsidiary	Ownership interest (%)	2011 sales Thousands of €	2010 sales Thousands of €	2011 Profit or Loss Thousands of €	2011 Profit or Loss Thousands of €
Haulotte France Sarl.	99,99%	59 585	36 805	483	(1 068)
Haulotte Services France Sarl	100% by Haulotte France sarl	-	-	-	-
Telescopelle SAS	100%	124	135	67	67
Access rentals (UK) Ltd.	100% by UK Platform Ltd	-	-	-	-
Haulotte Access Equipment Manufacturing (Changzhou) co. Ltd	100%	2 814	918	177	(152)
Haulotte Argentina SA	95%	4 858	2 721	491	321
Haulotte Arges SRL	100%	19 650	7 753	2 396	(1 769)
Haulotte Australia Pty Ltd	100%	20 271	14 886	(581)	(2 199)
Haulotte Cantabria SL	99,98% and 0,02% by Haulotte Iberica S.L	21 605	14 511	(1 377)	(3 828)
Haulotte Do Brazil Ltda	99,98%	10 931	5 903	(3 683)	(1 951)
Haulotte Hubarbeitsbuhnen GmbH	100%	27 765	17 027	321	46
Haulotte Iberica S.L	98,71%	15 334	29 096	(3 722)	(13 181)
Haulotte Italia S.R.L.	99,00%	13 519	12 751	314	(631)
Haulotte Mexico SA de CV <sup>(2)</sup>	95%	3 987	3 283	(264)	121
Haulotte Middle East Fze	100%	7 258	6 550	(361)	277
Haulotte Netherlands B.V	100%	4 939	4 318	(231)	(226)
Haulotte Polska Sp Zoo	100%	4 337	3 586	54	(172)



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Subsidiary	Ownership interest (%)	2011 sales Thousands of €	2010 sales Thousands of €	2011 Profit or Loss Thousands of €	2011 Profit or Loss Thousands of €
Haulotte Portugal Plataformas de Elevacao Uniperssoal Lda	100% by Haulotte Iberica S.L	-	-	-	-
Haulotte Scandinavia AB	100%	8 712	7 589	34	(382)
Haulotte Singapore Ltd	100%	10 148	7 489	(72)	(399)
Haulotte Trading (Shanghai) Co Ltd	100%	6 249	3 982	466	(276)
Haulotte UK Ltd	100%	9 128	12 883	(1 009)	353
Haulotte US Inc	100%	18 297	18 131	(3 673)	(5 312)
Haulotte Vostok OOO	100%	5 696	8 523	(690)	(638)
Horizon High Reach Limited	100%	5 615	3 207	1 018	390
Levanor Maquinaria de Elevacion SA	91%	2 611	2 944	(248)	(374)
Mundielevacao, Aluger e Transporte de Plataformas Lda	90% by Levanor	2 430	2 818	(779)	(756)
NO.VE. Srl	100%	9 433	9 948	(761)	(167)
N.D.U maquinaria y plataformas elevadoras, S.L	100% by Haulotte Iberica S.L	3 610 since the incorporation	1 101 since the incorporation	(2 042) since the incorporation	(371) since the incorporation
UK Platforms Ltd	100% by Haulotte UK	21 690	17 938	(2 792)	(3 330)
Equipro / Bil-Jax <sup>(1)</sup>	100% by Haulotte US Inc.	35 958	31 421	1 251	502

1) Including the following companies: BIL-Jax Inc, Bil Jax Planking Systems Inc, Bil-Jax Service Inc, Construction and Scaffold Supply Inc, Seaway Scaffold and Equipment Inc, Scaffold Design and Erection Inc, CSI Construction Supply International Inc, USA One Inc.

2) Including Haulotte Service SA of CV.

We also inform you that ABM Industries SAS has been dissolved without liquidation by means of a simplified merger procedure (transmission universelle de patrimoine) with Haulotte France, the sole shareholder, formally completed on 31 July 2011.



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## **Environmental impact of subsidiaries:**

Overall, consolidated subsidiaries do not engage in any industrial activities with potentially adverse environmental impacts.

As primarily trading companies, their activity is limited to the temporary storage of machines and spare parts. The rare cases involving the handling of fuels, hydraulic oils and storage batteries during loading and unloading operations is always carried out under safe conditions. The recycling of these items is systematically entrusted to authorised organisations.

## **Policies of subsidiaries concerning the impact of their activities on regional development and local population:**

Almost all employees of consolidated foreign subsidiaries have been recruited locally. The terms of employment are generally better than those under local collective bargaining agreements. The company seeks to provide opportunities to enable deserving employees to benefit from its growth.

## **> INFORMATION ON COMMON STOCK**

### **Changes in share capital in fiscal 2011**

On fiscal 2011 there is no change in share capital.

### **Crossing of ownership thresholds and holdings of share capital of voting rights subject to disclosure requirements**

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 L. 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%, 33%, 50%, 66% or 95% of the share capital or voting rights is disclosed below:

- Solem SAS held more than one half of the share capital (55.93%) and more than two thirds of the voting rights (70.88%);
- Kempen Management held more than 5% of the share capital and more than 3% of the voting rights (notification of the crossing of the disclosure threshold of 27 October 2008).

The following companies reported having crossed the disclosure thresholds provided for under the Articles of Association of 1% of the share capital or voting rights in the Company or any other multiple thereof:

- 14 April 2010: Tocqueville Finance (2.54% of the share capital);
- 18 November 2010: Norges Bank (2.01% of the share capital and voting rights).



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## > OWN SHARES PURCHASED AND/OR SOLD BY THE COMPANY

In accordance with article L.225-211 subsection 2 of the new French Commercial Code, we inform you that in the fiscal year ended 31 December 2010, information on trading by the Company in its shares is provided below:

Number of shares purchased in fiscal 2011	none
Average purchase price of own shares in fiscal 2011	none
Execution fees	none
Number of shares sold in fiscal 2011	none
Average sale price of own shares in fiscal 2011	none
Number of shares cancelled in fiscal 2011	0
Number of treasury shares recorded at 31 December 2011	1 837 823
Percentage of treasury shares held at 31 December 2011	5.89%
Net carrying value of treasury shares at 31 December 2011	9 606 563 €
Nominal value of treasury shares at 31 December 2011	238 916.99 €
Market value of treasury shares at 31 December 2010 (share price of € 4,69 at this date)	8 619 390 €

The breakdown by purpose for the use of own shares at 31 December 2011 was as follows:

<b>Purposes of share buybacks</b>	<b>Number of shares</b>
Maintaining an orderly market in the company's shares through an investment services provider within the framework of a liquidity agreement based on the model contract drafted in accordance the French association of investment firms' (AFEI or Association Française des Entreprises d'Investissement) code of conduct of 23 September 2008 and approved by the AMF (Autorité des Marchés Financiers) on 1 October 2008;	139 418
Retaining such shares for subsequent use as a means of payment or exchange in connection with financial transactions or acquisitions, in compliance with applicable regulations;	1 629 558
Cancelling shares thus acquired, subject to adoption by the extraordinary shareholders' meeting of the resolution authorising the Board of Directors to reduce the share capital by cancellation of treasury shares held by the Company.	68 847
For employee stock option plans and other share grants in accordance with the provisions of article L.3332-1 et seq. et R.3332-4 of the French Labour Code or grants to employees and/or officers of the Company or companies covered by article L.225-197-2 of the French Commercial Code of shares of the Company or the grant of shares in connection with employee profit-sharing plans;	0
<b>TOTAL</b>	<b>1 837 823</b>

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

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## > SHARE PRICE TRENDS AND TRADING ACTIVITY

At 31 December 2011, the Company's share capital was comprised of 31 214 129 shares.

The market capitalisation at 31 December 2011 was €226.93 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	Capital (€m)	Number of trading sessions
jan. 2011	11 640	4 jan.	10 690	11 jan.	11 430	11 289	11 302	496 363	5 59	21
feb. 2011	15 550	16 feb.	11 490	1 feb.	15 000	13 856	13 946	1 577 893	21 82	20
mar. 2011	15 190	1 mar.	12 670	11 mar.	14 350	14 063	14 067	1 091 356	15 04	23
apr. 2011	15 430	18 apr.	13 870	5 apr.	14 970	14 570	14 589	587 949	8 63	19
may 2011	17 520	9 may	14 610	31 may	15 090	15 717	15 779	534 710	8 46	22
june 2011	15 110	27 june	13 350	21 june	14 970	14 263	14 353	420 159	6 01	22
july 2011	15 600	4 july	12 610	29 july	13 280	14 381	14 353	626 336	8 72	21
aug. 2011	13 900	1 aug.	9 100	9 aug.	9 490	10 767	10 623	1 203 973	12 83	23
sept. 2011	9 490	1 sept.	5 500	23 sept.	6 490	7 278	7 100	1 561 391	11 15	22
oct. 2011	8 460	19 oct.	5 580	04 oct.	8 100	7 271	7 318	1 269 388	9 25	21
nov. 2011	7 880	1 nov.	4 500	23 nov.	5 720	6 235	6 121	1 283 646	7 77	22
dec. 2011	6 400	7 dec.	4 420	28 dec.	4 690	5 269	5 186	1 060 095	5 52	21
<b>Highs, lows and averages for ther period</b>										
	17 520	9 may	4 420	28 dec.		11 223	11 203	976 112	10 07	
<b>Total</b>										
								11 713 349	120 80	257

In the period ended, the Haulotte Group share traded between a range of a high of €17.52 (May 9, 2011) and a low of €4.42 (December 28, 2011).



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## > DIRECTORS AND OFFICERS

### Shareholdings of directors and officers:

At 31 December 2011, the shareholdings of corporate officers were as follows:

- Pierre Saubot, Chairman of the Board of Directors and Chief Executive Officer: 13,189 actions, or 0.042% of the capital,
- Alexandre SAUBOT, Deputy Chief Executive Officer: 990 shares or 0.003% of the capital.

### List of corporate appointments:

Officers	Appointments held in the company	Appointments held in other companies
Pierre SAUBOT	Chairman of the Board of Directors  Chief Executive Officer  Director	<ul style="list-style-type: none"><li>• Chairman of the Board of Directors Solem SAS till July 1st, 2011</li><li>• Director of Solem SAS from July 1st, 2011</li><li>• Representative of Haulotte Group SA, Chairman of ABM Industrie SAS till July 31st, 2011</li><li>• Representative of Haulotte Group SA, Chairman of Telescopelle SAS,</li><li>• Co-Manager of SCI La Coquille,</li><li>• Manager of Société Commerciale du Cinquau,</li><li>• Manager of SCI Lancelot,</li><li>• Director of Société Valeur du Sud</li><li>• Treasurer of the "Confédération Nationale des Vignerons indépendants de France",</li><li>• Chairman of the "Fédération Départementale du 64 des Vignerons Indépendants".</li></ul>

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Alexandre SAUBOT	Deputy Chief Executive Director	<ul style="list-style-type: none"> <li>• Chairman of the Board of Directors Solem SAS from July 1st, 2011</li> <li>• Director of Solem SAS till July 1st, 2011</li> <li>• Representative of Haulotte Group SA, Chairman of ABM Industrie SAS till July 31st, 2011</li> <li>• Representative of Haulotte Group SA, Chairman of Télescopelle SAS,</li> <li>• Manager of Haulotte France SARL,</li> <li>• Manager of Haulotte Services France SARL</li> <li>• Co-Manager of SCI Lancelot</li> <li>• Director of Haulotte Netherlands BV,</li> <li>• Director of Haulotte Iberica,</li> <li>• Director of Haulotte Portugal,</li> <li>• Director of Haulotte Scandinavia,</li> <li>• Director of Haulotte Italia,</li> <li>• Manager of Haulotte GmbH,</li> <li>• Director of Haulotte Polska,</li> <li>• Manager of Haulotte UK,</li> <li>• Manager of UK Platforms,</li> <li>• Manager of UK Training,</li> <li>• Manager of Haulotte Australia,</li> <li>• Chairman of Haulotte US,</li> <li>• Manager of Haulotte Singapour,</li> <li>• Sole director of Haulotte Cantabria,</li> <li>• Director of Haulotte Arges,</li> <li>• Chairman of Haulotte Trading (Shangai) Co. Ltd,</li> <li>• Director of Haulotte Mexico,</li> <li>• Chairman of Locav Srl, Nove Srl ,</li> <li>• Manager of Haulotte Middle East,</li> <li>• Sole director of HHR.</li> </ul>
Elisa SAUBOT	Director	NONE
Hadrien SAUBOT	Director	• Director of Solem SAS from July 1st, 2011
José MONFRONT	Director	• Director of Haulotte Trading Shangai co.Ltd.



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Michel BOUTON	Director	<ul style="list-style-type: none"> <li>• Chairman of PVI</li> <li>• Chairman of PVI Holding</li> <li>• Chairman and Chief Executive Officer of Escal (subsidiary of PVI),</li> <li>• Chairman of Sovibus</li> </ul>
Bertrand BADRE	Director	<ul style="list-style-type: none"> <li>• Chief financial officer of Société Générale</li> <li>• Member of the General Management Committee Crédit Agricole SA,</li> <li>• Director, SOFIOUEST SA,</li> <li>• Director, SIPA</li> <li>• Member of the Supervisory Board and Audit Committee of EURAZEO SA</li> </ul>

## Compensation of corporate officers

Compensation and benefits of any nature granted in fiscal 2011 to each corporate officer by the Company, companies over which it exercises control and the controlling company as understood under article L.233-16 of the French Commercial Code breaks down as follows:

Corporate officers	Fixed compensation (*) in euros		Variable compensation (*) in euros		Benefits in-kind
	2011	2010	2011	2010	
Pierre SAUBOT	142 653.86 €	188 500 €	-	0 €	None
Alexandre SAUBOT	266 500 €	221 000 €	-	0 €	None

(\*) Compensation paid by Solem, the controlling company, to officers in this.

No compensation has been paid by the company for serving as corporate officers. Only travel expenses for attending Board meetings are reimbursed on the basis of vouchers.

Corporate officers do not benefit from a special pension scheme.

No stock options or stock purchase options have been granted to officers nor have any bonus shares been granted to them.

The company has made no commitment of any nature in favour of corporate officers constituting components of compensation, indemnities or other benefits payable or that could be payable in connection with the assumption, termination or change of these appointments or subsequent thereof.

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## **Transactions involving shares of the company by officers or related parties in accordance with article L.621-18-2 of the French Financial and Monetary Code**

Executives of the Company have not informed the Company of any transactions in shares they hold in the Company, either directly or through persons with whom they have close personal relations in the fiscal period ended 31 December 2011.

## **Transactions involving shares of the company by members of the Executive Committee «considered as officers» in accordance with article L.621-18-2 b) of the French Financial and Monetary Code**

Members of the Executive Committee «considered as officers» in have not informed the Company of any transactions in the shares they hold in the Company in the fiscal year ended 31 December 2011.

## **> EMPLOYEE STOCK OWNERSHIP**

In compliance with article L. 225-102 of the French Commercial Code, we inform you that on the last day of the fiscal year ended 31 December 2011 the shareholding of employees was less than 3%.

### **Bonus shares granted to company employees**

In fiscal 2011 no bonus shares were granted to employees of the company.

### **Stock options or stock purchase options destined for salaried employees of the Company:**

We inform you that no stock options or stock purchase options were granted to employees of the Company in the fiscal year ended 31 December 2011.

## **> INFORMATION HAVING A POTENTIAL IMPACT IN THE EVENT OF TAKEOVER BIDS (ARTICLE L.225-100-3 OF THE FRENCH COMMERCIAL CODE)**

Items that could have a potential impact in the event of takeover bids are as follows:

### **Capital structure of the company**

SOLEM, the majority shareholder of the company, is itself held by the Saubot family



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At 2011 year-end, the capital structure of the company was as follows:

- Solem: 55.93% of the share capital (and 70.88% of the voting rights);
- Holders of bearer shares: 36.59% of the share capital (and 26.66% of the voting rights);
- Executive officers: 0.05 % of the share capital (and 0.06 % of the voting rights);
- Holders of registered shares: 1.99% du capital (and 2.40% of the voting rights);
- Treasury shares: 5.44% of the share capital.

## **Restrictions under the bylaws 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**

Under Article 9 (Transfer and Transmission of Shares) of the bylaws, 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 the bylaws, if the company has not been so 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).

## **Holders of shares conferring special control rights and a description thereof**

All shares of the company confer upon shareholders a right to participate in 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.

## **Rules concerning the appointment and replacement of directors**

The bylaws provide that the company is governed by a Board of Directors whose composition complies with applicable legal provisions.



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## **Appointment of directors:**

Every director must be a shareholder of the company and hold at least one qualifying share (article 12 of the bylaws).

By law a director may be a natural person or legal entity.

Each director must possess legal capacity or be an emancipated minor and shall not be subject to incompatibilities or restrictions provided for under law.

The director may be a salaried employee of the company if his or her employment contract predates the appointment to the board and corresponds to an actual employment.

The number of directors bound by employment contracts with the company may not exceed one third the total members on the board.

In the absence of an age limits set by the bylaws for directors, not more than one third of the board members may exceed seventy years of age.

Appointments of directors during the life of the company fall under the authority of the ordinary general meeting and shall be recorded in the agenda of the meeting except for cases of appointments following revocation.

Directors are appointed for a maximum term of six years (article 12 of the bylaws).

The Board of Directors selects from among its members a natural person as Chairman that must be less than seventy years of age. The Chairman is appointed for a term which may not exceed his or her term as director and may be reappointed (article 12 of the bylaws).

Directors may be reappointed and no provisions of the bylaws provide for the contrary.

The bylaws shall not set a minimum number of directors that exceeds the legal minimum.

## **Replacement of directors:**

When during his or her term the Chairman of the Board of Directors reaches seventy, he or she shall be considered to have automatically resigned and will proceed with the appointment of a new chairman in accordance with the provisions of the bylaws (article 12 of the bylaws).

In the event of vacancies of board directorships pursuant to death or resignation, Board members may appoint themselves, on an interim basis by cooptation, a new director whose appointment must be approved by the next shareholders' meeting.

Cooptation is not possible when the number of directors is less than the legal minimum of three. In the latter case the ordinary general meeting must be immediately called to complete the number of board members.

In compliance with the provisions of the law, terms of directors expire pursuant rules governing age limits, the occurrence of events preventing the director from exercising his or her functions (death, illness, etc.), the winding up or transformation of the company, adoption of a new system of corporate governance (dual system with a executive board and supervisory board) and finally by revocation or resignation.



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## **Rules governing the modification of the company's bylaws**

Amendments to the bylaws of the company in accordance with legal provisions are subject to the exclusive authority of the extraordinary general meeting.

As an exception to this rule, the Board of Directors may modify the bylaws in respect to amounts of share capital and the number of shares comprising the capital, after recording, in its first meeting following the end of the fiscal year, the number and amount of shares issued pursuant to the exercise of stock options.

In this context, the Board of Directors may also delegate authority to its Chairman to amend the bylaws and comply with legal formalities if it decides that it is preferable to not wait for the end of the fiscal year to proceed with these modifications.

## **Powers of the Board of Directors concerning notably issuing or repurchasing shares**

The powers of the Board of Directors concerning share buyback programs are authorised and delegated by ordinary and extraordinary general meetings.

The ordinary general meeting authorises the Board of Directors, with the possibility to delegate said authority to its chairman to purchase shares of the company on or off market by any means representing not more than 10% of the company's capital stock (and subject to a maximum of 5% of the share capital for the purpose of acquiring shares for subsequent use as a means of payment or exchange in connection with mergers, demergers or contributions). This authorisation is granted for a maximum of eighteen (18) months and may also be used during takeover bids or tender offers.

The ordinary general meeting confers full powers to the Board of Directors with the possibility to further delegate this authority to the Chairman, to place all stock market orders, use any derivative instruments in compliance with applicable securities market regulations, conclude all agreements for the purpose of completing formalities, procedures and filings, and in general take all measures considered necessary.

The extraordinary general meeting authorises the Board of Directors to cancel on one or more occasions all or part of the company shares that may be held under this share buyback program not to exceed 10% of the share capital of the company per 24 month period.

In this context, it authorises the Board of Directors to allocate the difference between the purchase price of the cancelled shares and their nominal value to share premium accounts or revenue reserves and vests the Board with all powers to define the conditions and procedures of such cancellations and amend, as applicable the company's bylaws.

In the case of share issues the powers that may be granted to the Board of Directors shall be authorised by the general shareholders' meeting.

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## **> AGREEMENTS SUBJECT TO ARTICLES L.225-38 ET SEQ. OF THE FRENCH COMMERCIAL CODE**

The auditors' special report provides information on regulated agreements with related parties subject to the provisions of article L.225-38 of the French Commercial Code concluded in prior periods that remained in force in the last fiscal year.

In compliance with the provisions of article L. 225-40 of the French Commercial Code, we request that you approve this report.

## **> RENEWAL OF PIERRE SAUBOT'S APPOINTMENT AS DIRECTOR**

We inform you that Mr Pierre SAUBOT's term of office as director expires at the end of the next shareholders' general meeting.

We propose in consequence that you renew his appointment as director for a period of six years that will expire at the end of the ordinary general meeting to be called to rule on the annual financial statements for the fiscal year ending 31 December 2017.

## **> TABLE PRESENTED IN ACCORDANCE WITH THE PROVISIONS OF ARTICLE L.225-100 SUBSECTION 4 OF THE FRENCH COMMERCIAL CODE**

In accordance with the provisions of article L.225-100 subsection 4 of the French Commercial Code we inform you that no delegation of authority or powers remaining in force have been granted by the general meeting to the Board of Directors in respect to capital increases, in compliance with articles L.225-129-1 and L.225-129-2 of said code.



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## > PROPOSAL TO AUTHORIZE THE BOARD OF DIRECTORS TO PURCHASE AND SELL SHARES OF THE COMPANY

We propose that you grant a new authorisation to the Board of Directors that may in turn delegate said authority, as permitted by law, to purchase and sell shares of the company in compliance with the provisions of article L.225-209 of the French Commercial Code and articles 241-1 et seq. of the General Regulation of the AMF (Autorité des Marchés Financiers) the French financial market authority.

Acquisitions shall be made for the purpose, in decreasing order of priority to:

- Maintain an orderly market in the company's shares within the framework of a liquidity agreement based in compliance with the AMAFI on 8 March 2011 and concluded with an investment service provider acting in an independent manner;
- Retain such shares for subsequent use as a means of payment or exchange in connection with financial transactions or acquisitions, in compliance with applicable regulations;
- Cancelling shares thus acquired, subject to adoption of the resolution authorising the Board of Directors to reduce the share capital by cancellation of treasury shares held by the Company;
- For employee stock option plans and other share grants in accordance with the provisions of article L.3332-1 et seq. and R.3332-4 of the French Labour Code or grants to employees and/or officers of the Company or companies covered by article L.225-197-2 of the French Commercial Code of shares of the Company or the grant of shares in connection with employee profit-sharing plans;

We inform you that the first two objectives set forth above should represent approximately 80% of the volume of transactions through the share buyback program, with the others combined approximately 20%.

This authorisation would be granted under the following conditions:

- The total number of shares purchased by the Company under this authorisation may not exceed 10% of the share capital, as adjusted to take into account equity transactions that may affect this amount after the decision of the general meeting and excluding treasury shares. However, when shares are repurchased to promote the liquidity of the share in accordance with the conditions defined by the AMF General Regulation, the number of shares that may be taken into account to calculate this 10% limit shall correspond to the number of shares purchased minus shares sold during the period this authorisation is valid. Furthermore, the number of shares acquired by the company for subsequent use for payment or exchange in connection with a merger, demerger or contribution, may not

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exceed 5% of the share capital on the basis of the amount that may be adjusted to take into subsequent account equity transactions undertaken after the decision of the general meeting;

- The Company may only purchase its own shares for a price of not more than €20;
- The Company may sell, assign or transfer all or part of these shares thus acquired by any means.

The purchase of the shares, as well as their sale, assignment or transfer, maybe carried out on one or several occasions, at any time, including when public offerings are in progress, and by any means, notably on or off market, including through block trades, though excluding the use of derivatives. The maximum portion of the buyback program able to be executed through the purchase or sale of blocks of shares may cover the full amount of the authorisation.

The maximum amount of funds that may be authorised for this share buyback program shall be set at €62 428 258.

This authorisation shall be granted for eighteen months and would replace and supersede the prior authorisation granted by the combined shareholders' meeting of 26 May 2011.

We inform you that all information required by applicable laws and regulations as well as articles 241-1 of the AMF General Regulation will be contained in the description of the share buyback program that shall be drawn up and published prior to the implementation of this new program in accordance with article L.241-2 of the AMF General Regulation .

If you accept this proposal, we request that you grant full powers to the Board of Directors with the possibility to further delegate this authority as permitted by law, to place all stock market orders, conclude all agreements, procedures, filings and make all representations, and in general take all measures considered necessary.

## **> AUTHORISATION AND POWERS GRANTED TO THE BOARD OF DIRECTORS TO REDUCE THE SHARE CAPITAL BY CANCELLATION OF TREASURY SHARES**

We propose that you authorise the Board of Directors to reduce the share capital by cancelling, on one or more occasions, all or part of the treasury shares that the Company may hold that were acquired through the share buyback program mentioned above subject to a limit of 10% of the share capital of the company for periods of 24 months.



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In addition, we propose that you delegate to the Board of Directors all powers to proceed with this transaction in accordance with the provisions of article L.225-209, paragraph 7 of the French Commercial Code and allocate the difference between purchase price of the shares cancelled and their nominal value to premium accounts or revenue reserves.

This authorisation is granted for eighteen months and replaces and supersedes the prior authorisation granted by the extraordinary shareholders' meeting of 26 May 2011.

## **> PROPOSAL TO GRANT AUTHORITY TO THE BOARD OF DIRECTORS TO INCREASE THE SHARE CAPITAL BY MEANS OF ISSUING ALL SECURITIES GIVING PRESENT OR FUTURE RIGHTS TO THE CAPITAL MAINTAINING THE PREFERENTIAL SUBSCRIPTION RIGHTS OF SHAREHOLDERS**

We propose that the Board of Directors be delegated authority by you in accordance with the provisions of article L.225-129, L.225-129-2, L.228-91 and L.228-92 et seq. of the French commercial code (Code de Commerce) to increase the share capital through the issuance of securities in any form, with the categories of said securities to be determined by the Board of Directors.

Such delegation of authority shall subsequently permit the Company to proceed with the issuance of securities more rapidly, at the most opportune time with respect to the situation of financial markets and the Company's strategy.

In consequence, we propose that you grant the Board of Directors' the authority to:

- on the one hand, increase the share capital, on one or more occasions, in amounts and at such times it chooses, in France or in other countries, by issuing all forms of securities giving immediate or future access to a percentage of the share capital to be subscribed and paid for in cash or by offsetting debt due and payable of the Company, for a maximum total amount of 10% of the current share capital of the Company or €405 783. Under this authorization, the Board of Directors shall not be permitted to issue preferred shares or securities giving immediate or future access to preferred shares;
- on the other hand, increase the share capital, on one or more occasions, through the capitalization of reserves, earnings, issue premium or any other item that may be capitalized, by increasing the par value of existing shares or creating new bonus shares of the same

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class as existing shares and, subject to a maximum nominal amount equal to 10% of the Company's current share capital or €405 783, it being specified that this limit shall be added to the limit set forth above.

It is furthermore specified that for each of these maximum nominal amounts mentioned above, may be added the maximum nominal amount of ordinary shares to be issued, as applicable, for adjustments to be made in accordance with legal and regulatory provisions and applicable contractual provisions, to preserve the rights of holders of securities giving access to the share capital.

In addition, the total maximum nominal amount of debt securities giving access to the share capital may not exceed this limit.

Securities that may be issued under this authority shall retain the preferential rights of shareholders to subscribe for shares or securities issued on the basis of irrevocable entitlement (à titre irréductible).

In addition, the Board of Directors may grant shareholders the right to subscribe to excess shares without trading rights, i.e. on a non-preferential basis, (à titre réductible) over and above the number of the shares they were entitled to by exercising their irrevocable entitlement, in proportion to said rights and within the limit of their demand;

We also request that you authorize the Board of Directors, if applications for shares on the basis of irrevocable entitlement and for excess shares without trading rights fail to account for the entire issue of shares or securities, in addition to the provisions provided for under article L.225-134 of the French commercial code, to offer all or part of the securities not taken up to the public.

This authority shall be granted to the Board of Directors for a period of twenty-six months who shall have all powers, that it may further delegate in accordance with the provisions provided for by law, for implementation, and notably for the purpose of:

- determining the issue procedures and the form and characteristics of securities to be created;
- setting the issue price and conditions, in accordance with applicable laws and regulations for each category of securities concerned, the amounts to be issued, the date of record, including on a retroactive basis, of the securities to be issued;
- deciding that the fractional rights in the case of issues of shares through the capitalization of reserves, earnings or issue premium, shall not be negotiable and that the corresponding shares will be accordingly sold on the market;
- Determining the procedures for the payment of the shares or securities to be issued;
- when applicable, providing for the conditions for their repurchase on the market and the option for suspending the exercise of allotment rights for shares attached to securities to



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be issued for a period that may not exceed three months, as well as setting the procedures for preserving the rights of holders of securities giving access to the share capital, in compliance with applicable laws and regulations.

Furthermore, the Board of Directors, that may further delegate this authority in accordance with the provisions provided for by law, may, when applicable, proceed with all charges to share premium and notably, resulting from issues, in general, take all useful measures, conclude all agreements to ensure the successful completion of the issues under consideration, formally recognize the capital increase(s) resulting from any issue carried out under the authorization and amend the by-laws in consequence.

In the case of the issue of debt securities, the Board of Directors shall be vested with all powers, which it may further delegate in turn in accordance with the provisions provided for by law, for deciding whether they are subordinated or not, set their interest rate, term, the fixed or variable redemption price, with or without premium, the redemption procedures according to market conditions and the conditions under which the securities will give rights to the Company's shares and other issuance procedures.

## **> PROPOSAL TO GRANT AUTHORITY TO THE BOARD OF DIRECTORS TO IN- CREASE THE SHARE CAPITAL THROUGH A PUBLIC OFFER BY ISSUING ALL SE- CURITIES GIVING PRESENT OR FUTURE RIGHTS TO THE CAPITAL WITHOUT PRE- FERENTIAL SUBSCRIPTION RIGHTS FOR EXISTING SHAREHOLDERS**

In accordance with the provisions of articles L.225-129, L.225-129-2, L.225-135, L.225-136 and L.228-91 et seq. of the French commercial code, we request that you set, within the framework of the authority for increasing the share capital presented to you about, the amount of the capital increase that may be carried out by cancelling the preferential subscription rights of existing shareholders.



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As an issue of securities through a public offering, the preferential subscription rights may be cancelled in favour of persons whose identities are not disclosed.

- The total maximum nominal amount of the share increase or increases that may result from the issue, without preferential subscription rights, of shares giving immediate and/or future access to a percentage of the share capital may be set at 10% of the Company's current share capital or €405 783, whereby it is specified that for each of the maximum nominal amount mentioned above, may be added the maximum nominal amount of ordinary shares to be issued, as applicable, for adjustments to be made in accordance with legal and regulatory provisions and applicable contractual provisions, to preserve the rights of holders of securities giving access to share capital

In addition, the total maximum nominal amount of debt securities giving access to share capital may be set at €405 783.

The above may not exceed the unused portion of the total maximum amounts authorized under the grant of authority referred to above.

In compliance with article R.225-119 of the French commercial code and subject to the special authorization submitted to you in paragraph 23, the amount reverting or that shall revert to the Company for each of the shares that will be issued or created by subscription, conversion, exchange, redemption, exercise of warrants or other means, must at least equal the average weighted price of the last three trading sessions preceding its fixing date, which may be reduced by a maximum discount of 5%.

We also request that you provide for the option of issuing securities either in euros or in another currency, within the maximum amount authorized in euros or the exchange value on the issue date.

We also request that you cancel the preferential subscription rights of shareholders that may be issued under this grant of authority, by allowing the Board of Directors the option of granting shareholders in accordance with articles L.225-135 subsection 5 and R.225-131 of the French commercial code a priority period of three trading days to subscribe for this issue, in proportion to their share of the capital. If the Board of Directors considers opportune, this priority period may be exercised on the basis of irrevocable entitlement for exact rights (titre irréductible) or on a non-preferential basis (à titre réductible) for excess shares without trading rights.

We duly note that this delegation entails a waiver of preferential subscription rights of shareholders to all securities giving access to the capital in turn giving rights to securities and themselves issued without preferential subscription rights, and notably shares issued by the conversion of bonds or the exercise of warrants.



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We also request that you grant full powers to the Board of Directors, which the latter may further delegate as provided for by law, for the purpose of implementing this authority and notably:

- determining the issue procedures and the form and characteristics of securities to be created;
- setting the issue price and conditions, the amounts to be issued, the date of record, including on a retroactive basis, of the securities to be issued;
- Determining the procedures for the payment of the shares or securities to be issued;
- When applicable, providing for the conditions for their repurchase on the market and the option for suspending the exercise of allotment rights for shares attached to securities to be issued for a period that may not exceed three months, as well as setting the procedures for preserving the rights of holders of securities giving access to the share capital, in compliance with applicable laws and regulations.

Furthermore, the Board of Directors, that may further delegate this authority in accordance with the provisions provided for by law, may, when applicable, proceed with all charges to share premium and notably, those resulting from issues, in general, take all useful measures, conclude all agreements to ensure the successful completion of the issues under consideration, formally recognize the capital increase(s) resulting from any issue carried out under this authorization and amend the by-laws in consequence.

In the case of the issue of debt securities, the Board of Directors shall be vested with all powers, which it may further delegate in turn in accordance with the provisions provided for by law, for deciding whether they are subordinated or not, set their interest rate, term, the fixed or variable redemption price, with or without premium, the redemption procedures according to market conditions and the conditions under which the securities will give rights to the Company's shares.

We duly note that an additional report shall be produced by the Board of Directors when it uses this authority granted by the General Meeting for the purpose of:

- Describing the final conditions of the issue established in accordance with the authorization granted by the Extraordinary General Meeting;
- Determining, in accordance with the provisions of article R.225-115 of the French commercial code, the impact of the proposed issue on the situation of each shareholder with respect to his or her interest in the share capital.

Similarly, the Statutory Auditors of the Company will produce an additional report provided for under article R.225-116 of the French commercial code.

These additional reports will be made available to you at the registered office no later than 15 days after the meeting of the Board of Directors and brought to your attention at the next general meeting.

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## **> PROPOSAL TO GRANT AUTHORITY TO THE BOARD OF DIRECTORS TO INCREASE THE SHARE CAPITAL THROUGH A PRIVATE PLACEMENT WITHIN THE MEANING OF L.411.2 II FRENCH FINANCIAL AND MONETARY CODE BY ISSUING ALL SECURITIES GIVING PRESENT OR FUTURE RIGHTS TO THE CAPITAL WITHOUT PREFERENTIAL SUBSCRIPTION RIGHTS**

In accordance with the provisions of articles L.225-129, L.225-129-2, L.225-135, L.225-136 and L.228-91 et seq. of the French commercial code, we request that you set, within the framework of the authority for increasing the share capital as presented, the amount of the capital increase that may be carried out by cancelling the preferential subscription rights of existing shareholders.

As an issue of securities through a private placement within the meaning of article L.411.2 II of the French Financial and Monetary Code, the preferential subscription rights may be cancelled in favour of persons whose identities are not disclosed.

The total maximum nominal amount of the share increase or increases that may result from the issue, without preferential subscription rights, of shares giving immediate and/or future access to a percentage of the share capital may be set at an amount equal to 10% of the Company's current share capital or €405 783, whereby it is specified that for each of the maximum nominal amount mentioned above, may be added the maximum nominal amount of ordinary shares to be issued, as applicable, for adjustments to be made in accordance with legal and regulatory provisions and applicable contractual provisions, to preserve the rights of holders of securities giving access to share capital

The total maximum nominal amount of debt securities giving access to the share capital may be set at 10% of the Company's current share capital €405 783.

It is specified that the total maximum amount the capital increase or capital increases carried out through a private placement within the meaning of article L.411.2 II of the French Financial and Monetary Code shall be limited to 20% of the share capital per year in accordance with article L.225-136 3° of the French commercial code.

The above may not exceed the unused portion of the maximum amounts authorized under the grant of authority referred to in paragraph 19.

In compliance with article R.225-119 of the French commercial code and subject to the special authorization submitted to you in paragraph 23, the amount reverting or that shall revert to the Company for each of the shares that will be issued or created by subscription, conversion,



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exchange, redemption, exercise of warrants or other means, must at least equal the average weighted price of the last three trading sessions preceding its fixing date, which may be reduced by a maximum discount of 5%.

We also request that you provide for the option of issuing securities either in euros or in another currency, within the maximum amount authorized in euros or the exchange value on the issue date.

In addition, we request that you cancel the preferential subscription rights of shareholders that may be issued under this grant of authority, by allowing the Board of Directors the option of granting shareholders in accordance with articles L.225-135 subsection 5 and R.225-131 of the French commercial code, a priority period of at least three trading days to subscribe for this issue, in proportion to their share of the capital. If the Board of Directors considers opportune, this priority period may be exercised on the basis of irrevocable entitlement for exact rights (titre irréductible) and on a non-preferential basis (à titre réductible) for excess shares without trading rights.

We duly note that this delegation entails a waiver of preferential subscription rights of shareholders to all securities giving access to the capital in turn giving rights to securities and themselves issued without preferential subscription rights, and notably shares issued by the conversion of bonds or the exercise of warrants;

We also request that you grant full powers to the Board of Directors, which the latter may further delegate as provided for by law, for the purpose of implementing this authority and notably to:

- determining the issue procedures and the form of securities to be created;
- setting the issue price and conditions, the amounts to be issued, the date of record, including on a retroactive basis, of the securities to be issued;
- Determining the procedures for the payment of the shares or securities to be issued;
- When applicable, provide for the conditions for their repurchase on the market and the option for suspending the exercise of allotment rights for shares attached to securities to be issued for a period that may not exceed three months, as well as setting the procedures for preserving the rights of holders of securities giving access to the share capital, in compliance with applicable laws and regulations.

Furthermore, the Board of Directors, that may further delegate this authority in accordance with the provisions provided for by law, may, when applicable, proceed with all charges to share premiums and notably, those resulting from issues, in general, take all useful measures, conclude all agreements to ensure the successful completion of the issues under consideration, formally recognize the capital increase(s) resulting from any issue carried out under this authorization and amend the by-laws in consequence.

In the case of the issue of debt securities, the Board of Directors shall be vested with all powers, which it may further delegate in turn in accordance with the provisions provided for by law, for deciding whether they are subordinated or not, set their interest rate, term,

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the fixed or variable redemption price, with or without premium, the redemption procedures according to market conditions and the conditions under which the securities will give rights to the Company's shares.

We duly note that an additional report shall be produced by the Board of Directors when it uses this authority granted by the General Meeting for the purpose of:

- describing the final conditions of the issue established in accordance with the authorization granted by the Extraordinary General Meeting;
- Determining, in accordance with the provisions of article R.225-115 of the French commercial code, the impact of the proposed issue on the situation of each shareholder with respect to his or her interest in the share capital.

Similarly, the Statutory Auditors of the Company will produce an additional report provided for under article R.225-116 of the French commercial code.

These additional reports will be made available to you at the registered office no later than 15 days before the meeting of the Board of Directors and brought to your attention at the next general meeting.

## **> AUTHORIZATION GRANTED TO THE BOARD OF DIRECTORS TO INCREASE THE NUMBER OF SHARES TO BE ISSUED UNDER AUTHORITY GRANTED MENTIONED ABOVE TO MEET EXCESS DEMAND**

To permit the Board of Directors, in the event of excess demand on take-up of capital increases that may be carried out under the authorities granted above by paragraphs 19, 20 and 21, we request that you authorize the Board, at its sole discretion, to increase the number of shares to be issued in accordance with the provisions of articles L.225-135-1 and l' R.225-118 of the French commercial code.

On this basis, the Board of Directors shall be able to increase, within the maximum amount provided for under paragraphs 19, 20 and 21, the number of shares to be issued, within the limit of 15% for each issue and at the same price adopted for the initial issue.



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## **> AUTHORITY GRANTED TO THE BOARD OF DIRECTORS TO SET THE ISSUE PRICE OF SECURITIES ISSUED CANCELING THE PREFERENTIAL SUBSCRIPTION RIGHTS WITHIN THE FRAMEWORK OF THE ABOVE AUTHORIZATIONS**

It is duly noted that if the Board of Directors implements the authorizations granted above under paragraph 20 and 21, the amount reverting or that shall revert to the Company for each of the shares that will be issued or created by subscription, conversion, exchange, redemption, exercise of warrants or other means, must at least equal the average weighted price of the last three trading sessions preceding its fixing date, which may be reduced by a maximum discount of 5% in accordance with article R.225-119 of the French commercial code.

However, in accordance with the provisions of article L.225-136 of the French commercial code, it is requested that you authorize the Board of Directors to set the issue price of securities issued within the framework of the authorizations granted above under paragraphs 20 and 21 within a limit of 10% the share capital per year, determined on the date of the Board of Directors' decision and adjusted for the impact of corporate actions occurring after the general meeting, at a price that may not be less than the amount chosen by the Board of Directors.

## **> AUTHORITY GRANTED TO THE BOARD OF DIRECTORS TO INCREASE THE SHARE CAPITAL AS CONSIDERATION FOR SHARES TENDERED TO THE COMPANY IN CONNECTION WITH PUBLIC EXCHANGE OFFERS**

In accordance with the provisions of articles L.225-147, L.225-148, L.225-129 to L.225-129-6 et L.228-92 of the French commercial code, it is requested that you grant authority to the Board of Directors, that may in turn delegate such authority as provided for by law, if it considers opportune, for a period of twenty-six months from the date of the general meeting, to proceed with, within the limit of the unused portion of the maximum amounts set above under paragraphs 20 and 21, the issue, without preferential subscription rights for shareholders, of all securities giving immediate and/or future access to a percentage of the share capital for the purpose of:

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- (a) in accordance with the provisions of article L.225-147 subsection 6 of the French commercial code and within the limit of 10% of the share capital, payment as consideration for equity securities or other securities tendered to the company and giving access to the share capital when the provisions of article L.225-148 of the French commercial code are not applicable;
- (b) in accordance with the provisions of article L.225-148 of the French commercial code, payment of securities tendered to the Company, within the framework of a public exchange offer initiated in France or another country by the Company for the securities of a company whose shares are admitted for trading on a regulated market as stipulated by said article.

We duly note that this delegation entails a waiver of preferential subscription rights of shareholders to all securities giving access to the capital that in turn shall give rights to securities and themselves issued without preferential subscription rights;

It is also requested that the Board of Directors be granted all powers, which it may further delegate as provided for by law, for the purpose of implementing this authority and notably to:

- set the issue date and procedures, the amount of the issue, the form and characteristics of the securities to be created, the issue price and conditions, and notably share exchange ratio, and when applicable, the balance to be paid in cash, the amounts to be issued, the record date, even retroactively, for the securities to be issued, determine the conditions for their repurchase on the market and suspend the exercise of allotment rights for shares attached to securities to be issued for a period that may not exceed three months, as well as set the procedures for preserving the rights of holders of securities giving access to the share capital, in compliance with applicable laws and regulations.
- Proceed, when applicable, with all charges to share premiums and notably, those resulting from issues, and in general, take all useful measures, conclude all agreements to ensure the successful completion of the issues under consideration, formally recognize the capital increase(s) resulting from any issue carried out under this authorization and amend the by-laws in consequence.



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## **> PROPOSED AUTHORIZATION AND POWERS TO BE GRANTED TO THE BOARD OF DIRECTORS TO PROCEED WITH A CAPITAL INCREASE RESERVED FOR EMPLOYEES PARTICIPATING IN AN EMPLOYEE STOCK OWNERSHIP PLAN**

It is noted, in compliance with articles L.225-129-6 of the French commercial code and L.3332-18 to L.3332-24 of the French labour code that with every capital increase, the Board of Directors is henceforth required to submit a draft resolution for a capital increase to be carried out in accordance with the provisions of articles L.3332-18 to L.3332-24 of the French labour code relating to capital increases reserved for employees participating in an company savings plan (Plan d'Épargne d'Entreprise) to be created or a company investment fund (Fonds Commun de Placement d'Entreprise) to be formed within this framework.

In light of the authorizations to be granted to the Board of Directors to increase the share capital submitted for your approval, it is requested that you grant your authorization for a period of 26 months from the date of the general meeting to the Board of Directors to increase the share capital, on one of more occasions, in proportions and at such times it considers appropriate, by a maximum nominal amount of €125 500.18 payable in cash.

In accordance with the provisions of article L.225-138-1 of the French commercial code, it is requested that you cancel the preferential subscription rights for the shares to be issued in favor of the company investment fund to be set up within the framework of the company savings plan to be created.

The new shares will carry the same rights as existing shares for their owners.

The subscription price of new ordinary shares determined in accordance with the provisions of articles L.3332-18 to L.3332-24 of the French labour code shall be set based on the trading price and may not exceed the average price of the 20 trading days preceding the decision setting the beginning of the subscription period, nor less than 20% this average (or 30% when the waiting period provided for by the plan in accordance with article L. 3332-19 of the French labour code is greater than or equal to 10 years); The decision setting the subscription date is made by the Board of Directors.

The capital increase may be carried out only for the actual amount of shares taken up.

The period that may be granted to parties taking up the issue for payment of the capital for their shares may not exceed three years.

Shares taken up may be paid up in accordance with provisions provided for by law.



# EXCERPT OF THE MANAGEMENT REPORT

presented to the annual ordinary and extraordinary general meeting of 24 May 2012

All powers shall be granted to the Board of Directors for decisions with respect to this capital increase and notably, for the purpose of:

- Establishing the list of beneficiaries and the number of shares to be granted to each, within the maximum amount provided set by the general meeting;
- Determining the date and procedures for issues that may be carried out under this authorization in compliance with the provisions of the law and the by-laws;
- Formerly record completion of the capital increases for the amounts of shares actually subscribed for under this authorisation;
- Performing, directly or through an agent, all transactions and formalities;
- Making the corresponding amendments to the by-laws with respect to increases in the share capital;
- and, in general, take all measures that are necessary or useful for this purpose.

In accordance with the provisions of article L.225-138-II of the French commercial code, the Statutory Auditors of the Company have produced a report on the procedures for setting the issue price that will be presented to you.

We duly note that an additional report shall be produced by the Board of Directors when they use this authority that may be granted by the General Meeting for the purpose of:

- Describing the final conditions of the issue established in accordance with the authorization granted by the Extraordinary General Meeting;
- Determining, in accordance with the provisions of article R.225-115 of the French commercial code, the impact of the proposed issue on the situation of each shareholder with respect to his or her interest in the share capital.

Similarly, the Statutory Auditors of the Company will produce an additional report provided for under article R.225-116 subsection 2 of the French commercial code.

These additional reports will be made available to you at the registered office no later than 15 days before the meeting of the Board of Directors and brought to your attention at the next general meeting.

We nevertheless inform you that this capital increase has been proposed exclusively for the purpose of complying with legal provisions and that a capital increase of this nature does not fall within the scope of the Company's plans. For this reason, we propose that the resolution for proceeding with a capital increase be rejected.

In compliance with article R.225-113 of the French Commercial Code, information on the conduct of corporate affairs of the company as of the year in progress is provided in this report.



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## > GROUP MANAGEMENT REPORT

### **Situation of the group of companies included in the consolidation**

Companies included in the scope of consolidation are listed in the section «Activities of subsidiaries and controlled companies» of this report.

The situation of these companies is presented in the table contained in the section «Activities of subsidiaries and controlled companies» of this report.

### **Changes in the presentation of the consolidated financial statements 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.

### **Review of consolidated operations**

The Group's financial statements have been prepared in accordance with IFRS as adopted by the European Union on 31 December 2011.

In fiscal 2011 the Group had revenue of €306.9 million, up from €250.0 million in 2010 or 23%, driven primarily by equipment sales.

All regions in 2011 registered growth in revenue from the prior year. Latin America and the Asia-Pacific region had revenue growth of 77% and 48% respectively. Europe, that accounts for two thirds of total revenue, grew 19%. In the United States, revenue grew only 5% in a market where the major equipment rental companies significantly reinvested in 2011.

Consolidated operating results of the Group improved, ending the period with an operating loss of €4.6 million, down from €46.6 million in 2010. This improvement in results reflects mainly the significant growth in sales volume, reduced subnormal capacity usage of manufacturing plants, better margins on the sale of second hand equipment but also rental and service activities. The marginal improvement in sales prices partially offset increased raw material costs.

At 31 December 2011, the consolidated net loss for the period was € (8,9) million, down from €(42,2) million in 2010.

### **Foreseeable changes in the Group's situation and outlook**

Positive momentum for emerging markets and renewed capital spending by major leasing companies should contribute to double-digit growth in 2012 and positive operating results.

Priorities for 2012 will include increasing market share in selected regions, consolidating our margins, launching new models in Anglo-Saxon markets and maintaining tight control over working capital requirements.

### **Progress made or difficulties encountered**

Refer to the section "Progress made or difficulties encountered" of this report.

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## **Significant events between the closing date and the date of publication of the consolidated financial statements**

Refer to the section “Important post-closing events” of this report.

## **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.**

Please refer to paragraph “Comprehensive analysis of the Company’s revenue, earnings and financial position, and notably debt with respect to the volume and complexity of business activity” at the beginning of this report.

## **Description of the main risks and uncertainties for the company’s subsidiaries**

Refer to the section “Key risks and uncertainties” of this report.

## **The exposure of subsidiaries to risk concerning price, credit, liquidity and capital resources**

Refer to the section «The company’s exposure to risk concerning price, credit, liquidity and capital resources» of this report.

## **Information on the use of financial instruments by consolidated companies - Objectives and policy of the company concerning the management of financial risks**

Refer to the section “Use of financial instruments - Company financial risk management objectives and policy” of this report.

## **Research and development**

Refer to the section “Research and development” of this report.

## **The Board of Directors**



# EXCERPT OF THE MANAGEMENT REPORT

presented to the annual ordinary and extraordinary general meeting of 24 May 2012

## > ANNEXE 1 : FIVE-YEAR FINANCIAL SUMMARY

Closing date	31/12/2011	31/12/2010	31/12/2009	31/12/2008	31/12/2007
Duration of fiscal year (months)	12	12	12	12	12
<b>Share capital at year-end</b>					
Common stock	4 057 837	4 057 837	4 054 917	4 236 851	4 476 420
Number of outstanding shares					
- ordinary shares	31 214 129	31 214 129	31 191 669	32 591 164	34 434 000
- treasury shares	1 837 823	1 837 823	1 837 823	3 239 418	828 292
- dividend-right shares	29 376 306	29 376 306	29 353 846	29 351 746	33 605 708
Maximum number of future shares to be created					
- from conversion of bonds					
- from subscription rights					
<b>Operations and results</b>					
Sales excluding taxes	151 314 901	98 346 721	98 339 134	358 964 658	528 156 057
Earnings before taxes, employee profit-sharing, depreciation and provisions	(7 928 263)	(16 752 897)	(20 963 067)	49 819 851	108 180 316
Corporate income tax	(629 610)	(12 355 039)	(14 229 161)	(8 257 022)	22 930 421
Employee profit-sharing					1 976 596
Depreciation and provisions	24 732 911	22 347 831	20 306 515	37 372 487	32 134 511
Earnings after tax, employee profit-sharing	(32 031 564)	(26 745 690)	(27 040 421)	20 704 385	51 138 789
Distributed earnings				6 457 384	7 393 256
<b>Earnings per share</b>					
Earnings after taxes, employee profit-sharing, but before depreciation and provisions	(0.23)	(0.14)	(0.22)	1.78	2.42
Earnings after tax, employee profit-sharing, depreciation and provisions	(1.03)	(0.86)	(0.87)	0.64	1.49
Distributed dividends				0.22	0.22
<b>Employees</b>					
Average number of employees for the fiscal year	614	637	682	701	584
Total payroll	19 959 309	16 209 296	16 868 511	23 424 040	19 097 381
Total benefits paid (social security, welfare benefits, etc.)	9 022 863	7 217 931	7 169 440	9 629 150	7 926 131