



# MANAGEMENT REPORT

# 2015

Haulotte

**Haulotte**   
GROUP

More than lifting

# MANAGEMENT REPORT

Presented to the annual ordinary and extraordinary general meeting of 24 may 2016

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## CHAPTER 1: MANAGEMENT REPORT

### PART 1: MANAGEMENT DISCUSSION AND ANALYSIS

#### 1 - REVIEW OF OPERATIONS

##### 1.1 Business sectors – Product offering – Market

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. The Company's offering was completed in spring 2007 with the launch of the telehandler.

The global market for aerial work platforms in 2015, which surpassed its historic high of 2007, was driven by all continents with the exception of Latin America. In this context, Haulotte Group registered 8% growth in sales in 2015 from the previous year, driven by gains in North America and the Asia-Pacific region, against the backdrop of favourable foreign exchange trends for the Group.

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

##### 1.2 Review of operations and results of the Company and its subsidiaries for the year under review

The fiscal year ended 31 December 2015 submitted for approval to the ordinary general meeting is the company's thirty first year of operations since its creation.

##### 1.3 Presentation of statutory accounts

Highlights of the statutory accounts of Haulotte group SA for the financial year ended 31 December 2015 are presented below: (€'000s).

Financial highlights	Fiscal 2015	Fiscal 2014	Change %
Revenue	232 273	216 877	+7%
operating profit	(7 740)	(1 562)	-395%
Net financial income (expense)	8 896	5 498	+63%
Extraordinary profit (loss)	(100)	(1 095)	-91%
Net profit (loss)	1 612	2 182	-26%

##### 1.4 Analysis of statutory results

Revenue for Haulotte Group SA in 2015 was up 7% from one year earlier.

The improved net margin in 2015 is however largely overshadowed by the impairment of trade receivables of our Brazilian subsidiary recognised in response to significant local foreign exchange losses.

Net financial income was largely positive, bolstered by currency gains.

In light of the above, net income for the year stood at €1.6 million.

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## 1.5 Progress made or difficulties encountered

Growth was very robust in the last quarter of the year. Sales remained buoyant in North America and the Asia-Pacific region. In Europe, large equipment rental companies maintained their wait-and-see attitude, despite a pick-up in momentum in the last quarter. Market conditions in Latin America remained difficult.

Services achieved continuing growth throughout the period.

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

Positive commercial momentum in the last few months of the period continued into the new year, driven mainly by Europe and the Asia-Pacific region. Despite continuing macroeconomic uncertainties, Haulotte Group SA expects sales to stay on track for the year ahead.

No significant changes in committed fixed costs are expected in 2016 for the French manufacturing plants.

Efforts focusing on research and development will remain sustained.

The improved net margin and continuing cost controls should set the stage for a positive operating result in 2016.

We also expect net financial income in the period, with a positive effect from reversing impairment charges for subsidiary current accounts balances.

In light of these factors, net income is expected to be solidly positive.

## 1.7 Important post-closing events

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.

## 1.8 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 sections 1-1 to 1-5 above and 1-10 and 1-11 below.

## 1.9 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. 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 consistently in sync with market demand.

The market risk is the second significant risk factor. Trends at the start of 2016 highlight sustained commercial momentum for the Group, mainly in Europe and a confirmation of renewed investments by large equipment rental. On that basis, visibility has improved though caution continues to be necessary, against the backdrop of a global environment marked by continuing uncertainties.

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Another significant risk is the sensitivity of our sales to credit restrictions in financial markets. For several years now this environment has been impacted by the financial crisis. For strategic customers, Haulotte Group will provide financing for a portion of sales, while maintaining trade receivable risks at reasonable levels.

## **1.10 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.

A new syndicated credit facility was negotiated in 2014 for €90 million maturing on 30 March 2018, with a possibility for an extension for an additional 18 month period or until 30 September 2019.

On 31 December 2015, the company was in compliance with its obligations relating to the new banking syndicate, and in particular, ratios measured every six months.

At 31 December 2015, the outstanding amount for syndicated credit lines totalled €47 million with a remaining balance for the drawdown of an additional €43 million. At year-end, the Group had cash and cash equivalents of €26.7 million. With respect to the syndicated credit facility, payment of a €3 million instalment will be made on 30 March 2016.

Based on the level of cash resources and credit lines open and available at 31 December 2015 in conjunction with cash forecasts for the months of 2016, there are no reasons question the Group's ability to meet its obligations.

## **1.11 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, forward currency sales (mainly in USD and GBP).

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

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

## **1.12 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.



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## 1.13 Research and development

Efforts devoted to research and development continued in the period.

For information, launches in 2014 included a new articulating boom lift model, HA16 RTJ and in 2015 a new articulating boom lift model, HA20 RTJ, a new electric scissor model, Optimum 8, as well as two new vertical masts, Star 10 and Star 8.

The telescopic boom range was equipped with new Tier IV Final engines while significant enhancements were introduced to the product range for great heights.

In parallel, in-depth work was carried out to optimise driver safety.

All these designs and improvements were developed by the Company's engineering department working in close collaboration with a panel of customers.

The medium-term objective of these efforts is to accelerate the rollout of new machines or renew our existing ranges in the years ahead.

## 1.14 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 according to article 39.4 of the French general tax code of €87,854 with a corresponding tax of €32,506.

## 1.15 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, a table is provided below providing the breakdown of outstanding trade payables by maturity for the fiscal year ended 31 December 2014 and 2015.

Due dates In 2015	Trade payables balance 31/12/2015 (€ 000s)	Trade payables balance 31/12/2014 (€ 000s)
January	36 048	21 233
February	19 959	10 231
March	2 828	2 194
April	2 602	1 626
<b>Total</b>	<b>61 437</b>	<b>35 284</b>

## 1.16 Five-year financial summary

In compliance with the provisions of article R.225-102 of the French Commercial Code, a five-year financial summary for the Company is presented below.

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## 2 - 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)

## 3 - SUBSIDIARIES AND ASSOCIATES

### 3.1 Acquisitions of shareholdings or controlling interests

We inform you that the Company acquired no significant shareholdings or controlling interests in companies in 2015.

### 3.2 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.

### 3.3 Other disposals

The Company has not sold any equity interests.

### 3.4 Activities of subsidiaries and controlled companies

At year-end, the company exercised controlling interests in 38 subsidiaries. The results of these subsidiaries are summarised below (€'000s):

Subsidiary	Ownership interest (%)	2015 sales (€ 000s)	2014 sales (€ 000's)	2015 profit or loss (€ 000's)	2014 profit or loss (€ 000's)
Haulotte France Sarl.	99,99%	43 421	51 033	961	918
Haulotte Services France Sarl	100% by HAULOTTE FRANCE SARL	-	-	-	-
Telescopelle SAS	100%	127	121	66	64
Haulotte Access Equipment Manufacturing (changzhou) co. Ltd	100%	24 102	17 617	1 982	103
Haulotte Argentina SA	95%	9 135	6 135	(1 463)	(621)
Haulotte Arges SRL	100%	71 188	76 631	6 465	8 901
Haulotte Australia Pty Ltd	100%	25 555	21 414	946	969

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Haulotte Cantabria SL	99,98% et 0,02% by HAULOTTE IBERICA SL	-	4	(73)	(20)
Haulotte Do Brazil Ltda	99,98%	6 912	22 148	(12 635)	(1 792)
Haulotte Hubarbeitsbuhnen GmbH	100%	35 691	36 516	1 231	1 164
Haulotte Iberica S.L.	98,71%	15 936	10 200	(923)	(1 019)
Haulotte Italia S.R.L.	99%	14 905	9 109	1 036	434
Haulotte Mexico SA de CV <sup>(2)</sup>	99,99%	8 534	5 500	101	(24)
Haulotte Middle East Fze	100%	21 589	22 513	2 512	1 771
Haulotte Netherlands B.V	100%	8 281	4 842	308	178
Haulotte Polska Sp Zoo	100%	9 354	5 722	524	306
Haulotte Portugal Plataformas de Elavacao Unipessoal Lda	100% by HAULOTTE IBERICA SL	-	-	-	-
Haulotte Scandinavia AB	100%	15 433	15 014	857	983
Haulotte Singapore Ltd	100%	20 100	13 086	889	393
Haulotte Trading (Shanghai) Co Ltd	100%	8 282	6 724	(978)	(115)
Haulotte UK Ltd	100%	23 782	13 211	260	(338)
Haulotte US Inc	100%	50 674	33 241	1 800	(96)
Haulotte Vostok OOO	100%	12 946	23 189	264	497
Horizon High Reach Limited	100%	10 504	7 725	1 871	1 480
Levanor Maquinaria de Elevacion SA	91%	(2)	835	(34)	222
Mundielevacao, Aluger e Transporte de Plataformas Lda	90% by LEVANOR	-	-	(9)	8
NO.VE. Srl	100%	8 355	7 066	415	(727)
N.D.U maquinaria y plataformas elevadoras, S.L	100% by HAULOTTE IBERICA SL	(4)	2 123	(62)	73
Equipro / Bil-Jax <sup>(1)</sup>	100% by HAULOTTE US Inc.	56 820	53 919	1 515	2 959
Haulotte Chile SPA	100 %	-	-	-	-
Horizon High Reach Chile SPA	100%	3 435	2 250	(840)	(697)
Haulotte India Private Ltd	100%	2	1	16	23
Acarlar Dis Ticaret Ve Makina Sanayi A.s.	50%	15 172	10 196	1 536	683

<sup>(1)</sup> Including the following companies: BIL-Jax Inc, Equipro Inc., Bil-Jax Service Inc, Seaway Scaffold and Equipment Inc. and Scaffold Design and Erection Inc.

<sup>(2)</sup> Including Haulotte Service SA of CV.

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## 4 - INFORMATION ON COMMON STOCK

### 4.1 Changes in share capital in fiscal 2015

We note that that on 8 July 2015, the Board of Directors recorded the completion of the capital increase from exercising the option to pay stock dividends in a nominal amount of €5 928,65. On that basis, the share capital was increased from €4 057 836,77 to €4 063 765,42 by the creation of 45.605 new shares with a par value of €0,13 per share, fully paid up.

### 4.2 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 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, and modifications occurring 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	54,60%	70,04 %
66% to 90%(2/3)			
90% to 95%			
More than 95%			

Holders of registered shares: 1.48% of the share capital (and 1.78% of theoretical voting rights / 1.92% of exercisable voting rights).

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## 5 - PURCHASES BY THE COMPANY OF OWN SHARES

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 2015, information on trading by the Company in its shares is provided below (ordinary shares and preferred shares):

Number of shares purchased in fiscal 2015	174 104
Average purchase price of own shares in fiscal 2015	15,81
Execution fees	N/A
Number of shares sold in fiscal 2015	197 624
Average sale price of own shares in fiscal 2015	16,10
Number of shares cancelled in fiscal 2015	0
Number of treasury shares recorded in the name of the company at 31 December 2015	1 814 303
Percentage of treasury shares held at 31 December 2015	5,80%
Net carrying value of treasury shares at 31 December 2015	14 929 609
Nominal value of treasury shares at 31 December 2015	235 859
Nominal value of treasury shares at 31 December 2015 (price of €13.86 on this date)	25 146 239

The breakdown according to the purpose for the use of own shares at 31 December 2015 was as follows:

Purposes of share buybacks	Number of shares
Maintaining an orderly market in the company's shares 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 8 March 2011 and approved by the AMF (Autorité des Marchés Financiers) on 21 March 2011;	115 898
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.	
<b>TOTAL</b>	<b>1 814 303</b>

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

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## **6 - EMPLOYEE STOCK OWNERSHIP**

In compliance with article L. 225-102 of the French commercial code, we inform you that no shares are held in connection with a collective bargaining agreement or the provisions of said article.

### **6.1 Bonus shares granted to Company employees**

No bonus shares were granted to employees of the Company for the period ended 31 December 2015.

### **6.2 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 2015.

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## 7 - TRADING ACTIVITY AND SHARE PRICE TRENDS

At 31 December 2015, the Company's share capital was comprised of 31.259.734 shares.

The market capitalisation at 31 December 2015 was €433,260 million.

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

Date	High (price)	High (date)	Low (price)	Low (date)	Average price	Average price (opening)	Average price (closing)	Trading volume	Capital (€m)	Number of trading sessions
janv. 2015	14,07	30 janv.	11,82	19 janv.	13,27	12,577	12,605	400 598	5,13	21
fevb. 2015	14,44	04 feb.	13,10	11 feb.	13,91	13,798	13,811	686 128	9,37	20
mar 2015	15,95	30 mar	13,70	04 mar	15,43	15,048	15,065	960 892	14,64	22
apr. 2015	18,37	21 apr.	15,31	01 apr.	17,32	17,038	17,105	1 146 574	19,71	20
may 2015	18,73	13 may	16,75	04 may	17,59	17,776	17,805	519 502	9,26	20
jun 2015	17,85	01 jun	16,15	09 jun	16,30	16,986	16,955	439 794	7,46	22
jul. 2015	18,86	22 jul.	15,31	07 jul.	17,19	17,380	17,364	500 496	8,62	23
aug 2015	17,45	11 aug	14,67	24 aug	16,40	16,775	16,631	341 856	5,59	21
sep. 2015	16,32	01 sep.	12,41	30 sep.	12,54	14,028	13,927	816 953	11,48	22
oct. 2015	14,26	12 oct.	11,80	05 oct.	12,90	12,860	12,926	575 036	7,47	22
nov. 2015	13,55	06 nov.	12,70	24 nov.	12,95	13,130	13,060	373 469	4,89	21
dec. 2015	14,20	30 dec.	12,50	09 dec.	13,86	13,195	13,188	610 887	7,97	22

In the period ended, the Haulotte Group share traded between a range of a high of €18.86 (22 July 2015) and a low of €11.80 (5 October 2015).

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## 8 - DIRECTORS AND OFFICERS

### 8.1 Shareholdings of directors and officers

At 31 December 2015, the shareholdings of executive officers were as follows:

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

### 8.2 List of corporate appointments

Executive officers CONCERNED	Offices held in the company	Offices held in other companies
Pierre SAUBOT Born on 16/09/1943 French nationality	Chairman of the Board of Directors Chief Operating Officer Director	<ul style="list-style-type: none"> <li>• General Manager of SOLEM SAS,</li> <li>• Representative of HAULOTTE GROUP, Chairman of TELESCOPELLE SAS,</li> <li>• Managing Partner of Société Commerciale du Cinquau,</li> <li>• Co-Manager of SCI LANCELOT.</li> </ul>
Alexandre SAUBOT Born on 21/02/1965 French nationality	Deputy Chief Executive Director	<ul style="list-style-type: none"> <li>• Chairman of the Board of SOLEM SAS,</li> <li>• Representative of HAULOTTE GROUP, Chairman of TELESCOPELLE SAS,</li> <li>• Managing Partner of HAULOTTE FRANCE SARL,</li> <li>• Managing Partner 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>• Director of Haulotte UK,</li> <li>• Director of Haulotte Australia,</li> <li>• Chairman of Haulotte US,</li> <li>• Director of Haulotte Singapour,</li> <li>• Representative of Haulotte Group SA, Sole director of Haulotte Cantabria,</li> <li>• Director of Haulotte Arges,</li> <li>• Chairman of Haulotte Trading (Shanghai) Co. Ltd,</li> <li>• Director of Haulotte Mexico,</li> <li>• Director of Nove Srl,</li> <li>• Director of Haulotte Middle East,</li> <li>• Representative of HAULOTTE GROUP SA, sole director of HHR.</li> <li>• Representative of HAULOTTE SINGAPORE, director of HAULOTTE INDIA.</li> <li>• Director of Levanor</li> <li>• Director of MundiElevacao</li> <li>• Director of Haulotte Access Equipment Manufacturing (Changzhou).</li> </ul>



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Elisa SAVARY Born on 18/12/1979 French nationality	Director	• None
Hadrien SAUBOT Born on 21/11/1980 French nationality	Director	• General Manager of SOLEM SAS
José MONFRONT Born on 20/03/1952 French nationality	Director	• Director of Haulotte Trading Shanghai co.Ltd. • Representative of HAULOTTE GROUP, director of HAULOTTE INDIA. • Director of Haulotte Access Equipment Manufacturing (Changzhou).
Michel BOUTON Born on 21/01/1952 French nationality	Director	• Chairman of PVI, • Chairman of ESCAL (subsidiary of PVI), • Chairman of Sovibus

### 8.3 Compensation of executive officers

Compensation and benefits of any nature granted in fiscal 2015 to each executive 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 break down as follows:

<b>Pierre Saubot – Chairman and Chief Executive Officer</b>			
<b>Type of compensation</b>	<b>Amount paid in 2015</b>		<b>Basis of determination</b>
Fixed compensation	81 457 €		Compensation is determined, set and paid by SOLEM.
Variable compensation	2 375 €		Variable compensation is assessed each year based on the quality and trends for the results of the prior period.
Exceptional compensation	None		
Benefits in-kind	None		
Attendance fees	None		
<b>Type of commitment</b>	<b>Yes</b>	<b>No</b>	<b>Nature of commitments and, as applicable, terms of their grant</b>
Employment contract		X	
Supplemental retirement scheme		X	
Severance indemnities and related benefits		X	
Noncompete indemnities		X	

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## Alexandre Saubot - Chief Operating Officer

Type of compensation	Amount paid 2015		Basis of determination
Fixed compensation	307 120 €		Compensation is determined, set and paid by SOLEM.
Variable compensation	60 800 €		La part variable est évaluée chaque année en fonction de la qualité et de l'évolution des résultats du Groupe au titre de l'exercice précédent.
Exceptional compensation	None		
Benefits in-kind	None		
Attendance fees	None		
Type of commitment	Yes	No	Nature of commitments and, as applicable, terms of their grant
Employment contract		X	
Supplemental retirement scheme		X	
Severance indemnities and related benefits		X	
Noncompete indemnities		X	

## Elisa Savary - Director

Type of compensation	Amount paid 2015		Basis of determination
Exceptional compensation	None		
Benefits in-kind	None		
Attendance fees	None		
Type of commitment	Yes	No	Nature of commitments and, as applicable, terms their grant
Employment contract		X	
Supplemental retirement scheme		X	
Severance indemnities and related benefits		X	
Noncompete indemnities		X	

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## Hadrien Saubot – Director

Type of compensation	Amount paid 2015		Basis of determination
Exceptional compensation	None		
Benefits in-kind	None		
Attendance fees	None		
Type of commitment	Yes	No	Nature of commitments and, as applicable, terms of their grant
Employment contract		X	
Supplemental retirement scheme		X	
Severance indemnities and related benefits		X	
Noncompete indemnities		X	

## José Monfront – Director

Type of compensation	Amount paid 2015		Basis of determination
Exceptional compensation	None		
Benefits in-kind	None		
Attendance fees	None		
Type of commitment	Yes	No	Nature of commitments and, as applicable, terms of their grant
Employment contract	X		Salarié au titre de ce contrat de travail.
Supplemental retirement scheme		X	
Severance indemnities and related benefits		X	
Noncompete indemnities		X	

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## Michel Bouton - Director

Type of compensation	Amount paid 2015		Basis of determination
Exceptional compensation	None		
Benefits in-kind	None		
Attendance fees	None		
Type of commitment	Yes	No	Nature of commitments and, as applicable, terms of their grant
Employment contract		X	
Supplemental retirement scheme		X	
Severance indemnities and related benefits		X	
Noncompete indemnities		X	

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.

### 8.4 Dealings in 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 dealings 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 2015.

### 8.5 Dealings and shares of the company by Executive Committee members qualified as «executive equivalents» in accordance with article L.621-18-2 b) of the French financial and monetary code

Members of the Executive Committee qualified as «executive equivalents» have not informed the Company of any dealings in the shares they hold in the Company in the fiscal year ended 31 December 2015.

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## 8.6 Dealings in shares of the company by persons having close personal ties within the meaning of Article L.621-18-2 c) of the French financial and monetary code with person mentioned under items 8.4 and 8.5

None.

## 8.7 Stock options or stock purchase options and restricted share(bonus share) grants

None.

## PART 2 : EMPLOYMENT-RELATED, ENVIRONMENTAL AND SOCIAL INFORMATION

In compliance with articles L225-102-1, paragraph 7 and R.225-105-2, II of the French commercial code, employment-related and environmental information in this report has been audited in compliance with the provisions of statute and regulations, by an independent third-party, whose opinion is enclosed with this report.

### 1 - CORPORATE SOCIAL RESPONSIBILITY DISCLOSURES

As required by the provisions of article R.225-105-1 of the French commercial code, employment-related information for Haulotte Group SA is presented below. This information is presented in the same form as prior years with information for subsidiaries aggregated by region:

#### 1.1 Employment

##### 1.1.1 Total workforce of Haulotte Group with a breakdown by gender, age and region

#### Workforce of Haulotte Group SA

	Women	Men	Total 2015	Total 2014	Total 2013
Management employees	43	180	223	213	204
Office, technical and supervisory staff	51	89	140	131	125
Plant workers	26	184	210	224	230
Work-study	5	6	11	4	3
Trainees	1	3	4	5	2
<b>Total</b>	<b>126</b>	<b>462</b>	<b>588</b>	<b>577</b>	<b>564</b>

For the Haulotte Group SA reporting boundary, the Company had 98 temporary male employees at 31/12 (compared to 11 in 2013 and 2014) and 9 temporary female employees at 31/12 (compared to 2 in 2014 and 1 in 2013).

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## Age breakdown of the Haulotte Group SA workforce

Age breakdown	2015	2014
< 25	19	12
25 to 34	137	151
35 to 44	217	201
44 to 54	153	154
≥ 55	62	59
<b>Total</b>	<b>588</b>	<b>577</b>

The age pyramid of Haulotte Group SA remained relatively stable between 2014 and 2015.

## The Haulotte Group SA workforce by region at 31 December 2015

	Workforce by gender		Workforce by age					TOTAL
	Men	Women	< 25	25 to 34	35 to 44	44 to 54	> 55	
ASIA / PACIFIC	88	36	7	50	42	23	2	<b>124</b>
EUROPE	318	80	32	116	128	102	20	<b>398</b>
LATIN AMERICA	61	25	7	38	33	8	0	<b>86</b>
NORTH AMERICA	198	39	11	35	68	78	45	<b>237</b>
<b>Total</b>	<b>665</b>	<b>180</b>	<b>57</b>	<b>239</b>	<b>271</b>	<b>211</b>	<b>67</b>	<b>845</b>

## The Haulotte Group SA workforce by region at 31 December 2014

	Répartition des effectifs par sexe		Répartition des effectifs par âge					TOTAL
	Men	Women	< 25	25 to 34	35 to 44	44 to 54	> 55	
ASIA / PACIFIC	76	33	3	52	33	20	1	<b>109</b>
EUROPE	342	76	38	136	134	93	17	<b>418</b>
LATIN AMERICA	55	27	10	36	29	7	0	<b>82</b>
NORTH AMERICA	217	33	8	49	72	74	47	<b>250</b>
<b>Total</b>	<b>690</b>	<b>169</b>	<b>59</b>	<b>273</b>	<b>268</b>	<b>194</b>	<b>65</b>	<b>859</b>

The age pyramid of Haulotte Group SA subsidiaries remained stable between 2014 and 2015.

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## 1.1.2 Recruitment and layoffs

Recruitment corresponds to the staff replacements or the creation of posts.

### Recruitment within Haulotte Group SA

En nombre	2015	2014	2013
PERMANENT CONTRACTS:	31	36	33
PERMANENT EMPLOYEES DEPARTING IN THE PERIOD	1	3	1
PERMANENT EMPLOYEES TRANSFERRED IN THE PERIOD	0	0	0
FIXED-TERM CONTRACTS	15	16	9
TRAINEES	23	28	17
APPRENTICES	2	1	1
VOCATIONAL TRAINING CONTRACTS	6	3	2
<b>Total</b>	<b>78</b>	<b>87</b>	<b>63</b>

### Departures within Haulotte Group SA

	2015	2014	2013
Departing permanent employees	30	40	45
- Resignations	5	12	16
- Dismissals	9	7	9
- End of trial period	3	3	1
- Retirement	7	6	8
- Death	1	2	1
- Negotiated termination	5	9	10
- Other reasons	0	1	0
END OF FIXED-TERM CONTRACTS	10	6	4
EARLY TERMINATION OF FIXED TERM CONTRACTS	3	0	0
END OF QUALIFICATION CONTRACT	1	1	1
END OF TRAINEESHIP	23	25	0
TRANSFERRED TO OTHER GROUP COMPANIES	0	0	0
END OF WORK-STUDY PROGRAM	0	2	0
<b>Total</b>	<b>67</b>	<b>74</b>	<b>70</b>

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## Recruitments and departures for subsidiaries by region

	Recruitments 2014	Recruitments 2015	Dismissals 2014	Dismissals 2015
ASIA PACIFIC	30	35	22	9
EUROPE	164	64	80	80
LATIN AMERICA	24	13	30	10
NORTH AMERICA	64	82	26	45
<b>Total</b>	<b>282</b>	<b>194</b>	<b>158</b>	<b>144</b>

The decrease in recruitments relates primarily to the Romanian plant, with a significant number of recruitments in 2014, and mainly trainees.

## 1.2 Remuneration and compensation trends

### 1.2.1 Remuneration within Haulotte Group SA

The remuneration policy of Haulotte Group SA is revised every year in relation to the performance of the company and its subsidiaries and the economic context.

- 2013 payroll: 20 375 462,26 €
- 2014 payroll: 22 042 287,87 €
- 2015 payroll: 23 119 274,50 €

Average rate for social charges (including expatriate staff):

- In 2013: 50,18 %
- In 2014: 50,65 %
- In 2015: 51,31 %

The Group's remuneration system is managed locally. Nevertheless, the Group complies with regulations governing minimum contractual wages and grants fixed compensation as well as, for certain managers, variable compensation linked to collective and individual objectives.

### 1.2.2 Statutory profit-sharing

Under the terms of the agreement covering Haulotte Group and its main French subsidiary, no payments were made in 2015 under the statutory profit-sharing scheme for fiscal 2013.

### 1.2.3 Voluntary profit-sharing scheme payments in 2015 for fiscal 2014

Haulotte Group SA and its main French subsidiary have adopted an agreement for a voluntary profit-sharing scheme for fiscal years 2014, 2015 and 2016. On that basis, profits from 2014 resulted in profit-sharing payments in 2015.



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## 1.3 Work organisation

### 1.3.1 Organisation of working hours at Haulotte Group SA

All Group establishments comply with provisions governing working hours, in accordance with specific laws and local regulations. The organisation of working hours varies according to the local context of each subsidiary or production site based on different work schedules.

- **Full-time: 35 hours (or 1,607 hours)**

- **Part-time for 2015:**

- 32% of 1,604 H or 514.24 H per year: 1 employee (2013: 0 employee – 2012: 0 employee)
- 40% of 1.607 H or 642.8 H per year: 1 employee (2014: 0 employee - 2013: 0 employee)
- 50 % of 1.607 H or 803.5H per year: 1 employee (2013: 8 employees - 2012: 4 employees)
- 57 % of 1.607 H or 948 H per year: 0 employee (2013: 0 employee - 2012: 1 employee)
- 60% of 1.607 H or 964.20 H per year: 1 employee (2013: 0 employee – 2012: 0 employee)
- 64 % of 1.607 H or 1.041 H per year: 0 employee (2013: 1 employee - 2012: 1 employee)
- 66 % of 1.607 H or 1.064 H per year: 0 employee (2013: 1 employee - 2012: 1 employee)
- 71% of 1.607 H or 1,140 H per year: 2 employees (2013: 1 employee - 2012: 1 employee)
- 73% of 1.607 H or 1.177,931 H per year: 0 employee (2013: 1 employee - 2012: 1 employee)
- 75 % of 1.607 H or 1,205.25 H per year: 0 employee (2013: 1 employee - 2012: 1 employee)
- 80 % of 1.607 H or 1.285 H per year: 10 employees (2013: 17 employees - 2012: 12 employees)
- 85% of 1.607 H or 1365.95 H per year: 1 employee (2014: 0 employee - 2013: 0 employee)
- 90 % of 1.607 H or 1.446 H per year: 0 employee (2013: 1 employee - 2012: 1 employee).

### Overtime at Haulotte Group SA

	Number	Amount
2013	18 967	303 971€
2014	32 586	507 374
2015	27 725	462 290
<b>Change</b>	<b>- 4 861</b>	<b>- 45 084€</b>

Employees concerned by the days-per-year arrangement work 218 days per year.

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## 1.3.2 Absenteeism

The following chart represents the rate of absenteeism at Haulotte Group for financial year 2015:



For information, the reasons taken into consideration in calculating absenteeism are as follows:

- Unjustified absences,
- Occupational accidents, fully covered or partially covered,
- Commuting accidents,
- Illnesses, declared or undeclared
- Occupational illnesses
- Tardiness.

The average absenteeism rate for Haulotte Group SA in 2015 was down from the prior year (4,99% compared to 3,96% in 2014). Illness remains the primary cause of absenteeism with several cases of long-term sick leave.

For all Group regions, the absenteeism rate has remained relatively stable.

	2014 absenteeism rate	2015 absenteeism rate
ASIA PACIFIC	0,3%	0,48%
EUROPE	2,45%	2,43%
LATIN AMERICA	0%	0,68%
NORTH AMERICA	1,32%	1,10%

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## 1.4 Labour relations

### 1.4.1 The organisation of dialogue between employees and management, and notably procedures for providing information, consultation and negotiations with employees

The engagement of Employee Representatives notably in a worldwide economic environment in profound transformation is essential for Haulotte Group. The Company is committed to maintaining quality dialogue with employees through its employee representation bodies which has contributed to the signature of company-level agreements on a regular basis

### 1.4.2 Report

In 2015, for Haulotte Group SA, three major agreements were signed:

- Agreement on gender equality
- Amendment to the profit-sharing agreement
- «Safety Challenge» agreement.

In 2015, the Central Works Committee met eight times. These included ordinary and extraordinary meetings and agreement oversight committee meetings.

In addition to these agreements, several agreements have been signed with all labour unions in recent years:

- Senior Employment agreement in 2009
- Organisation of Working Hours agreement in 2009
- Workplace Equality agreement in 2012,
- Difficult Working Conditions Prevention agreement in 2012
- Intergenerational agreement in 2013
- 2014 «Safety Challenge» agreement,
- 2014 Profit-Sharing bonus agreement
- 2014 Incentive Plan agreement.

For Haulotte France:

- Forward-looking employment and skills management planning agreement
- Workplace Equality agreement.

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## 1.5 Health and safety

### 1.5.1 Occupational health and safety conditions

The health and safety of employees and all external persons present at all its sites remain a priority for Haulotte Group.

For that reason, managing and coordinating occupational health and safety on a day-to-day basis is spearheaded by the Human Resources Department with the support of managers of each production site and subsidiary of the Group.

Safety remains an active priority within Haulotte Group SA and all subsidiaries, with continuing efforts promoting measures already launched: safety training and awareness-raising during the integration phases, publication of an occupational health and safety guide for all employees in 2013, continuation of the «safety challenge» initiative, distributing to each new employee the Haulotte Group safety charter.

In addition, «safety days» that have been organised for the last four years provide an opportunity to raise awareness of all staff at all sites and from every function about risks and practices to be adopted.

All measures adopted addressing the subject of safety within the Group are destined to develop and promote a culture for preventing occupational accidents and illnesses within the company.

In the area of psycho-social risks, at the end of 2015, the company provided awareness-raising training that will continue in 2016 for all managers at every grade level (France reporting boundary). Assistance from a specialised counselling unit is available on request if needed.

### 1.5.2 Report on agreements signed with trade unions or employee representatives concerning occupational health and safety

Following the signature of an agreement with labour partners on preventing difficult working conditions, Haulotte Group is pursuing its efforts by deploying a risk reduction strategy, promoting a culture of prevention based on the practices adopted by every employee and by strengthening measures to protect the health of its employees and external persons in the workplace.

Following the agreement signed in September 2012, committee meetings have been organised with labour partners to monitor its application. An agreement for improving working conditions, including data on stressful working conditions will be negotiated in 2016.

### 1.5.3 Occupational accidents, including in particular frequency and severity rates, as well as occupational illnesses

In 2015 for Haulotte Group, the number of accidents rose (+2), accompanied by a 175% increase in the number of lost time days. The frequency rate rose marginally (from 17.42 to 21.12) and the severity rate declined (from 0.30 to 0.93). In both cases, the Company remains below the national frequency and severity rates for the metallurgy industry.

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For the entire Group, accidents reported (including temporary personnel) broke down as follows:

	Number of accidents 2014	Number of accidents 2015
ASIA PACIFIC	2	0
EUROPE	10	7
LATIN AMERICA	3	1
NORTH AMERICA	9	10
HAULOTTE GROUP SA	19	23
<b>TOTAL</b>	<b>43</b>	<b>41</b>

Concerning occupational illnesses, two cases were recorded in 2015.

## 1.6 Training

### 1.6.1 Training policies implemented

2015 was a landmark year for the training plan, marked by the implementation of the reform on occupational training adopted in March 2014.

This reform introduced two main changes impacting our organization:

- A legal obligation in the form of a levy on total payroll of 1% compared to 1.6% previously.
- The creation of the Personal Training Account (Compte Personnel de Formation or CPF) replacing the previous mechanism for accumulating individual training benefits.

With a long-term conviction in the importance of training in driving the achievement of performance goals for our staff and our Group, we have integrated this mechanism for accumulating individual benefits into our training offer. This has in consequence resulted in a considerable increase in the number of training hours for the development of the employability and skills of all our teams.

Our policy is henceforth broken down into three main categories:

- Training leading to certification and diplomas for developing the skills of our staff, guaranteeing their employability and securing their professional career path, as part of an initiative to promote the personal training account system internally and also the training considered a priority by the company.

Measures in 2015: 160 training programs leading to certification and diplomas, representing 21,2% of our workforce in France (150 employees and 2 112 training hours).

- Internal training for integration, products and business lines, making use of a network of instructors present at our production sites and most of our subsidiaries, and on an e-learning platform implemented in 2011 and accessible to all. This platform provides a vehicle for optimizing and capitalizing on the different training material and actions carried out within the Group.

A process for job function integration is replicated across all manufacturing subsidiaries with a specific program incorporating safety and training into the business activity.

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- External training programs falling within the scope of our strategic map:
  - The consolidation of our key operating activities (R&D, purchasing, industrialisation, etc.)
  - Project management in connection with the Better & Faster NPD processes
  - Commercial positioning (Become a solution Provider) as part of the booster program
  - Language training to promote the internationalisation of its teams
  - Office automation software and information technology training to promote greater workplace efficiencies through knowledge of these tools.
  - Training relating to our new ERP
  - The safety of our employees

## 1.6.2 Training commitments

	<b>2015</b>	
	<b>% of payroll</b>	<b>Amount</b>
Mandatory contribution	1%	229 840
Supplemental educational expenses	1,35%	310 308
Training commitments	2,35%	540 148
Grants received	0,57%	130 632
Actual cost for the company	1,78%	409 516

In 2015, training commitments represented:

- 7 472 hours of training compared to 5 913 in 2014
- 389 person trained compared to 172 in 2014.

Of which:

- women represented 21% of employees that received training compared to 17% in 2014,
- plant workers accounted for 18% of training hours compared to 20,6% in 2014.
- office workers, technicians and supervisory staff accounted for 31% of training hours compared to 15,6% in 2014.
- management employees accounted for 51% of training hours compared to 63,8% in 2014.

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For the rest of the world, excluding France, changes and training measures breakdown as follows:

	Training hours completed 2015	Training hours completed 2014
ASIA PACIFIC	1 090	1 873,50
EUROPE	4 640	9 756,50
LATIN AMERICA	352	1 557
NORTH AMERICA	1 500	1 500

## 1.7 Equal opportunity and non-discrimination

### 1.7.1 Measures adopted to promote gender equality

Haulotte Group promotes gender equality in the workplace through a policy built on dialogue between management and employees and on training.

A workplace gender equality agreement was signed in 2015 by Haulotte Group and in 2013 by Haulotte France. This agreement is largely focused on equal opportunity in recruitment, internal career advancement, measures in schools promoting women in the workplace , training, wage equality, work-life balance, and taking into account the demands of parenting at all levels. In addition, this principle of non-discrimination is applied both to the recruitment process and throughout the career to our subsidiaries, guaranteeing equal access to training and internal promotions.

At every year, an annual report was produced in 2015 to compare the situation between men and women for each socioprofessional category.

#### Recruitment

The analysis of recruitment in 2015 highlighted the non-discrimination policy applied by the Company. On that basis, job offers do not make any reference to gender or age. In this way, only the technical requirements of the position, experience and above all the expertise of the candidates are taken into account in the recruitment process.

#### Headcount trends

Over this same period, the percentage of women continued to grow marginally from 20.1% to 21.4%.

As a general rule, age and average seniority for men and women show identical trends.

Women employees are largely concentrated in the corporate support functions of the company.

#### Working conditions

In terms of socio-professional categories, the presence of women is higher in office, technical and supervisory positions. These female employees, working during the day, are mainly exposed to occupational risks associated with administrative activities. Male employees occupying a larger number of positions in production, and in the plant worker category, are exposed to occupational risk relating to manufacturing activities.

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Indicators relating to the organisation of occupational and family responsibilities are as follows:

- Signature of workplace gender equality agreements at Haulotte Group and Haulotte France,
- Requests for parental leave are systematically accepted. In 2015, 22 employees took parental leaves for periods of 11 consecutive days, in addition to the standard days of leave granted following the birth of a child.

## **1.7.2 Measures adopted to promote integration of disabled persons**

The Company employs 24,66 persons with disabilities compared to 25 in 2014 and 27 in 2013 with no statutory employer contributions on that basis required for those periods.

In effect, with the modification of the law concerning the employment of disabled persons combined with a decrease in the use of subcontracting, through sheltered work facilities, we were in compliance with our obligations in this area. At all subsidiaries, there is no discrimination with regards to access to employment by disabled persons.

## **1.7.3 Policy implemented to combat discrimination**

The Human Resources functions and management of subsidiaries and manufacturing sites ensure these non-discrimination practices are properly applied. To that purpose, all Haulotte employees are provided with a professional behaviour charter when they join the Group. This charter strictly prohibits all practices or behaviours that may be considered with respect to national laws as discrimination based on nationality, ethnic origin, religion, age or gender or as moral or sexual harassment.

## **1.7.4 Promoting and respecting ILO core conventions on the freedom of association and protection of the right to organise and negotiate collective bargaining agreements, eliminating employment and occupational discrimination, abolishing forced labour and the effective abolition of child labour are respected.**

The company's general policy complies with the general principles of international law (OECD, ILO, community law) and national laws that exclude in particular any form of discrimination, harassment, use of forced labour or child labour. In particular, the Group ensures that the dignity of its staff, subcontractors, temporary workers and suppliers is respected.

In countries qualified as «at risk» where the Group has operations, Haulotte Group knows all employees authorised to be present at the site through personnel lists transmitted on a monthly basis to the personnel department based in Lorette, France.

In addition, the sites are regularly visited by Group staff in the performance of their functions. This staff is thus able to provide all necessary feedback on working conditions at the sites.

In parallel, French expatriate employees are present at each subsidiary or production site outside of France and ensure that the cultural values of Haulotte Group and the practices of the country, and therefore of the subsidiary or production site, are properly aligned.



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## 2 - ENVIRONMENTAL INFORMATION

The Group maintains its proactive and energetic commitment to sustainable development: promoting progress, improving working methods, managing environmental risks and impacts, respecting local regulations, lines of action focusing on prevention, safety and health.

Action plans focusing on prevention, protection and social progress are in place at all Group divisions and subsidiaries. Continuing efforts to mobilise, empower and raise awareness about the environmental risks and impacts associated with the activities of every employee, are key success factors of the Group in the area of sustainable development.

The Group is confronted with the main environmental challenges: climate change, the quality and availability of natural resources (air, water, ground and energy), protecting biodiversity and ecosystems.

This management report concerns mainly the industrial divisions (production sites) as the entities using the most energy and generating the most waste, and therefore with the largest environmental impact. On this basis, we have sought to provide information in particular on:

- The three sites certified ISO 14001: L'Horme, Le Creusot and Reims sites that account for 58% of the manufactured equipment transferred to subsidiaries.
- The Argès site in Romania, in light of its significant position, accounting for 22% of manufactured equipment transferred to subsidiaries.

The Archbold and Changzou sites are not included in the data collection process in order to put into place an appropriate organisation and collection method.

Due to their limited impact on the environment, the distribution and rental subsidiaries are not included in the reporting boundary for data collection.

The environmental disclosures required by L.225-102-1 of the French commercial code are provided below:

### 2.1 General environmental policy

Haulotte Group has voluntarily implemented an environmental management system in accordance with ISO 14001 that is being gradually deployed across all production sites.

Our objectives with respect to environmental protection remain focused on managing risk in those areas where we operate, managing our energy consumption, preventing pollution and waste management and reduction.

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## 2.1.1 The Company's organisational structure to take into account environmental issues, and if need be, steps taken for environmental evaluation or certification

The general policy on the environment has led to ISO 14001 certification of its production sites

- 2010: L'Horme site,
- 2012: Creusot site,
- 2013: Reims site.

Environmental responsibilities are fully defined at all levels of the Group's organisation. Each plant manager is responsible for his site and, on that basis, the proper application of the Group's policy, its environmental management system and results. To address these priorities, the European and American divisions have dedicated teams. Environmental and/or safety coordinators in Europe or maintenance managers for the United States are tasked with applying local regulations and internal procedures for the environment. Coordination at the central level is ensured by the manager responsible for the quality and environmental management systems who reports to the Vice President of Industrial Operations.

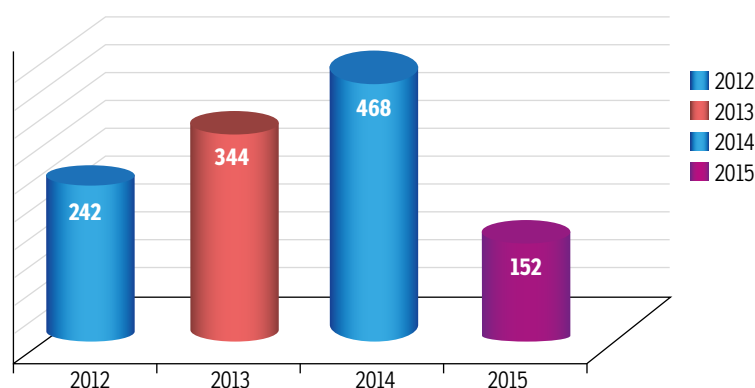
The French sites operate under special authorisation in accordance with French environmental protection regulations (Installations Classées pour la Protection de l'Environnement or ICPE). Continuing compliance with obligations in this area is assured by means of regulatory intelligence. Relations with the administration in charge of installations subject to environmental authorisations (ICPE) ensure constructive dialogue relating to trends for activity at production sites.

Finally, in compliance with ISO 14001, the three certified sites have developed procedures for addressing stakeholder issues through a communications management system.

## 2.1.2 Training and employee information actions relating to environmental protection

As part of their integration process, new employees receive environmental training. Awareness-raising initiatives are continuing with field inspections by the environmental coordinators for the site. Furthermore, a certain number of employees have received training on the use of emergency kits and work related risks of explosive atmospheres, chemicals and the loading and unloading of hazardous materials.

**Number of persons trained**



Source: Internal and external training report records, 2015 data for training modules on «The environment for everyone», «Transporting hazardous materials», «Chemical products», «Explosive atmospheres (ATEX)», reporting boundary for French and Romanian production sites.

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During the ISO 14000 certification process for the sites, training campaigns were carried out (from 2010 to 2014). For 2015, training concerned mainly newly recruited employees.

For other employees, regular communications initiatives are carried out reminding and informing them of good practices.

In addition, all outside persons working at our sites are provided with information on our approach along with instructions and the Group Environmental Quality policy that they must respect.

## **2.1.3 Resources devoted to preventing environmental risks and pollution**

The main environmental risks associated with Group activities concern accidental spillage, fire and explosion. The Group's approach for preventing and managing such risks is based on several lines of actions:

- Identifying the risk areas at our sites,
- Pollution control through confinement or reduction solutions (retention tanks, emergency kits, protected storage facilities, etc.),
- Periodic verifications and maintenance of installations and protective systems (changing filters and cleaning the painting cabins, control of emissions, verification of extinguishers, etc.),
- Pumping of our hydrocarbon separators and surface treatment baths,
- Security and control through infrared thermography of electrical cabinets, exercises for testing responsiveness to emergency situations.

All these measures are accompanied by employee-awareness raising initiatives.

In addition, a specific budget (budget ISO 14001) is allocated to environmental management.

## **2.1.4 The amount of provisions and guarantees for environmental risks, subject to the condition that its disclosure would not constitute a serious prejudice to the company with respect to litigation in progress**

Haulotte Group does not set aside provisions for environmental risks. However, in the event of accidental pollution, an environmental damage insurance policy covers all production sites for such risks.

## **2.2 Pollution and waste management**

Waste management and reduction represents one of our objectives in the area of environmental protection.

A number of environmental preservation action plans have been drawn up in strict compliance with the laws and regulations that apply in the countries where the Group operates.

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## **2.2.1 Measures to prevent, reduce or repair serious adverse effects on the environment from emissions into air, water and soil**

The Group has implemented a number of prevention measures:

- In connection with the quality and environment management systems, internal audits and field inspections are performed at regular intervals to ensure continuing improvements in our performances. These measures also provide ideal opportunities for maintaining a high level of employee awareness.
- Certified sites have produced an environmental analysis to identify significant environmental aspects related to the activity with potential for environmental impact. The results of this analysis highlight above all the key areas over which we possess the means of control. Annual objectives and targets approved by management are incorporated in the Quality Safety Environment management programs.
- In France, a Safety Advisor is appointed and oversees compliance with regulation governing hazardous materials used in production. Measures for improvement are implemented to secure the transport of hazardous materials from receipt at our sites to their evacuation by our waste management partners.
- Haulotte opens the doors of its manufacturing and commercial sites that are regularly visited by insurers, notably property insurers, to promote a continued spirit of partnership and trust. In this way, Haulotte works with its insurers to implement the recommendations developed pursuant to their visits.

Measures to reduce and repair our discharges involve different lines of action:

- Maintenance services present at the production sites are tasked with servicing, repairing, adjusting, testing, and verifying equipment (machinery, vehicles, manufactured products, etc.) and installations. This allows us to be responsive and make preventive improvements through an exchange of information between persons responsible for maintenance at the sites
- Continuous employee awareness-raising initiatives and preventive measures.
- Use of powder and high solid liquid paint containing less solvents. These paints make it possible to reduce emissions of volatile organic compounds (VOC).

## **2.2.2 Waste prevention, recycling and elimination measures**

The Group also ensures that the production of waste is effectively managed at every stage of its activity, both at production sites and offices.

For production sites, waste management is organised in terms of a number of key steps:

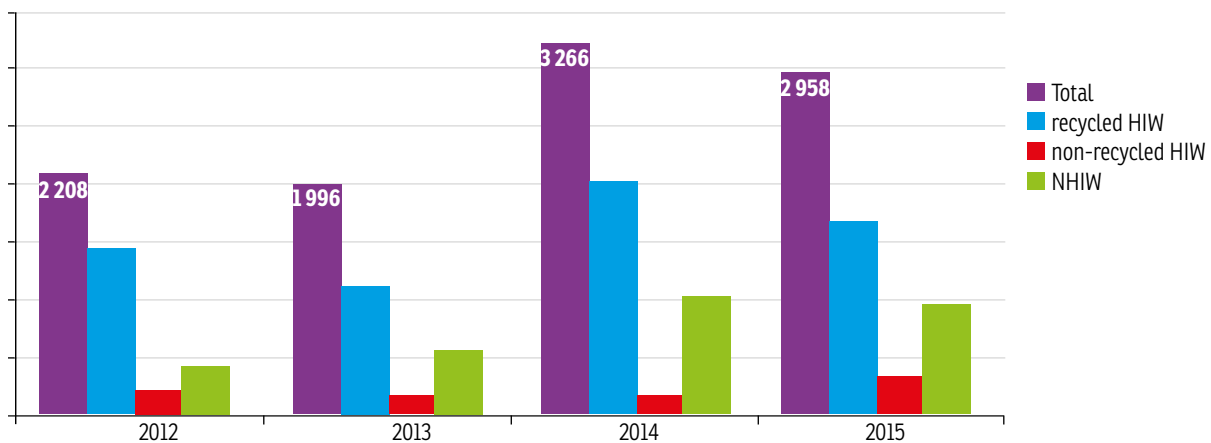
- identifying waste with instructions that are provided through environmental training programs,
- verifying the regulatory compliance of our waste management service providers,
- a colour coding system: 1 waste = 1 bin = 1 colour This method contributes to developing environmentally responsible reflexes and improving on-site sorting.

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- storage (storage containers for liquid waste, respecting the compatibility between products, identification for facilitating their evacuation, use of a cardboard compactor, etc.),
- traceability (hazardous waste tracking forms, registers, declarations),
- treatment, with a technical and regulatory knowledge of the waste processing channels, under the site's responsibility,
- periodic monitoring through field inspections.

## Waste tonnage and breakdown by category



NHIW consists of non-hazardous industrial waste like wood, cardboard, metal, plastic, etc.

HIW is hazardous industrial waste such as packaging materials contaminated by paint, paint sludge, painting cabin filters, batteries, etc.

Source : Waste tracking registers, invoices, hazardous waste tracking documents, 2015 data, reporting boundary of French and Romanian production sites.

The waste elimination method depends on its composition: material or energy recovery, recycling, landfills or incineration.

In 2013, cleaning campaigns organised at production sites increased the tonnage of iron.

In 2014, improved waste collection procedures at the Romanian site made it possible to transfer waste to the proper treatment channels. As a result, tonnage of NHIW not recovered declined which contributed to changes in figures for tonnage for the other categories. Furthermore, manufacturing output increased by 6%, accounting for the corresponding increase in waste.

In 2015, measures continued to monitor and improve waste separation procedures (audit, communication).

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## 2.2.3 The management of noise pollution and other forms of pollution specific to an activity

The Group's activities do not generate any particular noise pollution and the Group complies with local regulations. Because the production sites are located in industrial zones and corridors, their activities do not generate disturbances to neighbouring populations.

## 2.3 Sustainable use of resources

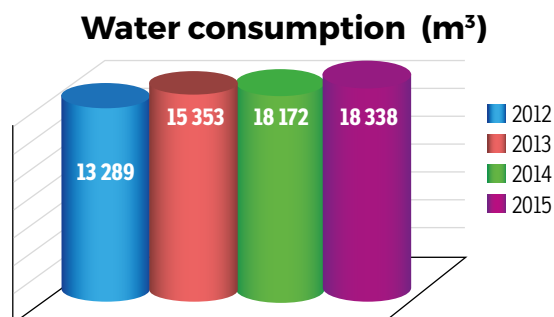
The Group's objective is to achieve greater efficiencies in managing energy and water consumption. Internal documents define the challenges and propose methodologies and lines of action as well as quantified objectives for reducing consumption.

### 2.3.1 Water consumption and supply in relation to local constraints

The water supply is assured through distribution networks.

Our main uses for water consumption are:

- Washing the aerial work platforms and telehandlers with high-pressure systems.
- The process of filling the surface treatment tunnel baths and water for rinsing on leaving the tunnel.
- Sanitary facilities.



Source: invoices for water, 2015 data, reporting boundary of French and Romanian production sites.

The increase from 2012 to 2014 was attributable to:

- An increase in the number of hours worked and the number of employees (Reims site),
- More frequent refilling of the surface treatment tunnel baths.

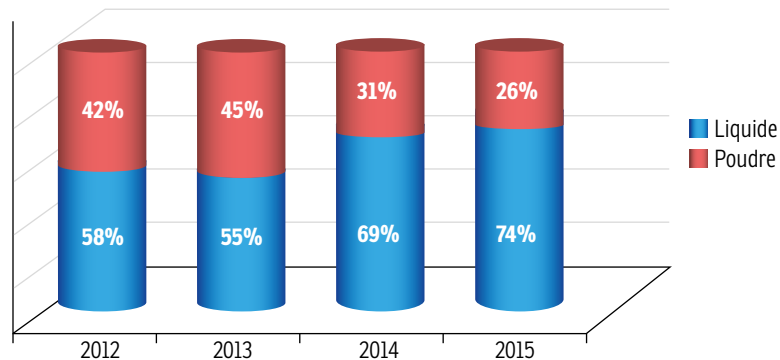
In 2015, water consumption remained steady in relation to the previous period.

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## 2.3.2 The consumption of raw materials and measures taken for improving efficiencies in their use

### Breakdown of paint consumption



Percentages of liquid paint broken down by the consumption of liquid paint, hardeners and diluents.  
Source : invoices, 2015 data, reporting boundary of French and Romanian production sites

Measures for improving our performance in painting operations:

- During work at one of our production sites, the dosing pumps were moved closer to the painting cabins to reduce consumption of the rinsing diluent,
- During painting workstation training, particular attention is paid to optimising the application of paint in order to effectively manage the electrostatic system which reduces pain wastage.
- Performing controls of the thickness of coats of paint,
- Monitoring consumption per m<sup>2</sup> of paint.

## 2.3.3 Energy consumption, energy performance measures and use of renewable energies

Our main sources of electrical consumption are from:

- Operating production and computer equipment,
- Lighting,
- Air conditioning.

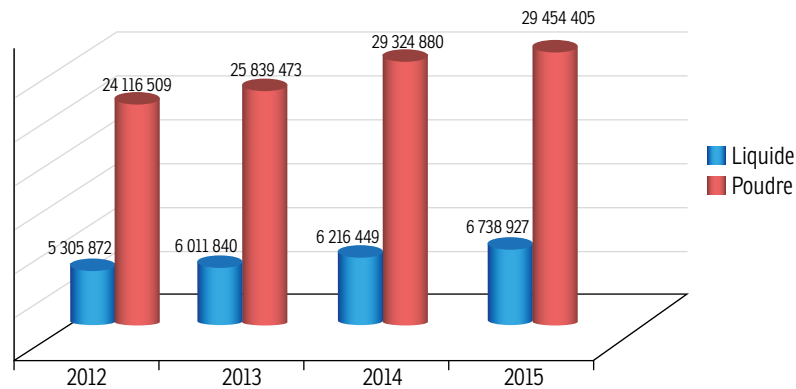
Our main sources of gas consumption are:

- Painting processes. Changes in temperatures between winter and summer seasons directly impact our gas consumption,
- Heating offices and production workshops.

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## Electricity and gas consumption (KW/h)



Source: invoices for natural gas, 2015 data, reporting boundary of French and Romanian production sites

Measures taken at some of our sites to improve energy performance include:

- Optimising the start phase of the painting process
- Monitoring gas consumption by equipment through secondary meters
- Improving building insulation
- Shifting to more energy-efficient heaters
- Installation of LED lighting
- Installation of movement sensors for outside lighting

Renewable energies are not used.

### 2.3.4 4. Soil use

Industrial sites are located in zones specifically devoted to industrial activities. The manufacturing process does not involve any use of soil resources.

Environmental impacts are effectively kept under control by the preventive measures and mechanisms in place.



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## 2.4 Climate change

### 2.4.1 Greenhouse gas emissions

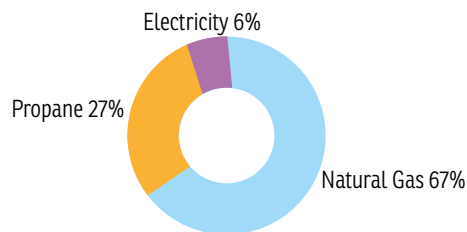
A carbon footprint audit was carried out in 2013 (2012 data collection).

#### Breakdown of tons of CO2 emissions by energy

In light of the manufacturing process involved, natural gas is the primary source of emissions.

Energy accounts for 91% of our total emissions.

#### Breakdown of tons of CO2 emissions by energy



Source: Information from the GHG emissions audit, 2012 data, reporting boundary for the French production site and the Lorette replacement parts site.

The carbon footprint audit is carried out and updated every three years in compliance with applicable regulations. In consequence, a new audit was not performed in 2015 (2014 data collection). The reporting boundary remained unchanged over the two periods.

### 2.4.2 Adapting to the consequences of climate change

Haulotte's activity has only a limited impact on the environment, and in consequence, a marginal and nonsignificant impact on climate change. Furthermore, the commercial and industrial activity of Haulotte Group is not directly impacted by the consequences of climate change.

## 2.5 Protection of biodiversity

### 2.5.1 Measures to preserve or develop biodiversity

None of our sites are located in a protected area defined by local environmental regulations.

Measures taken to protect the environment are also destined to promote biodiversity (limiting pollution, not discharging waters into the drainage assistance, annual control of water and air discharges, waste management).

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## 3 - SOCIAL INFORMATION

The social disclosures required by L.225-102-1 of the French commercial code are provided below:

### 3.1 Territorial, economic and social impact of the Company on employment and regional development, and on neighbouring or local populations

The Group is committed to promoting local employment throughout the world. More generally, the Group's business focus on local service and customer proximity, is reflected in particular by opening subsidiaries in local markets and manufacturing divisions in each region (except in Latin America) to support these markets and use networks of local suppliers. This in turn allows it to optimise supply chain flows, lower cost and reduce environmental impacts.

In this way, since 2011 Haulotte Group has been a member of the ViaMéca Competitive Cluster devoted to mechanical engineering, in the broad sense of the term, covering surface engineering, advanced manufacturing processes, intelligent systems and robotics, etc. This gives it access to the regional ecosystem to identify partners and suppliers to develop its projects and products.

Highlighting this commitment to promote a better understanding and cooperate with local economic stakeholders and strengthen its territorial base, since 2013 the Group has been a member of the Cluster's Committee and Board of Directors.

More generally, the Group is among the top ten employers of the Loire department and the Creusot – Monceau intercommunity region and the sixth largest employer of Creusot.

The Group's position within the regional economy has also been reinforced by closer ties with institutional stakeholders (regular meetings with Saint-Etienne metropolis, participation in the future inter-community organisation's work), support provided to their actions («Ambassadeurs Stéphanois» initiative, the city's «French Tech» Label candidacy) and participation in the Club Gier business association grouping companies from the Gier valley industrial and urban region.

An ongoing relationship with the Loire region branch of France's Public Investment Bank (Banque Publique d'Investissement – BPI) (ex-OSEO) has provided foundations for building trust and support to the financing of innovation. Services proposed by the Chamber of Commerce and Industry of St Etienne Montbrison Chamber and also of Lyon, are also of increasing interest to Group employees, providing opportunities for monitoring developments in specialised fields (taxation, customs Incoterms, etc).

At the international level, in 2012, Haulotte Group was among the five largest exporters of the Loire department (CCI, Customs), the top 50 of the Rhône-Alpes Region, and 541st at the national level, excluding activities of its foreign subsidiaries. In the same spirit, according to the Economic Development Department of the St Etienne Métropole, Haulotte is among the department's top five «Intermediate Sized Companies», i.e. with a largely family-owned shareholder base, historically rooted in the Saint-Étienne region yet with a broad international reach (with exports accounting for more than 70% of sales).

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## **3.2 Relations with stakeholders, including in particular associations promoting social integration, educational institutions, environmental defence groups, consumer associations and local populations**

### **3.2.1 Conditions of dialogue with these stakeholders**

Reflecting its commitment to developing close relations with both customers and local populations, the Group maintains ongoing dialogue with stakeholders having an interest in the Company's activities. This dialogue is enhanced by concrete and diverse initiatives with individuals, associations, higher education institutions or concerned interest groups.

To strengthen ties with local stakeholders, it has developed working relationships and exchanges with higher education institutions (École des Mines de St Etienne, Cité du Design de St Etienne, ESC St Etienne). Other initiatives are pending implementation with several high-level partners present in the nearby region. Such alliances will no doubt be made possible in the future by the birth and development of projects. Haulotte Group organised an open house day in October 2013 with more than 550 participants, including employees, their guests, inhabitants from the region having participated in a selection, local elected officials, etc.

For its 30th anniversary, Haulotte Group organised internal events with all staff (the 6 manufacturing plants of the Group and 20 sales and service subsidiaries) on 4 September 2015. This collective initiative set the stage for a celebration through different festivities organised in each entity, supported by interventions rebroadcast by Pierre and Alexandre Saubot.

This anniversary was also celebrated with many clients at trade shows at which Haulotte Group exhibits its products and services like Intermat (Paris – April 2014), Bices (Shanghai – September 2015), Conexpo Latin America (Santiago – October 2015), as well as through events organised by Haulotte, such as ExpoHaulotte (Mexico – November 2015).

### **3.2.2 Partnerships or corporate sponsorship initiatives**

For example, actions may take the form of partnerships with higher education institutions located near Group structures, notably by welcoming trainees, the payment of apprenticeship taxes, discovery days, special joint initiatives with labour organisations, but also the occupational healthcare authorities or Direccte (regional enterprise, competition, consumer, work and employment authorities), employer groups or by supporting local social projects.

For 2015, reflecting the goals of the Gender Equality Agreement that was adopted, we plan to reinforce partnerships with schools preparing students for the Group's different business lines. The company on this basis intends to participate in roundtables, student fairs and present the company at certain schools.

## **3.3 Outsourcing and suppliers**

### **3.3.1 The manner in which the company's purchasing policy takes into account social and environmental issue**

Haulotte has implemented a sustainable development and continuing progress approach. Its suppliers are requested to participate, vis-à-vis their own environment and in response to the employment-related and social priorities of their own stakeholders.

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### **3.3.2 The importance of outsourcing and manner in which relations with suppliers and subcontractors are taken into account in the company's social and environmental responsibility**

The Group's industrial strategy is concentrated on three priority areas:

- Design and industrialisation,
- Assembly,
- Quality assurance and regulatory compliance...

As it is not possible for the internal organization to master all technologies used for our machines, the weld-fabricated, electrical and hydraulic components and sub-assemblies are consequently outsourced to specialized suppliers possessing expertise in these technologies.

### **3.3.3 Fair practices**

#### **Measures to prevent corruption**

The Group's business conduct charter stipulates that no employee may accept a gift or a gratuity from a client or supplier other than promotional items of negligible value. The Group also prohibits making any form of unlawful payment to a customer or supplier to obtain a contract or commercial advantage.

No member of the Group's personnel may invest, directly or indirectly, in the capital of a supplier or customer when there exists contracts relations between the company and this supplier or customer.

Several internal audits have been performed, and are regularly carried out, to ensure the proper application of Group procedures and strict compliance with these guidelines.

### **3.3.4 Measures in favour of consumer health and safety**

Throughout the process covering the design, manufacture and sale of products, the Group attaches considerable importance to the health and safety of consumers, and ensures continuing improvements in materials. This priority involves the certification of sites (ISO 14001 environmental certification), compliance with laws and regulations (in particular regarding safety, certification and conformity of machines), and continuous monitoring of incidents or accidents that might have involved the presence of a Group product.

### **3.3.5 Other actions undertaken, with respect to section 3.3 of this report, in favour of human rights**

Recalling that the Group is committed to ensuring compliance with local laws and regulations, it should be noted that HR and safety policies applied throughout the Group also concern ensuring equal access to employment opportunities, non-discrimination, remuneration, occupational safety (both physical and psychological), fully taking into account the human dimension (physical and psychological), and respecting specific local conditions. These core values are promoted by the Group both in France but also in every country where it is present.

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## 4 - NOTES ON THE ENVIRONMENTAL, EMPLOYMENT-RELATED AND SOCIAL DISCLOSURES

### 4.1 Cross-reference table (The Grenelle II Act)

Article	Description	Section
<b>1.</b>	<b>CORPORATE SOCIAL RESPONSIBILITY DISCLOSURES</b>	
1.a	Employment	1.1
	Total workforce and breakdown by gender, age and region	1.1.1
	Recruitment and layoffs	1.1.2
	Remuneration and compensation trends	1.2
1.b	Work organisation	
	Working time organisation	1.3
1.c	Labour relations	
	The organisation of dialogue between employees and management, and notably procedures for providing information, consultation and negotiations with employees	1.4.1
	Report on collective agreements	1.4.2
1.d	Health and safety	1.5
	Occupational health and safety conditions	1.5.1
	Report on agreements signed with trade unions or employee representatives concerning occupational health and safety	1.5.2
	Occupational accidents, including in particular frequency and severity rates, as well as occupational illnesses:	1.5.3
1.e	Training	1.6
	Training policies implemented	1.6.1
	Total number of training hours	1.6.2
1.f	Equal opportunity and non-discrimination	1.7
	Measures adopted to promote gender equality	1.7.1
	Measures adopted to promote integration of disabled persons	1.7.2
	Policy implemented to combat discrimination	1.7.3
1.g	Promoting and respecting ILO core conventions on the freedom of association and protection of the right to organise and negotiate collective bargaining agreements, eliminating employment and occupational discrimination, abolishing forced labour and the effective abolition of child labour are respected	1.7.4

# MANAGEMENT REPORT

Presented to the annual ordinary and extraordinary general meeting of 24 May 2016

<b>2</b>	<b>ENVIRONMENTAL INFORMATION</b>	
2.a	General environmental policy	2.1
	The company's organisational structure to take into account environmental issues, and if need be, steps taken for environmental evaluation or certification	2.1.1
	Training and employee information actions relating to environmental protection	2.1.2
	Resources devoted to preventing environmental risks and pollution	2.1.3
	The amount of provisions and guarantees for environmental risks, subject to the condition that its disclosure would not constitute a serious prejudice to the company with respect to litigation in progress	2.1.4
2.b	Pollution and waste management	2.2
	Measures to prevent, reduce or repair serious adverse effects on the environment from emissions into air, water and soil:	2.1.2
	Waste prevention, recycling and elimination measures	2.2.2
	The management of noise pollution and other forms of pollution specific to an activity	2.2.3
2.c	Sustainable use of resources	2.3
	Water consumption and supply in relation to local constraints	2.3.1
	The consumption of raw materials and measures taken for improving efficiencies in their use	2.3.2
	Energy consumption, energy performance measures and use of renewable energies	2.3.3
	Soil use	2.3.4
2.d	Climate change	2.4
	Greenhouse gas emissions	2.4.1
	Adapting to the consequences of climate change	2.4.2
	The consequences of the company's business and use of goods and services produced by the company on climate change	2.4.3
	Measures to preserve or develop biodiversity	2.5
<b>3</b>	<b>SOCIAL INFORMATION</b>	
3.a	Territorial, economic and social impact of the company on employment and regional development, and on neighbouring or local populations	3.1
3.b	Relations with stakeholders, including in particular associations promoting social integration, educational institutions, environmental defence groups, consumer associations and local populations	3.2
	Conditions of dialogue with these stakeholders	3.2.1
	Partnerships or corporate sponsorship initiatives	3.2.2

# MANAGEMENT REPORT

Presented to the annual ordinary and extraordinary general meeting of 24 may 2016

3.c	Outsourcing and suppliers	3.3
	The manner in which the company's purchasing policy takes into account social and environmental issue	3.3.1
	The volume of outsourcing and manner in which relations with suppliers and subcontractors are taken into account in the company's social and environmental responsibility	3.3.2
	Fair practices	3.3.3
	Measures in favour of consumer health and safety	3.3.4
	Other actions undertaken, with respect to section 3.3 of this report, in favour of human rights	3.3.5

# MANAGEMENT REPORT

**Presented to the annual ordinary and extraordinary general meeting of 24 May 2016**

**Report by one of the Statutory Auditors, appointed as an independent third party, on the consolidated human resources, environmental and social information included in the management report.  
(For the year ended December 31, 2015)**

*This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.*

## **Haulotte Group SA**

La Péronnière  
BP9  
42152 L'Horme

To the Shareholders

In our capacity as Statutory Auditor of Haulotte Group S.A, appointed as an independent third party and certified by COFRAC under number 3-1060, we hereby report to you on the consolidated human resources, environmental and social information for the year ended 31 December 2015, included in the management report (hereinafter named «CSR Information»), pursuant to article L.225-102-1 of the French Commercial Code (*Code de commerce*).

### Company's responsibility

The Board of Directors is responsible for preparing a company's management report including the CSR Information required by article R.225-105-1 of the French Commercial Code in accordance with the guidelines used by the Company (hereinafter the «Guidelines») and available on request from the company's head office.

### Independence and quality control

Our independence is defined by regulatory texts, the French Code of ethics (Code de déontologie) of our profession and the requirements of article L.822-11 of the French Commercial Code. In addition, we have implemented a system of quality control including documented policies and procedures regarding compliance with the ethical requirements, French professional standards and applicable legal and regulatory requirements.

### Responsibility of the Statutory Auditor

On the basis of our work, it is our responsibility to:

- attest that the required CSR Information is included in the management report or, in the event of non-disclosure of a part or all of the CSR Information, that an explanation is provided in accordance with the third paragraph of article R.225-105 of the French Commercial Code (Attestation regarding the completeness of CSR Information);
- express a limited assurance conclusion that the CSR Information taken as a whole is, in all material respects, fairly presented in accordance with the Guidelines (Conclusion on the fairness of CSR Information).

Our work involved 3 persons and was conducted between March 14, 2016 and April 11, 2016 during a three-week period. We were assisted in our work by our CSR experts.

We performed our work in accordance with the French professional standards and with the order dated May 13, 2013 defining the conditions under which the independent third party performs its engagement and with ISAE 3000 concerning our conclusion on the fairness of CSR Information.



# MANAGEMENT REPORT

Presented to the annual ordinary and extraordinary general meeting of 24 may 2016

## I. ATTESTATION REGARDING THE COMPLETENESS OF CSR INFORMATION

### Nature and scope of our work

On the basis of interviews with the individuals in charge of the relevant departments, we obtained an understanding of the Company's sustainability strategy regarding human resources and environmental impacts of its activities and its social commitments and, where applicable, any actions or programmes arising from them.

We compared the CSR Information presented in the management report with the list provided in article R.225-105-1 of the French Commercial Code.

For any consolidated information that is not disclosed, we verified that explanations were provided in accordance with article R.225-105, paragraph 3 of the French Commercial Code.

### Conclusion

Based on the work performed, we attest that the required CSR Information has been disclosed in the management report.

## II. CONCLUSION ON THE FAIRNESS OF CSR INFORMATION

### Nature and scope of our work

We conducted around ten interviews with the three persons responsible for preparing the CSR Information in the departments in charge of collecting the information and, where appropriate, responsible for internal control and risk management procedures, in order to:

- assess the suitability of the Guidelines in terms of their relevance, completeness, reliability, neutrality and understand ability, and taking into account industry best practices where appropriate;
- verify the implementation of data-collection, compilation, processing and control process to reach completeness and consistency of the CSR Information and obtain an understanding of the internal control and risk management procedures used to prepare the CSR Informat.

We determined the nature and scope of our tests and procedures based on the nature and importance of the CSR Information with respect to the characteristics of the Company, the human resources and environmental challenges of its activities, its sustainability strategy and industry best practices.

Regarding the CSR Information that we considered to be the most important:

- at the level of consolidating entity , we referred to documentary sources and conducted interviews to corroborate the qualitative information (organisation, policies, actions), performed analytical procedures on the quantitative information and verified, using sampling techniques, the calculations and the consolidation of the data. We also verified that the information was consistent and in agreement with the other information in the management report;
- at the level of a representative sample of entities selected by us on the basis of their activity, their contribution to the consolidated indicators, their location and a risk analysis, we conducted interviews to verify that procedures are properly applied and we performed tests of details, using sampling techniques, in order to verify the calculations and reconcile the data with the supporting documents. The selected sample represents on average 41% of headcount and between 30% and 100% of quantitative environmental data disclosed.

For the remaining consolidated CSR Information, we assessed its consistency based on our understanding of the company.

# MANAGEMENT REPORT

**Presented to the annual ordinary and extraordinary general meeting of 24 may 2016**

We also assessed the relevance of explanations provided for any information that was not disclosed, either in whole or in.

We believe that the sampling methods and sample sizes we have used, based on our professional judgement, are sufficient to provide a basis for our limited assurance conclusion; a higher level of assurance would have required us to carry out more extensive procedures. Due to the use of sampling techniques and other limitations inherent to information and internal control systems, the risk of not detecting a material misstatement in the CSR information cannot be totally eliminated.

## Conclusion

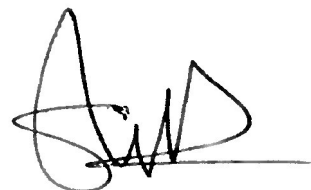
Based on the work performed, no material misstatement has come to our attention that causes us to believe that the CSR Information, taken as a whole, is not presented fairly in accordance with the Guidelines.

Lyon, 11 April 2016  
One of the Statutory Auditors  
PricewaterhouseCoopers Audit

Natacha Pélisson  
Partner



Sylvain Lambert  
Partner, Sustainable  
Development Department



# MANAGEMENT REPORT

Presented to the annual ordinary and extraordinary general meeting of 24 May 2016

## APPENDIX : LIST OF THE CSR INFORMATION THAT WE CONSIDERED TO BE THE MOST IMPORTANT

### Social information

- Total workforce with a breakdown by gender, age and region, including indicator number of men and women by region ;
- Recruitment and layoffs, including indicator global view on in- and out- movements ;
- Remunerations and compensation trends, including indicator payroll and social charges ;
- Absenteeism, including indicator absenteeism rate ;
- Report on labour relations, including indicator number of agreements signed ;
- Health and safety ;
- Occupational accidents, including in particular frequency and severity rate, as well as occupational illness, including indicator frequency rate and severity rate ;
- Number of training hours ;
- Forced labour abolition ;
- Effective abolition of child labour.

### Environmental information

- Company's organisational structure to take into account environmental issues , steps taken for environmental evaluation or certification, including indicator number of sites ISO 14001 certified ;
- Resources devoted to preventing environmental risks and pollution ;
- Measures to prevent, reduce or repair serious adverse effects on the environment from emissions into air, water and soils ;
- Waste prevention, recycling and elimination measures, including indicator waste tonnage ;
- Energy consumption, energy performance measures and use of renewable energies, including indicators electricity and gas consumption;
- Greenhouse gas emissions.

### Corporate social responsibility information

- Territorial, economic and social impact of the company on employment and regional development ;
- Territorial, economic and social impact of the company on neighbouring or local populations ;
- The manner in which the company's purchasing policy takes into account social and environmental issue ;
- The importance of outsourcing and manner in which relations with suppliers and subcontractors are taken into account in the company's social and environmental responsibility ;
- Measures to prevent corruption.

# MANAGEMENT REPORT

Presented to the annual ordinary and extraordinary general meeting of 24 May 2016

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

### **1 - CAPITAL STRUCTURE OF THE COMPANY**

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

At 2015 year-end, the company's capital structure was as follows:

- SOLEM: 54.60% of the share capital (and 70.04 % of theoretical voting rights / 72.75% of exercisable voting rights)
- Public (bearer shares): 38.12% of the share capital (and 24.45 % of theoretical voting rights / 25.40% of exercisable voting rights)
- Holders of registered shares: 1.48 % of the share capital (and 1.78 % of theoretical voting rights / 1.85% of exercisable voting rights)
- Treasury shares: 5.80 % of the share capital (without voting rights).

#### **1.1 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**

Under Article 9 (Transfer and Transmission of Shares) of the Articles of Association, 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).

#### **1.2 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.

# MANAGEMENT REPORT

Presented to the annual ordinary and extraordinary general meeting of 24 may 2016

## **1.3 List of direct or indirect shareholdings in the Company's capital of which it has knowledge by virtue of articles L233-7 and L233-12 of the French commercial code**

The shareholder structure and direct and indirect shareholdings known to the company and all related information are described above in paragraph 1 and paragraph 4.2 of Part 1 of this report.

## **1.4 List of agreements between shareholders of which the Company has knowledge and which could result in restrictions on the transfer of shares and the exercise of voting rights**

None.

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

No agreements have been entered into by the company containing change of control clauses.

## **1.6 List of agreements providing for indemnities for members of the Board of Directors or employees should they resign or be dismissed without due cause or serious grounds or should their employment contract be terminated as a result of a public takeover bid**

None.

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

The Articles of Association provide that the Company is governed by a Board of Directors whose composition complies with applicable legal provisions.

### **Appointment of directors:**

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

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 Articles of Association for directors, not more than one third of the board members may be older than seventy years of age.

# MANAGEMENT REPORT

## **Presented to the annual ordinary and extraordinary general meeting of 24 may 2016**

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 Articles of Association).

The Board of Directors selects from among its members a natural person as Chairman that must be less than eighty 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 Articles of Association).

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

The Articles of Association 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 eighty, 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 Articles of Association (article 12 of the Articles of Association).

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

Co-optation 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 an executive board and supervisory board) and finally by revocation or resignation.

### **1.8 Rules governing the modification of the Company's articles of association**

Amendments to the articles 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 articles of association 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 articles of association 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.

# MANAGEMENT REPORT

Presented to the annual ordinary and extraordinary general meeting of 24 may 2016

## **1.9 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 ability 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 Articles of Association.

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.

# MANAGEMENT REPORT

Presented to the annual ordinary and extraordinary general meeting of 24 may 2016

## PART 4 : RESOLUTIONS SUBMITTED TO THE GENERAL MEETING

We have called this ordinary and extraordinary general meeting to:

- to report you on the situation and activity of our Company and the group it headed during the period ended 31 December 2015 to submit for your approval the annual and consolidated financial statements for this period and your grant of discharge to the directors;
- appropriate the net income of this period;
- propose an option for payment of dividends in the form of shares (stock dividends),
- approve the report produced by your auditors on the agreements covered by articles L.225-38 et seq. and L.225-40-1 of the French commercial code;
- renew the terms of office of directors;
- renew the term of a statutory auditor and appoint a new alternate auditor;
- submit for your approval the following draft resolutions:
  - Authorization to be granted to the Board of Directors to deal in the Company's shares in accordance 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, the French financial market authority (Autorité des Marchés Financiers)
  - Modification of article 15 of the articles of association to raise the age limit for the Chief Executive Officer to 80,
  - Authorization to be granted to the Board of Directors to cancel own shares held in treasury by the Company;
  - Delegation of powers to be granted to the Board of Directors to increase the share capital by means of issuing all securities giving present or future rights to a portion of the capital, maintaining the preferential subscription rights of shareholders;
  - Delegation of powers to be granted to the Board of Directors to increase the share capital through a public offer by issuing all securities giving present or future rights to a portion of the capital, without preferential subscription rights for existing shareholders;
  - Delegation of powers to be granted to the Board of Directors to increase the share capital through a private placement within the meaning of article L.411.2 ii of the French financial and monetary code by issuing all securities giving present or future rights to a portion of the capital without preferential subscription rights;
  - Authorization to be granted to the Board of Directors to increase the number of shares to be issued under the authority granted under the above resolutions to meet excess demand;
  - Authority to be granted to the Board of Directors to set the issue price of securities issued cancelling the preferential subscription rights within the framework of the delegation of powers covered by the preceding resolution;



# MANAGEMENT REPORT

**Presented to the annual ordinary and extraordinary general meeting of 24 may 2016**

- Delegation of powers to be granted to the Board of Directors to increase the registered share capital as consideration for equity securities or other securities giving access to the share capital and tendered as contributions in kind to the Company in connection with public exchange offers:
- Delegation of 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.
- 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.

## **REPORT DRAWN UP BY THE CHAIRMAN OF THE BOARD OF DIRECTORS IN ACCORDANCE WITH THE PROVISIONS OF ARTICLE L.225-37 OF THE FRENCH COMMERCIAL CODE**

In accordance with the provisions of article L.225-37 of the French commercial code, the Chairman's report on the preparation and organization of the Board's work and on the procedures of internal control implemented by the Company approved by the Board of Directors on 8 March 2016 is enclosed in Appendix 2 of this report.

## **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 , paragraph 4 of the French Commercial code we inform you that the list of delegations of authority or powers remaining in force and 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 is included in Appendix 3 of this report.

# MANAGEMENT REPORT

Presented to the annual ordinary and extraordinary general meeting of 24 May 2016

## ORDINARY RESOLUTIONS

### 1 - APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR

We hereby submit for your approval the annual financial statements (balance sheet, income statement and notes) as presented to you as well as the operations reflected in these accounts and showing a profit for the year of €1,612,528.92 and request that you grant full and unconditional discharge to the directors for the performance of their duties for the year ended.

### 2 - PROPOSAL FOR THE APPROPRIATION OF NET INCOME

We propose the distribution in dividends of the full amount of profit for the year ended 31 December 2015 or €1 612 528,92 increased by €5 264 612,56 deducted from accumulated profit in the «retained earnings» account, accordingly reduced from €10 887 778,15 to €5 623 165,59.

Total dividends would accordingly amount to 6 877 141,48 or €0,22 per share, payable as from the general meeting and in accordance with statutory deadlines, it being specified that treasury shares held by the Company do not carry dividend rights and, in the case where, at the time of payment, the company holds treasury shares, earnings corresponding to unpaid dividends on these shares will be allocated to the «retained earnings» account.

French resident individuals holding shares qualify for a 40% tax allowance for dividends based on the total amount.

### 3 - OPTION BETWEEN PAYMENT OF THE DIVIDEND IN CASH OR IN SHARES

Subject to appropriation of earnings as proposed in point 3, we propose to offer shareholders, in accordance with provisions of article L.232-18 of the French commercial code and article 19, paragraph 5 of the articles of association, an option to receive payment of the dividend in cash and/or in new shares of the Company.

This option will cover the total dividend to be distributed or €6,877,141.48 Each shareholder accordingly has a choice of either :

- exercising his or her option to receive payment of the dividend in the form of shares (stock dividends) or in cash for the amount of the dividend rights to which he or she is entitled,
- or exercising the option for receiving payment in the form of shares for one half these dividend rights and one half in cash,

The new shares will be issued at a price at least equal to 90% of the average price over the 20 trading days preceding the date of the general meeting minus the net amount of the dividend, in accordance with provisions of article L.232-19, subsection 2 of the French commercial code. This issue price will be rounded up to the nearest euro cent, whereby it is specified that the price may not be less than the nominal value.

If the dividend amount does not represent a whole number of shares, shareholders may obtain the next lowest whole number of shares supplemented by the balance in cash.

# MANAGEMENT REPORT

## Presented to the annual ordinary and extraordinary general meeting of 24 May 2016

Shareholders opting to receive stock dividends for the full amount or for one half their dividend rights, may exercise this option starting from the date of the general meeting up to 26 June 2016 inclusive, by sending to the financial intermediary maintaining their securities account or, for shareholders listed in the issuer-registered accounts maintained by the Company, to the Company itself, the application form made available to shareholders at the registered office. After this period or, if this option is not exercised, the dividend will accordingly be paid in cash only.

Shares issued for dividend payments would be fungible and rank pari passu with existing shares, carrying the same rights and subject to the same provisions of the articles of association and the general meeting from the date of their issue.

We also ask you to please grant all powers to the Board of Directors, with the possibility of delegating these powers, for the purpose of implementing this resolution and, in particular for the purposes of:

- Set the price of the shares issued according to the conditions set this general meeting,
- Undertake all formalities and filings, and in particular those useful for issuing and listing the shares thus issued by virtue of this decision,
- And in general, do everything that is necessary to permit the distribution of stock dividends.

If you vote in favour of this resolution, in accordance with the provisions of article L.232-20 of the French commercial code, at the time of the first meeting following the expiration of the period set by this general meeting for exercising the option to receive dividends in the form of new shares, the Board of Directors will record the number of shares thus issued and amend the provisions of the articles of association relating to the amount of registered capital and the number of shares they represent. The Chairman may, after having been delegated authority by the Board of Directors, carry out these measures in the month following the expiration of the period set by the general meeting for opting to receive stock dividends.

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:

	<b>Dividends</b>	<b>Amount eligible for the 40 % tax basis reduction provided for under article 158 3 2 of the French general tax code (Code Général des Impôts).</b>	<b>Amount not eligible for the 40 % tax basis reduction provided for under article 158 3 2 of the French general tax code.</b>
Fiscal year ended 31 December 2014	6 465 923,20 €	6 465 923,20 €	None
Fiscal year ended 31 December 2013	4 406 445,89 €	4 406 445,89 €	None
Fiscal year ended 31 December 2012	None	None	None

# MANAGEMENT REPORT

Presented to the annual ordinary and extraordinary general meeting of 24 May 2016

## 4 - APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

We hereby submit for your approval the annual financial statements (balance sheet, income statement and notes) as presented to you as well as the transactions reflected therein.

## 5 - AGREEMENTS COVERED BY ARTICLES L.225-38 ET SEQ. AND THE LAST SUBSECTION OF ARTICLE L.225-40-1 L.225-102-1 OF THE FRENCH COMMERCIAL CODE

The auditors' special report provides information on regulated agreements with related parties subject to the provisions of articles L.225-38 and L.225-40-1 of the French commercial code entered into in prior periods that remained in force in the last fiscal year.

In compliance with the provisions of article L. 225-38 of the French Commercial Code, we request that you approve this report.

In accordance with the provisions of the last paragraph of article L.225-102-1 of this code, we remind you of those agreements entered into in the period ended between on the one hand, the chief executive officer, one of the deputy chief executive officers, one of the directors or one of the shareholders possessing more than 10% of voting rights in the Company and, on the other hand, another company owned by the Company itself \*\*\*, directly or indirectly, more than one half the share capital and those remaining in force in the period ended.

Chief Executive Officer and/ or Deputy*** Chief Executive Officers and/or Directors and/ or a Shareholder possessing more than 10% of the company's share capital	Corporate purpose	Subsidiaries concerned
Solem	Debt waiver executed on 31/12/01 with a financial recovery clause Debt waiver for 1 219,663 €	Télescopelle

## 6 - PROPOSAL TO RENEW THE TERMS OF OFFICE OF A MEMBER OF THE BOARD OF DIRECTORS

We inform you that the terms of office of Elisa Savary, Michel Bouton, Alexandre Saubot, Hadrien Saubot and José Monfron as Directors expire at the end of the next general meeting.

We propose accordingly that you renew said terms of office for a period of six years that will expire at the end of the general meeting called to approve the financial statements for the financial year ending 31 December 2021.

# MANAGEMENT REPORT

Presented to the annual ordinary and extraordinary general meeting of 24 May 2016

## **7 - PROPOSAL TO RENEW THE APPOINTMENTS OF A JOINT STATUTORY AUDITOR AND A NEW JOINT DEPUTY AUDITOR**

We inform you that the appointments of the joint statutory auditors of the firm Pricewaterhousecoopers Audit represented by Natacha Pelisson and of the joint deputy auditor of Yves Nicolas, expire at the end of the next general meeting.

We inform you in accordance with the terms of article L.822-14 of the French commercial code that the appointments of auditors, natural persons and signatory members of an auditing firm whose securities are listed for trading on a regulated market may not be renewed and their terms shall be limited to six years.

In consequence, we propose that you (i) renew the appointment of the joint statutory auditors of the firm PricewaterhouseCoopers Audit represented by Natacha Pelisson, with the obligation of rotation of partners responsible for auditing the financial statements respected, as Natacha Pelisson has been a signatory partner for the last two financial years only, and (ii) appoint Jean-Christophe Georghiou, residing at 63, rue de Villiers, 92208 Neuilly sur Seine Cedex, as the new joint deputy auditor, replacing Yves Nicolas, for a period of six years that will expire at the end of the ordinary general meeting called to rule on the financial statements for the period ending 31 December 2021.

## **8 - PROPOSAL TO AUTHORIZE THE BOARD OF DIRECTORS TO PURCHASE AND SELL SHARES OF THE COMPANY**

We propose that you grant a new authorization 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 of:

- Maintaining an orderly market in the company's shares within the framework of a liquidity agreement in compliance with the code of professional conduct of the French Association of Investment Firms (Association Française des Marchés Financiers or AMAFI) of 8 March 2011 and concluded with an investment service provider acting independently;
- 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;
- Cancelling shares thus acquired, subject to adoption by the extraordinary shareholders' meeting of the resolution authorizing the Board of Directors to reduce the share capital by cancellation of own shares held in treasury.
- 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.

# MANAGEMENT REPORT

**Presented to the annual ordinary and extraordinary general meeting of 24 may 2016**

This authorisation would be granted under the following conditions:

- The total number of shares purchased by the Company under this authorization 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 authorization 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 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, may be 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 that may 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 authorized for this share buyback program shall be set at €62 519,468.

This authorisation shall be granted for eighteen months and would replace and supersede the prior authorisation granted by resolution six of the ordinary and extraordinary shareholders' meeting of 28 May 2015.

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 to 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.

# MANAGEMENT REPORT

Presented to the annual ordinary and extraordinary general meeting of 24 May 2016

## EXTRAORDINARY RESOLUTIONS

### **9 - MODIFICATION OF ARTICLE 15 OF THE ARTICLES OF ASSOCIATION TO RAISE THE AGE LIMIT FOR THE CHIEF EXECUTIVE OFFICER TO 80**

We inform you that the age limit for exercising the functions of Chief Executive Officer should be raised to 80 and propose accordingly that the modification of article 15 of the Company's articles of association be placed on the agenda of the next general meeting.

### **10 - 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, that may be adjusted to take into account the impact of transactions on the capital after the decision of the general meeting, for periods of 24 months.

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 28 May 2015.

### **11 - DELEGATION OF POWERS TO BE GRANTED TO THE BOARD OF DIRECTORS TO INCREASE THE SHARE CAPITAL BY MEANS OF ISSUING ALL SECURITIES GIVING PRESENT OR FUTURE RIGHTS TO A PORTION OF THE CAPITAL, MAINTAINING THE PREFERENTIAL SUBSCRIPTION RIGHTS OF SHAREHOLDERS**

We propose that the Board of Directors be delegated powers 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 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.

# MANAGEMENT REPORT

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In consequence, we propose that you grant the Board of Directors powers 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 equal to 10% of the current share capital of the Company or €406,377. Under this authorisation, 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 capitalisation of reserves, earnings, issue premium or any other item that may be capitalised, by increasing the par value of existing shares or creating new bonus shares of the same class as existing shares and, subject to a maximum nominal amount equal to 10% of the Company's current share capital or €406,377, 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 irréductible*) over and above the number of the shares to which they were entitled by exercising their irrevocable entitlement, in proportion to said rights and within the limit of their demand;

We also request that you authorise 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 capitalisation of reserves, earnings or issue premium, shall not be negotiable and that the corresponding shares will be accordingly sold on the market;



# MANAGEMENT REPORT

**Presented to the annual ordinary and extraordinary general meeting of 24 May 2016**

- 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 these powers 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 recognise the capital increase(s) resulting from any issue carried out under the authorisation and amend the bylaws 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.

## **12 - PROPOSAL TO GRANT AUTHORITY TO THE BOARD OF DIRECTORS TO INCREASE THE SHARE CAPITAL THROUGH A PUBLIC OFFER BY ISSUING ALL SECURITIES GIVING PRESENT OR FUTURE RIGHTS TO THE CAPITAL WITHOUT PREFERENTIAL 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 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 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 €406 376,54, whereby it is specified to 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 €406 376,54.

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

# MANAGEMENT REPORT

## Presented to the annual ordinary and extraordinary general meeting of 24 may 2016

In compliance with article R.225-119 of the French commercial code and subject to the special authorisation submitted to you, the amount reverting or that shall revert to the Company for each of the shares to 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 authorised 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 , paragraph 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 it appropriate, 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:

- 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 recognise the capital increase(s) resulting from any issue carried out under the authorisation and amend the articles of association 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.

# MANAGEMENT REPORT

**Presented to the annual ordinary and extraordinary general meeting of 24 may 2016**

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 authorisation 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.

## **13 - 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 OF THE 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 €406 376,54, 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 or €406 376,54.

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 authorised under the grant of authority referred to in paragraph 11.

# MANAGEMENT REPORT

## Presented to the annual ordinary and extraordinary general meeting of 24 may 2016

In compliance with article R.225-119 of the French commercial code and subject to the special authorisation submitted to you, the amount reverting or that shall revert to the Company for each of the shares to 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 authorised 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 , paragraph 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 it appropriate, 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:

- 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 recognise the capital increase(s) resulting from any issue carried out under the authorisation and amend the articles of association 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.

# MANAGEMENT REPORT

**Presented to the annual ordinary and extraordinary general meeting of 24 may 2016**

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 authorisation 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.

## **14 - AUTHORISATION 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 11,12 and 13, we request that you authorise 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 11, 12 and 13, 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.

## **15 - 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 AUTHORISATIONS**

It is duly noted that if the Board of Directors implements the authorisations granted above under paragraph 10 and 11, 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 authorise the Board of Directors to set the issue price of securities issued within the framework of the authorisations granted above under paragraphs 12 and 13 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.

# MANAGEMENT REPORT

Presented to the annual ordinary and extraordinary general meeting of 24 May 2016

## **16 - 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 12 and 13, 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:

- (a) in accordance with the provisions of article L.225-147, paragraph 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 recognise the capital increase(s) resulting from any issue carried out under this authorisation and amend the bylaws in consequence.

This authorisation would be granted for twenty-six months and would replace and supersede the prior authorisation granted by resolution twelve of the ordinary and extraordinary shareholders' meeting of 27 May 2014.

# MANAGEMENT REPORT

Presented to the annual ordinary and extraordinary general meeting of 24 may 2016

## **17 - PROPOSED AUTHORISATION 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'Epargne 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 authorisations to be granted to the Board of Directors to increase the share capital submitted for your approval, it is requested that you grant your authorisation 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 €125,683.09 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 favour 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.

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 authorisation in compliance with the provisions of the law and the bylaws;
- Formerly record completion of the capital increases for the amounts of shares actually subscribed for under this authorisation;

# MANAGEMENT REPORT

## Presented to the annual ordinary and extraordinary general meeting of 24 may 2016

- Performing, directly or through an agent, all transactions and formalities;
- Making the corresponding amendments to the bylaws 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 authorisation 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 , paragraph 2 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.

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.

## **18 - 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**

In accordance with the provisions of articles L.225-129, L.225-129-2 et L.225-130 of the French commercial code, we hereby propose that you:

- 1) Delegate your powers to the Board of Directors, which they may in turn delegate in accordance with applicable laws, for a period of twenty-six months from the date of the general meeting, to carry out one or more capital increases through the capitalisation of reserves, earnings or additional paid-in capital, or other items eligible for capitalisation by law or the provisions of the articles of association, in the form of a free grant of new shares, increasing the nominal value of existing shares, where said shares carry the same rights as existing shares subject to their date of record.



# MANAGEMENT REPORT

## Presented to the annual ordinary and extraordinary general meeting of 24 may 2016

- 2) Decide that the total nominal amount of capital increases of the share capital that may be carried immediately or in the future, may not exceed €6 022 312,25,, to which may be added, as necessary, an additional amount to safeguard, in accordance with statute and regulations and, as necessary, applicable contractual provisions, the rights of holders of securities giving access to shares, whereby it is specified that this maximum amount is set independently and separately from the maximum amount set above under point 11.
- 3) Decide that this delegation of powers may be used at any time during this period, including, subject to the limits of applicable regulations, during periods of public tender offers for the Company's shares,
- 4) Decide, in accordance with the provisions of article L. 225-130 of the French commercial code, that if, when this delegation of powers is used by the Board of Directors, the rights to fractions of shares will not be negotiable or transferable and that the corresponding securities shall be sold. The proceeds of said sales will be allocated to the holders of such rights within the time limits provided for by regulation.

# MANAGEMENT REPORT

Presented to the annual ordinary and extraordinary general meeting of 24 may 2016

## APPENDIX 1 : FIVE-YEAR FINANCIAL SUMMARY OF HAULOTTE GROUP SA

Closing date Length of the fiscal year (months)	31/12/2015 12	31/12/2014 12	31/12/2013 12	31/12/2012 12	31/12/2011 12
<b>Share capital at year-end</b>					
Common stock	4 063 765	4 057 837	4 057 837	4 057 837	4 057 837
Number of shares					
- ordinary shares	31 259 734	31 214 129	31 214 129	31 214 129	31 214 129
- treasury shares	1 814 303	1 837 823	1 837 823	1 837 823	1 837 823
- dividend-right shares	29 445 431	29 376 306	29 376 306	29 376 306	29 376 306
Maximum number of future shares to be created					
- from the conversion of bonds					
- from subscription rights					
<b>Operations and results</b>					
Sales ex-VAT	232 272 603	216 876 915	172 218 956	164 262 857	151 314 901
Profit before income tax, profit-sharing, depreciation and provisions	13 371 335	6 706 352	-22 946 984	-13 818 444	-7 928 263
Corporate income tax	-466 047	658 279	-1 035 718	-861 848	-629 610
Employee profit-sharing					
Depreciation, amortisation and provisions	12 224 854	3 866 118	-23 952 467	9 601 242	24 732 911
Net income	1 612 528	2 181 954	2 041 202	-22 557 838	-32 031 564
Distributed profit		6 867 108,38	4 406 446	-	-
<b>Earnings per share</b>					
Profit after income tax, profit-sharing and before depreciation, amortisation and provisions	0,44	0,19	-0,70	-0,42	-0,23
Profit after income tax, profit-sharing, depreciation, amortisation and provisions	0,05	0,07	0,07	-0,72	-1,03
Distributed dividends		0,22	0,15	-	-
<b>Personnel</b>					
Average number of employees for the fiscal year	578	569	557	586	614
Total payroll	23 930 881	22 768 996	21 211 881	22 340 779	19 959 309
Total benefits paid (social security, welfare benefits, etc.)	11 389 629	10 788 551	9 793 129	9 564 167	9 022 863

# MANAGEMENT REPORT

Presented to the annual ordinary and extraordinary general meeting of 24 May 2016

## APPENDIX 2 : REPORT DRAWN UP BY THE CHAIRMAN OF THE BOARD OF DIRECTORS IN ACCORDANCE WITH THE PROVISIONS OF ARTICLE L.225-37 OF THE FRENCH COMMERCIAL CODE

In accordance with article L.225-37 of the French commercial code, I hereby present you with a report on:

- the make-up and conditions for the preparation and organisation of the Board of Directors' work and the application of the principle of a balanced representation of men and women serving thereon;
- limits that the Board of Directors may have imposed on the powers of the Chief Executive Officer,
- the applicable rules of corporate governance,
- the principles and rules established by the Board of Directors for determining compensation and benefits of any nature granted to corporate officers,
- procedures for the participation of shareholders in general meetings,
- items that could have a potential impact in the event of takeover bids published in the management report.
- internal control and risk management procedures adopted by the Company.

This report concerns the parent company, Haulotte Group, as well as all direct and indirect subsidiaries.

This report was approved by the Board of Directors of the Company on 8 March 2016, in accordance with provisions of article L 225-37, paragraph 10 of the French commercial code.

### 1 - COMPOSITION OF THE BOARD OF DIRECTORS AND THE PREPARATION AND ORGANISATION OF THEIR WORK

#### 1.1 Composition of the Board of Directors

The composition of the Company's Board of Directors includes the following six directors, including one independent director.

Identity of directors / executive officers	Positions held in the company	Date of the first appointment to the office in the Company	Date of expiration of the office in the Company
Pierre Saubot	Chairman of the Board of Directors Chief Executive Officer Director	Board of Directors' meeting of 31/08/1989 and the Ordinary General Meeting of 27/06/1990 Board of Directors' meeting of 17/05/1985	Ordinary General Meeting called to approve the financial statements for the fiscal year ending on 31/12/2017

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Alexandre Saubot	Deputy Chief Executive Director	Board of Directors' meeting of 22/12/1999 and ratification by the Ordinary General Meeting of 28/04/2000	Ordinary General Meeting called to approve the financial statements for the fiscal year ending on 31/12/15
Elisa Savary	Director	Ordinary General Meeting of 28/04/1998	Ordinary General Meeting called to approve the financial statements for the fiscal year ended le 31/12/2015
Hadrien Saubot	Director	Co-optation to replace Béatrice Saubot by the Board of Directors' meeting of 23/03/2004 and ratification by the Ordinary General Meeting of 26/05/2004	Ordinary General Meeting called to approve the financial statements for the fiscal year ended le 31/12/2015
José Monfront	Director Deputy Chief Executive Chief Operating Officer	Co-optation to replace Yves Boucly by the Board of Directors' meeting of 30/09/2004 and ratification by the Ordinary General Meeting of 26/05/2005	Ordinary General Meeting called to approve the financial statements for the fiscal year ended on 31/12/2015
Michel Bouton	Director	Board of Directors' meeting of 22/01/2001 and ratification by the Ordinary General Meeting of 26/04/2001	Ordinary General Meeting called to approve the financial statements for the fiscal year ended on 31/12/2015

In accordance with article L.225-37 of the French commercial code, I inform you that the breakdown between men and women on the Board is as follows:

- Men: 83.33%
- Women: 16.66%.

# MANAGEMENT REPORT

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Identity of directors / executive officers	Positions held outside the Company
Pierre Saubot	<ul style="list-style-type: none"> <li>• General Manager of Solem SAS</li> <li>• Representative of Haulotte Group, Chairman of Telescopelle SAS,</li> <li>• Managing Partner of Société Commerciale du Cinquau,</li> <li>• Co-Manager of SCI Lancelot,</li> </ul>
Alexandre Saubot	<ul style="list-style-type: none"> <li>• Chairman of the Board of Solem SAS,</li> <li>• Representative of Haulotte Group, Chairman of Telescopelle SAS,</li> <li>• Managing Partner of Haulotte France SARL,</li> <li>• Managing Partner 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>• Director of Haulotte UK,</li> <li>• Director of Haulotte Australia,</li> <li>• Chairman of Haulotte US,</li> <li>• Director of Haulotte Singapore,</li> <li>• Representative of Haulotte Group SA, 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>• Director of Nove Srl,</li> <li>• Director of Haulotte Middle East,</li> <li>• Representative of HAULOTTE GROUP SA, sole director of HHR.</li> <li>• Representative of HAULOTTE SINGAPORE, Director of HAULOTTE INDIA,</li> <li>• Director of Levanor,</li> <li>• Director of MundiElevacao,</li> <li>• Director of Haulotte Access Equipment Manufacturing (Changzhou).</li> </ul>
Elisa Savary	NONE
Hadrien Saubot	<ul style="list-style-type: none"> <li>• General Manager of SOLEM SAS</li> </ul>
José Monfront	<ul style="list-style-type: none"> <li>• Director of Haulotte Trading Shangai Co. Ltd.</li> <li>• Director of Haulotte Access Equipment Manufacturing (Changzhou).</li> </ul>
Michel Bouton	<ul style="list-style-type: none"> <li>• Chairman of PVI,</li> <li>• Chairman of PVI Holding SA,</li> <li>• Chairman of Sovibus,</li> <li>• Chairman of Escal (subsidiary of PVI),</li> <li>• Chairman of Sovitrucks.</li> </ul>

# MANAGEMENT REPORT

Presented to the annual ordinary and extraordinary general meeting of 24 May 2016

## 1.2 Composition of the Board of Directors and preparation and organisation of their work

### Number of meetings, attendance rate and principal decisions:

In the period ended 31 December 2015, the Board of Directors met four (4) times with an actual average attendance rate of 58.33%.

Board meeting dates	Attendance rate	Principal decisions
10 March 2015	66,66 %	<ul style="list-style-type: none"> <li>• Closing of the annual and consolidated accounts</li> <li>• Proposal for authorising and granting powers to the Board of Directors for the purchase by the Company of own shares and the cancellation of own shares held in treasury,</li> </ul>
29 May 2015	66,66 %	<ul style="list-style-type: none"> <li>• Implementation of the authorisation granted to the Board by the ordinary and extraordinary general meeting of 28 May 2015, for the purchase by the Company of own shares;</li> <li>• Miscellaneous items.</li> </ul>
8 July 2015	50 %	<ul style="list-style-type: none"> <li>• Recognition of the number of shares issued in connection with the distribution of dividends decided by the ordinary and extraordinary general meeting of 28 May 2015, the corresponding increase in capital and amendments to the articles of association;</li> <li>• Miscellaneous items.</li> </ul>
1 September 2015	50 %	<ul style="list-style-type: none"> <li>• Review and approval of the interim consolidated accounts established on 30 June 2015;</li> <li>• Preparation of the interim financial report in compliance with article L.451-1-2 III of the French monetary and financial code;</li> <li>• Review of forward-planning documents in accordance with articles L.232-2, R.232-2 and R.232-3 of the French commercial code;</li> <li>• Miscellaneous items.</li> </ul>

### Procedures for preparing decisions:

#### *Procedures for calling meetings:*

Directors are called to meetings on average 17 days in advance by an ordinary letter.

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

#### *Procedures for remitting documents and information required to make decisions:*

Board members have received at the time of each meeting, all documents and information required to make informed decisions and fulfil their mission, and notably, the annual, consolidated and half-year accounts as well as the forward planning documents.

# MANAGEMENT REPORT

Presented to the annual ordinary and extraordinary general meeting of 24 May 2016

## Operating procedures and functions of Board committees:

On 9 March 2011, the Board of Directors decided to adopt the function of Audit Committee in compliance with article L.823-20, 4 of the French commercial code. On that basis, the Board charter was modified in order to expand its functions accordingly to include those powers expressly granted to the Audit Committee by article L.823-19 of the French commercial code.

The Audit Committee includes the following directors:

- Michel Bouton,
- Hadrien Saubot,
- Elisa Saubot.

## Special provisions provided for by internal rules of procedure or a charter:

On 11 March 2009, the directors adopted the Board Rules of Procedure which provides, inter alia, procedures governing the use of videoconferencing. These Rules of Procedure were amended by a decision of the Board of Directors on 9 March 2011 to expand its functions to that of the Audit Committee.

The Board Rules of Procedure may be consulted at the Company's registered office.

A Charter does not exist.

## 2 - LIMITS ON THE POWERS OF THE CHIEF EXECUTIVE OFFICER

It is noted for the record that by a decision of the Board of Directors of 2 July 2002, the Company decided the functions of Chairman of the Board of Directors and the Executive Management exercised by Pierre Saubot should be combined.

The powers of the Chairman 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.

## 3 - APPLICABLE RULES OF CORPORATE GOVERNANCE

I hereby inform you that the Board of Directors has decided refer to the MiddleNext code of corporate governance for small and mid caps of December 2009.

The Company has also chosen to refer to said code with respect to its market capitalisation, its listing segment in Euronext Paris and the means that may be adopted to apply the recommendations.

The MiddleNext corporate governance code is considered to be the most adapted, having been specially developed for small and mid caps, i.e. companies with a market capitalisation of less than €1 billion (companies in segment B and C of Euronext Paris (position of the Autorité des Marchés Financiers (AMF) of 9 January 2008).

# MANAGEMENT REPORT

Presented to the annual ordinary and extraordinary general meeting of 24 may 2016

The MiddleNext code may be consulted at: <http://www.middlenext.com/>

A summary is provided below of the MiddleNext recommendations having been adopted, that will be adopted, or under review by the Company:

MiddleNext Code recommendation	Adopted	Will be adopted	Under consideration	Will not be adopted
<b>I - Executive power</b>				
R1 : Corporate officers and employment contracts Context	X			
R2 : Definition and transparency of the compensation of corporate officers	X			
R3 : Termination payments	X			
R4 : Supplementary pension schemes	X			
R5 : Stock options and bonus shares	X			
<b>II - Supervisory power</b>				
R1 : Introduction of Board Rules of Procedure	X			
R7 : Director ethics	X			
R8 : Composition of the Board – Independent directors			X	
R9 : Choice of directors			X	
R10 : Directors' term of office	X			
R11 : Board member information	X			
R12 : Creation of Committees	X			
R13 : Board and Committee meetings			X	
R14 : Directors' compensation	X			
R15 : Introduction of Board evaluation			X	

In compliance with the AMF 2013-10 recommendation of 18 November 2013, the Chairman notes that the Board of Directors has duly considered the points to be watch, as referred to in the MiddleNext code, and namely the following:

- the "Executive Power": "the managers",
- the "Supervisory Power", the power to direct and control "the directors"
- the "Sovereign Power": expressed notably at the general meeting of shareholders: "the shareholders".



# MANAGEMENT REPORT

Presented to the annual ordinary and extraordinary general meeting of 24 May 2016

## 4 - PRINCIPLES AND RULES APPLYING TO COMPENSATION AND BENEFITS OF ANY NATURE GRANTED TO EXECUTIVE OFFICERS

The principles and rules adopted by the Board of Directors for the determination of compensation and benefits of any nature granted to each executive officer in the period ended 31 December 2015 are as follows:

Readers are reminded that the compensation of executive officers is paid by Haulotte Group's parent company, Solem SAS.

### Pierre Saubot - Chairman and Chief Executive Officer

Type of compensation	Amount paid in 2015		Basis of determination
Fixed compensation	85 744 €		Compensation is determined, set and paid by Solem.
Variable compensation	2 500 €		Variable compensation is assessed each year based on the quality and trends for the results of the prior period.
Exceptional compensation	None		
Benefits in-kind	None		
Attendance fees	None		
Type of commitment	Yes	No	Nature of commitments and, as applicable, terms of their grant
Employment contract		X	
Supplemental retirement scheme		X	
Severance indemnities and related benefits		X	
Noncompete indemnities		X	

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## Alexandre Saubot – Chief Operating Officer

Type of compensation	Amount paid 2015	Basis of determination
Fixed compensation	323 284 €	Compensation is determined, set and paid by Solem.
Variable compensation	64 000€	Variable compensation is assessed each year based on the quality and trends for the results of the prior period.
Exceptional compensation	None	
Benefits in-kind	None	
Attendance fees	None	

Type of commitment			Nature of commitments and, as applicable, terms of their grant
	Yes	No	
Employment contract		X	
Supplemental retirement scheme		X	
Severance indemnities and related benefits		X	
Amounts payable pursuant to a non-competition clause		X	

I hereby inform you that no restricted (bonus) shares, stock options or stock purchase options were granted to executive officers in this capacity.

I also inform you that the directors do not receive any compensation or attendance fees pursuant to their corporate office. They do however receive refunds for travel expenses incurred to attend meetings upon the presentation of vouchers.

## 5 - PROCEDURES FOR THE PARTICIPATION OF SHAREHOLDERS IN GENERAL MEETINGS

In accordance with article L.225-37 paragraph 8 of the French commercial code, please refer to the provisions of the articles of association setting forth the procedures for participation by shareholders in the general meeting of the Company and, in particular:

- article 16 of the articles of association on the operating procedures and main powers of the general meeting;
- articles 8 to 11 of the articles of association describing the rights of shareholders and the procedures for exercising these rights.

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## 6 - INFORMATION ON ITEMS HAVING A POTENTIAL IMPACT IN THE EVENT OF PUBLIC OFFERINGS

In accordance with article L.225-37 paragraph 9 of the French commercial code, I hereby inform you that Part 3 of the management report and group report drawn up by the Board of Directors mentions the information required under article L.225-100-3 of the French commercial code.

## 7 - INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES ADOPTED BY THE COMPANY

### 7.1 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.
- ensure that the accounting, financial and management information provided to the Company's governing bodies provides a fair presentation of the operations 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).

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

### Summary of procedures in place

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

- (i) The responsibility of internal control within the Company is assigned by the Executive Management to each department. At the headquarters and in subsidiaries, the implementation and oversight of internal control procedures are accordingly the responsibility of department managers or heads.
- (ii) These internal control procedures are placed under the responsibility of the Group's Finance Department or 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.

The different participants in the internal control process within the Company include:

- the Finance Department (with the Financial Control, Credit Management and Internal Audit departments);
- the Secretariat General with the legal department and the human resources department and the IT department);
- the Industrial Division (with the quality department).

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• **The Finance department:**

• **The Financial Control department** includes three 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 and represented by a local financial controller in the main subsidiaries, ensuring financial oversight for the Group's different distribution and service subsidiaries. In addition, the regional financial controller is the intermediary between the Group and the controller for each subsidiary of his region.
- a financial control unit for the support and rental business functions.

These teams contribute to implementing 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** which manages the following areas:

- cash management
- credit management.

For cash, this department is responsible for managing relations with banks and bank balancing transactions, managing multi-currency cash positions, managing interest rate risk, optimising cash flows and monitoring the cash budget.

For credit management, the department:

- 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.

• **The Consolidation and Reporting department** is responsible for producing the consolidated annual and interim financial accounts as well as monthly reporting.

This department assists the local financial managers with the reporting procedures and visits subsidiaries to ensure they are correctly applied.

# MANAGEMENT REPORT

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- **The Group Accounting department** is responsible for the accounting for Haulotte Group SA. It is also responsible for coordinating and managing the tax policy at Group level.
- The finance department 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 Secretariat General:**

• **The Group Legal department:**

- 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 continues to organise periodic training initiatives to raise awareness among teams about legal issues (commercial relations, contractual obligations, etc.). Such measures remain primarily focused on members of the purchasing department, though also concern employees of the Innovation and R&D departments.
- Several internal communications actions are implemented by the legal department, in collaboration with the financial, communications and IT department teams, in order to inform and alert staff about the risks of and the measures to combat social engineering fraud. Through these measures of vigilance, several fraud attempts were prevented.

• **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. This department also actively participates in drafting an internal magazine.
- 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.

# MANAGEMENT REPORT

**Presented to the annual ordinary and extraordinary general meeting of 24 may 2016**

- 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 obtaining an update through exchanges with +1 and +2 reporting levels with the human resources departments for each of their staff.

- **The Information Technology department** has reinforced its oversight for the harmonisation and standardisation of computer equipment by adopting Haulotte Office Automation Equipment Standards as well as procedures establishing conditions for providing communications devices. The IT department continues to promote this policy of harmonisation in order to reinforce consistency in equipment and security for printing and exchanges and communications.

- **The internal audit department (see b).**

## • **The industrial division:**

- **The Quality function** of the Group includes a Chief Quality Officer, a corporate quality manager, three quality project managers and a quality and environment system coordinator.

Each industrial division (production site) has its own quality department coordinated by the quality manager of the site (division) with several functions represented: customer quality (aftermarket service), product quality assurance, suppliers and an environmental coordinator.

The quality department has reinforced the «customer satisfaction» approach through:

- the deployment and standardisation of the process approach within the company;
- implementation of a continuous improvement approach through projects relating to enhancing reliability and ageing equipment.
- tools for eliminating risks at the level of all projects to improve the reliability of our manufactured products

A «Quality/Costs/Delivery» driven procedure for monitoring and approving suppliers.

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

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,

# MANAGEMENT REPORT

## Presented to the annual ordinary and extraordinary general meeting of 24 May 2016

- 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.

Due to circumstances totally external to the company and its operations, it was necessary to postpone assignments that were scheduled in 2015.

### **c) Risks associated with producing financial and accounting information**

The 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 the Consolidation department that is 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, etc.

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.

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.

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

L'Horme, France

8 March 2016

Chairman of the Board of Directors

# MANAGEMENT REPORT

**Presented to the annual ordinary and extraordinary general meeting of 24 May 2016**

**Statutory Auditors' report, prepared in accordance with article L.225-235 of the French Commercial Code on the report prepared by the Chairman of the Board of Directors of Haulotte Group SA**

*This is a free translation into English of the Statutory Auditors' report issued in the French language and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.*

To the Shareholders

In our capacity as Statutory Auditors of Haulotte Group SA, and in accordance with article L.225-235 of the French Commercial Code (*Code de commerce*), we hereby report to you on the report prepared by the Chairman of your company in accordance with article L.225-37 of the French Commercial Code for the year ended December 31, 2015.

It is the Chairman's responsibility to prepare, and submit to the Board of Directors for approval, a report describing the internal control and risk management procedures implemented by the company and providing the other information required by article L.225-37 of the French Commercial Code in particular relating to corporate governance.

It is our responsibility:

- to report to you on the information set out in the Chairman's report on internal control and risk management procedures relating to the preparation and processing of financial and accounting information, and
- to attest that the report sets out the other information required by article L.225-37 of the French Commercial Code, it being specified that it is not our responsibility to assess the fairness of this information.

We conducted our work in accordance with professional standards applicable in France.

## **Information concerning the internal control and risk management procedures relating to the preparation and processing of financial and accounting information.**

The professional standards require that we perform procedures to assess the fairness of the information on internal control and risk management procedures relating to the preparation and processing of financial and accounting information set out in the Chairman's report. These procedures mainly consisted of:

- obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of financial and accounting information on which the information presented in the Chairman's report is based, and of the existing documentation;
- obtaining an understanding of the work performed to support the information given in the report and of the existing documentation;
- determining if any material weaknesses in the internal control procedures relating to the preparation and processing of financial and accounting information that we may have identified in the course of our work are properly described in the Chairman's report.



# MANAGEMENT REPORT

**Presented to the annual ordinary and extraordinary general meeting of 24 may 2016**

On the basis of our work, we have no matters to report on the information given on internal control and risk management procedures relating to the preparation and processing of financial and accounting information, set out in the Chairman of the Board's report, prepared in accordance with article L.225-37 of the French Commercial Code.

## **Other information**

As required by law, we inform you that the Chairman's report does not set out, for every corporate officers concerned, the information relating to the principles and rules adopted by the board of directors for determining the remuneration and benefits in kind granted to corporate officers, required by article L.225-37 of the French Commercial Code.

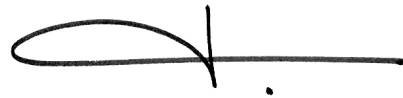
Lyon, 11 April 2016

PricewaterhouseCoopers Audit



Natacha Pélisson

BM&A



Alexis Thura

# MANAGEMENT REPORT

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## APPENDIX 3 : SUMMARY OF DELEGATIONS OF POWERS AND AUTHORISATIONS FOR CAPITAL INCREASES IN EFFECT

Nature of the delegation/ authorisation	AGE date	Expira- tion date	Nominal amount of capital increases authorised	Capital increase(s) carried out in the period or previous periods	Residual amount on the date this table was pro- duced
1. Delegation of powers to issue, with preferential subscription rights, all securities giving present or immediate access to the share capital.	27/05/2014	26/07/2016	406.377 €	-	406.377 €
2. Delegation of powers to issue, without preferential subscription rights, all securities giving present or immediate access to the share capital.	27/05/2014	26/07/2016	€406,377 within the limit of the unused portion in delegation 1	-	406.377 €
3. Delegation of powers to issue, by means of a private placement, without preferential subscription rights, all securities giving present or immediate access to the share capital.	27/05/2014	26/07/2016	€406,377 within the limit of the unused portion in delegation 1	-	406.377 €
4. Delegation of powers to increase the share capital as a means of payment for in-kind contributions or other securities giving access to the share capital tendered to the company in connection with a public exchange offer	27/05/2014	26/07/2016	10% of the share capital within the limit of the unused portion in delegations 2 and 3	-	10% of the share capital within the limit of the unused portion in delegations 2 and 3

# MANAGEMENT REPORT

Presented to the annual ordinary and extraordinary general meeting of 24 May 2016

## PART 5 : GROUP REPORT

### 1 - SITUATION OF THE GROUP OF COMPANIES INCLUDED IN THE CONSOLIDATION

Companies included in the scope of consolidation are listed in the section 3.4 of this report.

The situation of these companies is described in section 1.2 and in the table contained in section 3.4 of this report.

### 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.

### 3 - REVIEW OF CONSOLIDATED OPERATIONS

The Group's financial statements have been prepared in accordance with IFRSs as adopted by the European Union on 31 December 2015.

In fiscal 2015 the Group had revenue of €445.3 million, up from €412.6 million in 2014 or 8% (neutral at constant exchange rates). Excluding exchange rate affects, revenue was up 32% in North America and 27% in the Asia Pacific region. In Europe, revenue was down 12% and in Latin America, 24%.

Equipment rental revenue remained steady over the period and revenue for services confirmed the positive trend over the entire period (+5% for the full year).

### 4 - FORESEEABLE CHANGES IN THE GROUP'S SITUATION AND OUTLOOK

In line with the last quarter of 2015, commercial momentum at the start of 2016 was sustained, particularly in Europe as the scenario of renewed investments by large rental companies is confirmed. On that basis, the Group has confirmed guidance for sales growth and an improvement in the operating margin, in a market environment that remains uncertain in certain regions where it operates.

### 5 - PROGRESS MADE OR DIFFICULTIES ENCOUNTERED

The Group pursued its business expansion in North America and Asia.

The main challenges remain the impossibility to forecast the exchange rate volatility, even if the overall impact for the period is still positive in 2015. Geopolitical factors may also impact operating performances in selected local markets.

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## 6 - SIGNIFICANT EVENTS OCCURRING AFTER THE END OF THE REPORTING PERIOD AND THE CLOSING DATE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE DATE ON WHICH THE FINANCIAL STATEMENTS WERE PRODUCED

Please refer to paragraph 1-7 of this report.

## 7 - 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:

€m	FY 2015	FY 2014
Revenue	445,3	412,6
Current operating income	34,9	39,8
Operating profit	33,6	37,8
Profit before tax	33,1	38,0
<b>NET INCOME OF CONSOLIDATED COMPANIES</b>	<b>27,7</b>	<b>29,0</b>
Net income attributable to the Group	27,7	29,0

Current operating income from continuing operations of the Group amounted to €34.9 million, compared to €39.8 million in 2014. This change reflects mainly the impact of foreign exchange as current operating income which is before currency gains and losses amounted to €32.4 million compared to €31.7 million one year earlier.

In 2015, non-current items concerned mainly litigation costs (net of allowances and reversals for litigation contingencies) impacted by a €1.2 million charge. In 2014, items included in this aggregate included net litigation costs of €1.3 million, a €1.5 million impairment charge for the land and building of our Spanish distribution subsidiary, partially offset by the capital gain of €0.8 million from the disposal of our rental assets in Spain.

Operating profit amounted to €33,6 million compared to €37,8 million the previous year.

At 31 December 2015, consolidated net income for the period was €27,7 million compared to €29.0 million in 2014.

Group debt was reduced in the period from €74,1 million at 31 December 2014 to €68,3 million at 31 December 2015. This debt is primarily carried by Haulotte Group S.A., with in particular the syndicated credit facility of the Group, of which €47,0 million had been drawn at 31 December 2015. New bilateral credit lines amounting to €13,4 million were negotiated in 2015. At 31 December 2015, the Group was in compliance with all bank commitments incurred on this basis.

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## 8 - 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 2015 relate on the one hand to the market risk, to the monetary environment of the Group and, on the other hand, items relating to its liquidity situation.

In 2015, the Group registered growth in all geographic markets and business lines. Sales volumes remain sensitive to continuing uncertainties of the macroeconomic environment and evolving market conditions. In the Asia-Pacific region, sales trends were robust in 2015 despite the slowdown in China, political turmoil in the Middle East and trends for oil prices. In Europe, the large equipment rental companies maintained their wait-and-see attitude. In addition, challenging market conditions were confirmed for Latin America.

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.

Readers are reminded that on 30 September 2014 the Group negotiated a syndicated credit facility for €90 million maturing on 30 March 2018 with an option for extension for an additional 18 month period or until 30 September 2019.

On 31 December 2015, the Group was in compliance with all commitments with its banks in connection with the syndicated credit facility.

Based on the level of cash resources and credit lines open and available at 31 December 2015 compared with cash forecasts for the first few months of 2016, the Group's liquidity position appears sound. The syndicated credit facility provides for payment of a €3.0 million instalment on 30 March 2016. As for new credit lines, they concern payments totalling €1.5 million for 2016.

## 9 - THE EXPOSURE OF SUBSIDIARIES TO RISK CONCERNING PRICE, CREDIT, LIQUIDITY AND CAPITAL RESOURCES

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

### 9.1 Credit risk

Credit risk originates mainly from an exposure to customer credit, and in particular unsettled receivables and transactions in progress.

To mitigate this risk, the Group has implemented credit rating procedures (internal or independent) to evaluate the quality of the credit situation of its customers (new or existing) based on their financial situation, historical payment data at any other relevant factors.

Credit risk is also limited by the fact that in the event of a payment default by customers, Haulotte Group retains the possibility of recovering the goods representing the receivables. Provisions for receivables are determined according to this principle (and described in the consolidated financial statements).

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## 9.2 Liquidity risk

Haulotte Group cash management is centralised. The corporate team manages current and budgeted financing needs for the parent company and subsidiaries.

All cash surpluses are invested in risk-free products at market conditions by the parent company comprised of money market funds and time deposit accounts.

### Status of the syndicated credit facility:

As a reminder, a new syndicated credit facility was obtained on September 30, 2014. At 31 December 2015, the Group was in compliance with all ratios. The next instalment for the syndicated loan facility of €3 million is payable on 30 March 2016.

### Other financing:

In the period, the Group diversified its sources of financing, by obtaining new bilateral credit lines for a total amount of €13.4 million. Payment instalments for these credit lines in 2016 amount to €1.5 million.

Based on available cash, including cash held by the Group shown in its financial statements, plus the undrawn amounts of its syndicated credit lines and a certain number of undrawn bilateral overdraft facilities, there are no reasons that might call into question the Group's ability to meet its liquidity requirements for the year ahead.

## 10 - USE OF FINANCIAL INSTRUMENTS BY SUBSIDIARIES – FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICY

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

### 10.1 Currency risk

A significant portion of Haulotte Group sales are in currencies other than the euro including notably the US dollar and British pound sterling. Because sales of Group subsidiaries are primarily in their functional currency, transactions do not generate foreign exchange risks at their level.

The primary source of foreign exchange risks for Haulotte Group consequently results from intercompany invoicing flows when Group companies purchase products or services in a currency different from their functional currency (exports of manufacturing subsidiaries located in the euro area and exporting in the local currency of a sale subsidiary).

Such exposures are managed by Haulotte Group SA. For the main currencies, foreign exchange trading positions in the balance sheet are partially hedged using basic financial instruments (forward exchange sales and purchases against the euro).

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## 10.2 Interest rate risk

The Group uses in preference floating rate debt which provides greater flexibility. To hedge its interest rate risk, the Group seeks to take advantage of market opportunities based on interest rate trends. Interest rate risk is not systematically hedged.

For hedging market risk (interest rate and foreign exchange risks) Haulotte Group uses derivative instruments. These derivatives are destined to hedge the fair value of assets or liabilities recognized (fair value hedges) or future cash flows (cash flow hedges). However, to the extent that the financial instruments held by Haulotte Group do not strictly meet the criteria for hedge accounting, changes in their fair value are recognized in profit or loss.

In compliance with the provisions of IAS 32 and 39, derivatives are measured at fair value.

## 11 - RESEARCH AND DEVELOPMENT

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. Article 1.13 provides detailed information on the most important achievements of the period in this area.

# MANAGEMENT REPORT

**Presented to the annual ordinary and extraordinary general meeting of 24 may 2016**

Your Board of Directors hereby asks you, after considering this report and the auditors' reports, to approve the financial statements, grant discharge to your directors for their management for the period ended and adopt resolutions submitted to your vote and presented in this report and in the draft resolutions, with the exception of the resolution relating to the capital increase reserved for employees which is submitted for your approval solely for the purposes of compliance with a legal obligation.

The Board of Directors