Manitou Group: 2020 annual results

- **FY'20 Net sales of €1 585 m, -24% vs. FY'19 (-24% like for like*)**
- **Recurring operating income at €85 m (5.4%) vs. €149 m (7.1%) in 2019**
- **EBITDA* at €120 m (7.6%) vs. €186 m in 2019**
- **Net income group part at €40 m vs. €96 m in 2019**
- **Net debt* at €40 m, gearing* at 6%**
- **Dividend payment proposition at €0,60 per share**
- **Anticipation of an increase in sales for 2021 of more than +15% compared to 2020**
- **Outlook of an increase in 2021 recurring operating profit of around 40 basis points**

Ancenis, 04 March 2021 – The Board of Directors of Manitou BF, meeting on this day, approved the accounts for 2020. Michel Denis, President and Chief Executive Officer stated: "*The year 2020 has been a difficult year, full of contrasts and many transformations. The health crisis caused a significant drop in our markets, resulting in a 24% decline in our sales compared to 2019. The reactivity, agility and commitment of our teams were the hallmarks of 2020 in order to face an unknown situation and absorb the effects as much as possible. Substantial efforts have been made to enable us, wherever possible, to continue to serve our customers while, above all, protecting the health of our employees. All of this enabled us to limit the financial impact of the crisis and end the year with a recurring operating income as a percentage of sales of 5.4%, down only 0.6 point compared to the target we had announced at the beginning of 2020 before the health crisis exploded.*

The economic slowdown in 2020 has led us to resize all our resources, simplify the group's organization and rationalize our industrial sites in the American continent.

The unexpected scale of the rebound in order intake and our year-end order book led us into a new phase of growth. We are accelerating our production rates to serve our clients, in a context of high inflation in steel prices, shortages in shipping and electronic components.

Beyond these issues of realigning economic stakeholders at the end of the crisis, trends in our markets remain very dynamic.

On the strength of these factors, and subject to a stabilization of the general environment, we now anticipate revenue growth for 2021 of more than 15% and an increase in recurring operating profit of 40 basis points compared to 2020."

In millions of €	MHA 2019	CEP 2019	S&S 2019	Total 2019	MHA 2020	CEP 2020	S&S 2020	Total 2020	Var.
Net sales	1 455,8	328,3	309,4	2 093,6	1 023,4	261,6	300,1	1 585,1	-24%
Sales margin	220,3	38,5	87,3	346,1	142,1	17,8	89,0	248,8	-28%
Sales margin as a % of sales	15,1%	11,7%	28,2%	16,5%	13,9%	6,8%	29,6%	15,7%	
Recurring OI	**116,3**	**2,4**	**30,0**	**148,6**	**58,9**	**(12,0)**	**38,4**	**85,3**	**-43%**
Recurring OI as a % of sales	**8,0%**	**0,7%**	**9,7%**	**7,1%**	**5,8%**	**-4,6%**	**12,8%**	**5,4%**	
OP.	114,2	2,1	29,7	146,1	53,6	(16,9)	38,0	74,8	-49%
Net income attributable to the group				95,6				39,6	-59%
Net debt excluding IFRS 16				190,2				39,9	-79%
Net debt including IFRS 16				208,2				56,8	-73%
Shareholder's equity				664,6				665,8	+0%
% Gearing excluding IFRS 16				29%				6%	
% Gearing including IFRS 16				31%				9%	
Working capital				606				455	-25%

Data as a percentage in parentheses express a percentage of net sales.
Auditing procedures performed
** at constant scope and exchange rates :*

- *scope : for 2019 acquisitions (Mawsley Machinery Ltd on October 29, 2019), subtraction of their contribution, from January 1st, 2020, to the anniversary date of their acquisition. There is no exit in 2019. There is no acquired entity nor exit in 2020.*
- *application of the exchange rate of the previous year on the aggregates of the current year*

** EBITDA : Earnings before interest, taxes, depreciation, and amortization, restated from IFRS 16 impacts*
** Net debt and gearing (ratio of net debt divided by the amount of shareholders' equity) restated from IFRS 16 impacts*

Business review by division

The **Material Handling & Access Division (MHA)** reported revenue of €1,023.4 million in 2020, down 29,7% compared to an exceptional year in 2019 (-28,8% at constant exchange rate and scope). The MHA division was strongly impacted by the Covid-19 crisis in the first half of the year. Its revenue declined in all geographical areas and more particularly in Northern Europe and APAM.

Margin on cost of sales deteriorated by 1.3 point, partly as a result of the shutdown in production and the implementation of health measures when business resumed, and partly due to an increase in depreciation and warranty expenses.

The shutdown of production sites, the implementation of partially operational measures and the savings plan have reduced indirect costs by €18.5 million and limited the impact of the decline in activity on the margin. Sales, marketing and administrative expenses decreased by €16.0 million (-19.2%). The decrease in R&D expenses was limited to 11.5% (-€2.4 million) over the period. Also included in the result for the period is a revenue of €3.5 million in the context of a tax claim resolved in our favour.

As a result, the MHA division's recurring operating income decreased by €57.3 million (-49.3%) to €58.9 million (5.8% of sales) compared to €116.3 million in 2019 (8.0% of sales).

The **Compact Equipment Products Division (CEP)** achieved revenue of €261.6 million in 2020, a decrease of 20,3% over the 12 months (-19.1% at constant exchange rate and scope). The division was affected by the Covid-19 health crisis in all geographic regions and particularly with North American rental companies and the Indian market. Margin on cost of sales declined by 4.9 points to 6.8%. This decrease resulted from lower volumes, an unfavorable product mix, sales efforts and higher depreciation and amortization costs. Sales, marketing, service and administrative expenses dropped by €10.3 million (-30.7%) following the implementation of a significant savings plan. As a result, a reduction in working hours and wages, in application of the "Furlough" regulation, and an employee departure plan have been established in the United States for the first half of 2020.

The decrease in R&D expenses was limited to €0.8 million over the period.
The previous year included an insurance compensation following the Madison (USA) site flooding and a supplier compensation due to delivery delays. As a result of these items, the recurring operating result of the CEP division decreased to € -12.0 million (-4.6% of sales) compared to € 2.4 million in 2019 (0.7% of sales).

The **Services & Solutions (S&S)** division closed the financial year with revenues of €300.1 million very close to 2019, confirming the resilience of this activity. The decline in revenues (-3.0% year-on-year, -3.4% at constant exchange rates and scope) affected all geographical areas and particularly the APAM zone. The services and rental activities, which are more resilient by nature, recorded dynamic growth.
The favorable mix of service activities allowed the division to increase its margin on cost of sales by €1.7 million to €89.0 million, representing a 1.4 point increase in the margin on cost of sales to 29.6%.
The deployment of the savings plan and partial activity measures led to an 11.3% (€6.5 million) reduction in the division's administrative, sales, marketing and service expenses.
In this year, which has been very affected by the health and economic crisis, the S&S division delivered a record level of recurring operating income, up 28.2% to €38.4 million, or 12.8% of revenues (9.7% in 2019).

Ongoing litigation with the company JCB

The decision of the Paris Court of Justice of February 26, 2021 reinforces the position of Manitou BF, who has always disputed the justification of the plaintiff's action and the disproportionate aspect of his claims. The group will therefore continue to defend itself with the utmost firmness in these disputes.

Dividend proposed at the next Shareholders' Meeting

The Board of Directors has decided to propose to the Annual General Meeting to be held on June 17, 2021, the payment of a dividend of €0.60 per share, enabling the distribution rate to be restored over the period 2019 and 2020 more in line with the previous years' policy.

ISIN code: FR0000038606
Indices: CAC ALL SHARES, CAC ALL-TRADABLE, CAC INDUSTRIALS, CAC MID & SMALL, CAC SMALL, EN FAMILY BUSINESS

FORTHCOMING EVENTS

April 27, 2021 (after market closing): Q1'21 Sales Revenues

Manitou Group is a worldwide reference in the handling, access platforms, and earthmoving. By improving workplace conditions, safety, and performance, our environment remains renewable and sustainable for man kind.

Through its 3 iconic brands—Manitou, Gehl, and Mustang by Manitou—the group develops, manufactures, and provides equipment and services for the construction, agriculture, and industrial markets.

By constantly innovating its products & services, Manitou Group constantly adds value to exceed its stakeholders' expectations.

Always attuned to its customers via its expert network of over 1,050 dealers, the group continues to be true to its roots by keeping its headquarters in France. That focus, which powered sales to €1.6 billion in 2020, informs its talented worldwide team of 4,400 whose passion ceaselessly motivates the group.

FINANCIAL EXTRACT 2020

1. STATEMENTS OF COMPREHENSIVE INCOME

CONSOLIDATED INCOME STATEMENT

in thousands of euros	2019	2020
Net sales	2 093 577	1 585 105
Cost of goods & services sold	-1 747 509	-1 336 314
Research & development costs	-27 732	-24 520
Selling, marketing and services expenses	-113 504	-89 879
Administrative expenses	-61 170	-51 958
Other operating expenses and income	4 946	2 907
Recurring operating income	148 608	85 342
Other non-recurring income and expenses	-2 534	-10 561
Operating income	146 074	74 781
Share of profits of associates	2 192	1 683
Operating Income including Net Income from associates	148 265	76 464
Financial income	37 617	37 418
Financial expenses	-45 144	-48 733
Financial Result	-7 527	-11 315
Income before tax	140 738	65 149
Income Taxes	-44 982	-24 851
Net Income	95 757	40 298
Attributable to equity holders of the parent	95 625	39 583
Attributable to non-controlling equity interests	132	715

EARNINGS PER SHARE (IN EUROS)

	2019	2020
Net income attributable to the equity holders of the parent	2,50	1,03
Diluted earnings per share	2,50	1,03

OTHER COMPONENTS OF COMPREHENSIVE INCOME AND EXPENSES & COMPREHENSIVE INCOME

in thousands of euros	2019	2020
Income (loss) for the year	95 757	40 298
Items that will be reclassified to profit or loss in subsequent periods		
Adjustments to fair value of the financial assets	131	219
Translation differences arising on foreign activities	6 861	-23 200
Interest rate hedging and exchange instruments	-2 715	2 227
Items that will not be reclassified to profit or loss in subsequent periods		
Actuarial gains (losses) on defined benefits plans	-2 282	-169
Total gains and losses recognized directly in other components of comprehensive income	1 995	-20 923
Comprehensive income	97 752	19 374
Attributable to equity holders of the parent	97 417	19 103
Attributable to non-controlling interests	335	271

THE OTHER COMPONENTS OF COMPREHENSIVE INCOME AND LOSS ARE PRESENTED NET OF THE ASSOCIATED TAXES. THE TAX IMPACT MAY BE SPLIT AS FOLLOWS:

in thousands of euros	2019	2020
Items that will be reclassified to profit or loss in subsequent periods	1 180	-1 191
Items that will not be reclassified to profit or loss in subsequent periods	342	156
Total tax impacts	1 522	-1 035

2. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

in thousands of euros	December 31, 2019	Net amount as at December 31, 2020
Goodwill	288	288
Intangible assets	54 705	56 879
Tangible assets	211 593	212 663
Right-of-use of leased assets	16 461	15 785
Investments in associates	16 986	18 277
Sales financing receivables	7 738	6 699
Other non-current assets	11 346	11 766
Deferred tax assets	17 581	14 829
Non-current assets	336 698	337 186
Inventories & work in progress	589 745	450 867
Net trade receivables	380 438	300 034
Current income tax	7 990	13 777
Other curent assets	47 536	48 256
Cash and cash equivalents	22 333	120 721
Current assets	1 048 043	933 656
Non-current assets held for sale	0	0
Total assets	1 384 741	1 270 842

EQUITY & LIABILITIES

in thousands of euros	December 31, 2019	Net amount as at December 31, 2020
Share capital	39 668	39 668
Share premiums	46 098	46 098
Treasury shares	-23 714	-23 799
Reserves and profit for the year - equity holder of the parent	596 779	597 042
Equity attributable to owners of parent	658 831	659 009
Non-controlling interests	5 815	6 780
Total Equity	664 646	665 789
Non-current provisions	48 862	47 157
Non-current financial liabilities	149 726	145 089
Non-current lease debts	12 269	12 105
Other non-current liabilities	3 088	2 130
Deferred tax liabilities	1 751	2 841
Non-current liabilities	215 696	209 323
Current provisions	18 964	20 403
Current financial liabilities	64 722	17 375
Current lease debts	5 602	4 806
Trade payables	253 446	215 887
Current income tax	4 087	1 139
Other current liabilities	157 579	136 120
Current liabilities	504 399	395 730
Total equity & liabilities	1 384 741	1 270 842

3. CONSOLIDATED SHAREHOLDERS' EQUITY

CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

						Total equity		
in thousands of euros	Share capital	Share premium account	Cumulative translation adjustment	Treasury shares	Consolidated reserves	Attributable to equity holders of the parent company	Non-controlling interests	Total
As of december 31, 2018	39 668	46 098	1 723	-24 018	533 503	592 389	4 585	596 974
Impact of new standards					-1 003	-999	-3	-1 003
As of january 1, 2019	39 668	46 098	1 723	-24 018	532 501	591 390	4 582	595 971
Gains and losses recognized in equity			6 861		-4 866	1 792	203	1 995
Net income					95 757	95 625	132	95 757
Comprehensive income	0	0	6 861	0	90 891	97 417	335	97 752
Stock option plan-related expenses								0
Dividends paid					-30 162	-30 039	-123	-30 162
Treasury shares				304	-304	-0		-0
Capital increase								0
Changes in control of consolidated entities			-437		609	-15	187	172
Acquisition and disposal of minority interests' shares					-8	-119	111	-8
Purchase commitments for minority interests' shares					723		723	723
Other					197	197		197
As of December 30, 2019	39 668	46 098	8 148	-23 714	594 447	658 831	5 815	664 646
Impact of new standards								0
As of January 1, 2020	39 668	46 098	8 148	-23 714	594 447	658 831	5 815	664 646
Gains and losses recognized in equity			-23 200		2 277	-20 479	-444	-20 923
Net income					40 298	39 583	715	40 298
Comprehensive income	0	0	-23 200	0	42 573	19 103	271	19 374
Stock option plan-related expenses								
Dividends paid					-19 443	-19 417	-25	-19 443
Treasury shares				-85	18	-67		-67
Capital increase								
Changes in control of consolidated entities								
Acquisition and disposal of minority interests' shares								
Purchase commitments for minority interests' shares					719		719	719
Other					560	560		560
As of december 31, 2020	39 668	46 098	-15 052	-23 799	618 876	659 009	6 780	665 789

4. CASH FLOW STATEMENT

in thousands of euros	December 31, 2019	December 31, 2020
Net Income	95 757	40 298
Income from equity affiliates net of dividends	1 375	-1 683
Amortizations and depreciations	46 022	53 077
Provisions and impairments	3 829	1 184
Income tax expense (current and deferred)	44 982	24 851
Other non-cash income and expenses	135	437
Cash flow operations	192 100	118 165
Taxes paid	-48 265	-30 876
Change in working capital requirement	-56 134	146 443
Change in capitalized lease machines	-21 060	-12 180
Cash flow from operating activities	66 641	221 552
Proceeds from sales of intangible assets	-20 864	-18 330
Proceeds from sales of tangible assets	-50 243	-28 117
Change in fixed assets payables	2 761	-3 593
Disposals of property, plant and equipment and intangible assets	882	-37
Acquisitions of investments in obtaining control	-2 668	0
Disposals of investments with loss of control	0	0
Others	-25	-197
Cash flow from investing activities	-70 157	-50 275
Capital increase	171	0
Dividends paid	-30 162	-19 442
Purchase of treasury shares	0	0
Repurchase of non-controlling interests	0	0
Change in others financials liabilities and assets	32 430	-20 424
Payment of finance lease liabilities	-5 178	-5 600
Others	1 098	-512
Cash flow from financing activities	-1 641	-45 977
Net increase (decrease) in cash, cash equivalents, and bank overdrafts	-5 157	125 300
Cash, cash equivalents and bank overdrafts at beginning of the year	-609	-4 997
Exchange gains (losses) on cash and bank overdrafts	769	-485
Cash, cash equivalents and bank overdrafts at end of year	-4 997	119 818

5. EXTRACT FROM THE NOTES OF THE CONSOLIDATED FINANCIAL STATEMENTS OF THE UNIVERSAL REGISTRATION DOCUMENT

COVID-19 CRISIS

The worldwide spread of Covid-19 has had an impact on the group's sales, down 24% in 2020, and on its production capacities and profitability with recurring operating profit down 43%.

PRODUCTION STOPPAGE

As early as March, the group implemented emergency health measures and decided to close its production sites in France, Italy and India. In the United States, production activities were maintained throughout the period.

Spare parts and service activities were maintained and distribution activities continued at a slower level.

The impacts of these production stoppages were limited, as soon as it was possible, by the setting up of partial activities, particularly in France and Italy. The group has also generalized remote working.

From mid-April, after reorganizing processes to take account of health constraints, production gradually restarted in France and Italy.

Since May, all sites have resumed production. For support functions, partial activity was maintained in France until September to adapt to the market downturn.

IMPLEMENTATION OF THE « RESILIENCE » PROGRAM

To deal with this crisis and the decline in activity, the group has implemented the “Resilience" program.

This plan is based on 4 pillars:

- the safety of operators and the restarting of operations, with the introduction of new safety standards and the adaptation of our processes in order to deliver group's customers,
- activity, with the sorting of critical orders to deliver in priority urgent requests, such as agricultural market and industrials, and the search for additional markets and orders,
- cash flow, securing the financing and reducing the investments and projects,
- costs reduction, to adapt to sales and production volumes, with a plan to limit overheads and personnel costs. Accordingly, the group has implemented partial activity measures and employee departure plans in the United States, India and South Africa.

IMPACTS OF COVID-19 ON GROUP PERFORMANCE

RECURRING OPERATIONG PROFIT

The savings plan implemented at the beginning of the crisis led to a 32.4 million euros reduction in personnel costs and a 27.3 million euros reduction in overheads, representing total savings of 59.7 million euros compared with 2019 (including 8.1 million euros in direct costs and 51.6 million euros in indirect costs).

The savings in personnel costs include the impact of the implementation of partial activity measures in France and similar measures in other countries, as soon as it was possible. The group received 9.1 million euros in aid and benefited from a social security tax exemption of 6.6 million euros. These savings also include a cost reduction of 1.2 million euros related to the implementation of special inactivity plans, particularly in the United States ("Furlough").

At December 31, 2020, the main current costs incurred in connection with the Covid-19 epidemic amounted to 1.5 million. They correspond to costs related to the implementation of sanitary measures and donations to support medical teams.

OTHER NON-RECURRING OPERATING INCOME AND EXPENSES

As part of the "Resilience" program, the group has set up employee departure plans in the United States, India and South Africa. It has also decided to shut down its production activities in Brazil and to optimize its production capacity in the United States with the closure of its operations in Waco (Texas) at the end of March 2021. The production of articulated loaders will be consolidated in Yankton, one of its two plants in South Dakota. Forklift production will be transferred to Beaupréau, France. The North American import platform will be concentrated in Baltimore, Maryland.

All of these measures have generated non-recurring operating expenses of 9,0 million euros over the year 2020 and a reduction in the workforce of 200 employees, including 50 direct employees.

TREASURY & FINANCING

On April 15, 2020, the Board of Directors decided, due to the uncertainties related to the health crisis, to waive the proposed dividend payment of €0.78 per share that was initially announced when the 2019 annual results were published on March 3, 2020. The Board had also mentioned that it could, after October 1st, 2020 and subject to the context, convene a Shareholders' Meeting in order to proceed with a distribution of reserves for its shareholders, replacing dividends.

In accordance with this approach and in light of the evolution of the business, the Board of Directors of Manitou BF met on November 9, 2020 to call an Ordinary Shareholders' Meeting on December 21st, 2020 which decided on an exceptional payment of €0.50 per share, taken from reserves.

In order to secure its financing and cash flow risk, the group issued an additional credit line of 110 million euros in March 2020, expiring in September 2020.

The group also obtained tax deferrals from the United Kingdom as part of aid measures related to the Covid-19 epidemic in the amount of 1.5 million euros.

OTHER EFFECTS OF COVID-19 ON THE GROUP’S CONSOLIDATED FINANCIAL STATEMENTS

Covid-19 did not have any significant impact on the 2020 consolidated financial statements other than those described above.

In particular :

- the group has not identified any major risk of default among its customers and, as such, has not recognized any significant additional impairment losses for expected losses on its receivables,
- the value and method of valuing inventories had not been questioned as of December 31, 2020,
- the value of tangible assets, consisting mainly of land, buildings and industrial equipment, is not called into question with the current crisis. The group has not identified any facts or circumstances that would call into question the value of these assets,
- the group considers that Covid-19 has not had any impact on its financial risk exposure related to operating and financing activities and on the management of these risks,
- finally, the group has not made use of the guaranteed financing and support measures granted by certain States.

MONITORING OF LITIGATION FOR INFRINGEMENT OF INTELLECTUAL PROPERTY RIGHTS

In May 2017, Manitou Group was sued by JC Bamford Excavators Limited (JCB) in France, the United Kingdom and then Italy for alleged infringement of two European patents relating to certain features concerning the overload cut-off control system of certain telescopic forklift trucks manufactured and/or marketed in these three countries.

In May 2017, the plaintiff filed a claim in the French court for a provision of 20 million euros, to be increased to 50 million euros in June 2018. The financial claims before the English court were not quantified and are still not quantified at the date of publication of this report, but the summons indicates that for procedural purposes the commercial value of the claim is estimated to be in excess of 10 million. For Italy, the summons does not specify any quantified claim.

In December 2018, JCB served Manitou Group with a new patent infringement suit in France and the United Kingdom relating to a third European patent, also relating to certain features concerning the overload cut-off control system of certain telescopic forklift trucks. This summons takes up the request for a provision of 50 million euros, subsequently increased to 100 million euros in its last conclusions communicated in May 2020. The summons relating to this third patent has been joined in the United Kingdom but remains separated in France.

In 2018, JCB had produced an expert opinion estimating its damages of 160 million euros for the first two patents. At the end of 2019, in the first main proceedings, JCB increased its damage assessment to 190 million euros in its final conclusions. This increase is due to an update of the prejudice in its duration, which according to JCB is until March 2019. This assessment also includes the estimated prejudice under the third patent.

In France, In the context of a procedural incident in 2018, JCB applied for preliminary injunctions against Manitou BF. A decision was issued by the Pre-Trial Judge on January 31, 2019, which dismissed the applicant's request for preliminary injunction on the first patent on which JCB based its allegations and, regarding the second patent, prohibited Manitou BF from manufacturing, offering for sale, renting and owning an old configuration of certain telescopic forklift trucks. This decision has no impact on Manitou BF's business as it relates to the ordering system for certain models produced and sold before August 2017 which are therefore no longer manufactured by Manitou BF, as underlined in the order. Manitou BF immediately appealed this decision in order to challenge the prohibition order in so far as it relates to a configuration that Manitou had ceased to produce for 18 months. This immediate appeal on the grounds of abuse of authority was held not to be admissible, reserving the possibility of appeal with judgment on the merits.

On the occasion of the same incident, Manitou BF had proposed in the alternative, if the judge considered the request for prohibition to be well-founded, the establishment of a bank guarantee of 470,000 euros for the two patents as a replacement for the prohibitions. This proposal became irrelevant for the first patent, for which the judge did not pronounce a prohibition. JCB requested that this guarantee, if ordered, be 30 million euros (also for the two patents) on the basis of the expert opinion it had produced estimating its damages at 160 million euros (for the two patents). This proposal was not accepted by the judge, nor was JCB's request for a penalty payment of 100 000 euros per day of delay, the penalty payment ordered by the judge being 1 000 euros per infringement, the decision having emphasized that the damage alleged by the plaintiff relates to the overload cut-off control system alone and not to the machine as a whole.

In 2020, the legal proceedings on the merits of the dispute relating to the first two patents continued. On February 26, 2021, the Paris Court of Justice (“Tribunal Judiciaire”) ruled, in first instance, on the French part relating to these first two patents.

Under the terms of this decision, the Tribunal invalidated the French part of the second patent in its entirety rendering ineffective the January 31, 2019 preliminary injunction order against Manitou BF.

The Court also invalidated most of the claims of the French part of the first patent. The Court found that only two claims of the French part of the first patent were infringed by three models of equipment from an old configuration which is no longer marketed by Manitou BF since May 2017. Manitou challenges this decision while noting that it has no impact on its business as this old configuration is no longer marketed.

Given the very residual character of the infringement uphold, the Court ordered Manitou BF to pay the plaintiff the total sum of 150,000 euros for the loss suffered, rejecting the claim of JCB, which was claiming a loss of 190 million euros. The Court's decision reinforces the position of Manitou, which has always contested the merits of the plaintiff's action and the disproportionate nature of its claims.

In the United Kingdom, no progress was made in the course of 2018 as JCB did not carry out any due diligence in this respect. A case management conference was held in January 2019 after JCB finally performed its due diligence. The litigation schedule has been established. However, the hearing originally scheduled for October 2020 has been postponed due to the increased length of the trial resulting from the addition of the third patent in the proceeding, the first available date being November 2021.

In Italy, the proceedings on the merits relating to these first two patents remain in a preliminary phase, the appointment of a court expert was pronounced at the end of 2019 and the court expert measures are still in progress at the closing date.

In Italy, JCB had also requested interim injunctions against Manitou's Italian subsidiary on the second and third patents. This request was rejected by the Italian courts by decision of January 30, 2020. JCB has not appealed this decision.

Following the decision of the Paris Court of Justice on February 26, 2021, which strengthened the group's position, a provision of 0.2 million euros was recorded for the first patent and no provision was recorded for the second patent.

For the third patent, given the progress of the proceedings, the financial risk likely to be incurred is still difficult to measure with reliability. Furthermore, a significant outflow of resources in respect of this claim seems unlikely in respect of the matters put forward by the Manitou group to defend itself. Consequently, no provision for this claim has been recognized in the group's financial statements.

The group will continue to firmly defend itself against infringement allegations of three patents claimed by JCB.

INFORMATION ON OPERATING SEGMENTS

The Group is organized around three divisions, two product divisions and a service division:

- The MHA product division - Material Handling and Access manages production sites manufacturing telehandlers, rough terrain and industrial forklifts, truck-mounted forklifts and aerial working platforms. Its mission is to optimize the development and production of these equipments branded Manitou.
- The CEP product division - Compact Equipment Products optimizes the development and production of skidsteer loaders, track loaders, articulated loaders, backhoe loaders and telehandlers branded Gehl and Mustang.
- The S&S division - Services & Solutions includes service activities to support sales (financing approaches, warranty contracts, maintenance contracts, full service, fleet management, etc.), after-sales (parts, technical training, warranty management, fleet management, etc.) and services to end users (geo-location, user training, advice, etc.). The mission of the division is to develop service offers to meet the needs of each of our customers in our value chain and to increase resilient sales revenue for the group.

The three divisions design and assemble products and services which are distributed by the Sales and Marketing organization to dealers and key accounts in 140 countries.

In accordance with IFRS 8, the information by operating segment is prepared on the basis of operating reports submitted to the Group management. This information is prepared in accordance with the IFRS applicable to consolidated financial statements.

CONSOLIDATED INCOME STATEMENT BY DIVISION

	MHA Material Handling and Access		CEP Compact Equipment Products		S&S Services & Solutions		TOTAL	
in thousands of euros	2019	2020	2019	2020	2019	2020	2019	2020
Net Sales	1 455 822	1 023 418	328 313	261 580	309 442	300 106	2 093 577	1 585 105
Cost of goods & services sold	-1 235 507	-881 357	-289 828	-243 804	-222 174	-211 153	-1 747 509	-1 336 314
Gross margin	**220 315**	**142 061**	**38 485**	**17 777**	**87 268**	**88 954**	**346 068**	**248 791**
As a %	**15,1%**	**13,9%**	**11,7%**	**6,8%**	**28,2%**	**29,6%**	**16,5%**	**15,7%**
R&D expenses	-21 225	-18 793	-6 509	-5 727	2	0	-27 732	-24 520
Selling, Marketing & Service expenses	-48 127	-37 371	-17 257	-10 959	-48 120	-41 548	-113 504	-89 879
Administrative expenses	-35 423	-30 144	-16 175	-12 215	-9 573	-9 598	-61 170	-51 958
Other operating income and expenses	710	3 179	3 822	-909	414	637	4 946	2 907
Recurring operating profit	**116 251**	**58 931**	**2 367**	**-12 034**	**29 990**	**38 444**	**148 608**	**85 342**
As a %	**8,0%**	**5,8%**	**0,7%**	**-4,6%**	**9,7%**	**12,8%**	**7,1%**	**5,4%**
Non-recurring operating income and expenses	-2 004	-5 315	-286	-4 835	-244	-411	-2 534	-10 561
Operating Income	**114 247**	**53 617**	**2 081**	**-16 869**	**29 746**	**38 033**	**146 074**	**74 781**
As a %	**7,9%**	**5,2%**	**0,6%**	**-6,5%**	**9,6%**	**12,7%**	**7,0%**	**4,7%**
Share of profits of associates	0	0	0	0	2 192	1 683	2 192	1 683
Operating Income including Net Income from associates	**114 247**	**53 617**	**2 081**	**-16 869**	**31 938**	**39 716**	**148 265**	**76 464**

The spare parts and accessories distribution business, which is integrated within the Services & Solutions division, benefits from services provided by the MHA and the CEP divisions (R&D, qualification of parts, qualification of suppliers), the already existing basis of sold units, as well as the brand name recognition built by those divisions.

In order to compensate for all of these benefits, the group's divisional reporting includes fees from the Services & Solutions division to the MHA and CEP divisions. This fee is calculated based on comparable indicators of external independent spare parts distributors for which the median operating income over a five year period amounted to 4.25% and 4.87% in Europe and the US, respectively, the main regions in which the S&S division operates. That fee is included in the line item «Cost of goods and services sold» of each division, which therefore includes the charges related to goods and services sold plus or minus the interdivision fees.

Assets, cash flows or even liabilities are not allocated to the individual divisions, as the operating segment information used by the group's management does not incorporate those various item.

NET SALES BY DIVISION AND GEOGRAPHICAL REGION

Net Sales 2019						Net Sales 2020				
SOUTHERN EUROPE	NORTHERN EUROPE	AMERICAS	APAM*	TOTAL	in millions of euros and % of total	SOUTHERN EUROPE	NORTHERN EUROPE	AMERICAS	APAM*	TOTAL
542,7	664,9	129,4	118,9	1 455,9	MHA	424,7	430,8	87,5	80,5	1 023,4
26%	*32%*	*6%*	*6%*	*70%*		*27%*	*27%*	*6%*	*5%*	*65%*
23,1	45,5	218,9	40,9	328,3	CEP	23,5	46,7	157,1	34,2	261,6
1%	*2%*	*10%*	*2%*	*16%*		*1%*	*3%*	*10%*	*2%*	*17%*
111,1	103,1	54,4	40,8	309,4	S&S	106,7	106,1	51,6	35,7	300,1
5%	*5%*	*3%*	*2%*	*15%*		*7%*	*7%*	*3%*	*2%*	*19%*
676,9	813,5	402,6	200,6	2 093,6	TOTAL	554,9	583,6	296,2	150,3	1 585,1
32%	*39%*	*19%*	*10%*	*100%*		*35%*	*37%*	*19%*	*9%*	*100%*

** Asia, Pacific, Africa and Middle East.*

POST-CLOSING EVENTS

LITIGATION FOR INFRINGEMENT

On February 26, 2021, the Paris Court of Justice ("Tribunal Judiciaire") ruled in first instance on the litigation for infringement of the French part of two European patents relating to certain features concerning the control system of the overload cut-off of certain telescopic forklift trucks, initiated in May 2017 by J.C. Bamford Excavators Limited (JCB) against Manitou BF.

Under the terms of this decision, the Court has invalidated in its entirety the French part of one of the two patents held by JCB.

The Tribunal has also invalidated most of the claims of the French part of the second patent held by JCB.

The Court found that only two claims of the French part of the second patent were infringed by three models of equipment from an old configuration which is no longer marketed by Manitou BF since May 2017. Manitou challenges this decision while noting that it has no impact on its business as this old configuration is no longer marketed.

Given the very residual character of the infringement uphold, the Court ordered Manitou BF to pay the plaintiff the total sum of 150,000 euros for the loss suffered, rejecting the claim of JCB, which was claiming a loss of 190 million euros.

The Court's decision reinforces the position of Manitou, which has always contested the merits of the plaintiff's action and the disproportionate nature of its claims. The group will continue to firmly defend itself against infringement allegations of three patents claimed by JCB.

NEW GROUP ORGANIZATION

As of January 2021, the former MHA and CEP divisions will merge into the new Product Division chaired by Elisabeth Ausimour, Executive Committee member, previously President of the MHA Division and Executive Committee member.

LIST OF SUBSIDIARIES AND AFFILIATES

	Parent company			
Manitou BF	Ancenis, France			
	Consolidated companies	Consolidation method	% control	% interest
Production companies				
LMH Solutions	Beaupréau-en-Mauges, France	FC	100%	100%
Manitou Equipment America LLC	West Bend, Wisconsin, United-States	FC	100%	100%
Manitou Equipment India	Greater Noïda, India	FC	100%	100%
Manitou Italia S.R.L.	Castelfranco Emilia, Italia	FC	100%	100%
Distribution companies		FC		
Compagnie Francaise de Manutention Ile-de-France	Jouy le Moutier, France	FC	100%	100%
Manitou Asia Pte Ltd.	Singapore	FC	100%	100%
Manitou Australia Pty Ltd.	Alexandria, Australia	FC	100%	100%
Manitou Brasil Ltda	São Paulo, Brazil	FC	100%	100%
Manitou Benelux SA	Perwez, Belgium	FC	100%	100%
Manitou Chile	Las Condes, Chile	FC	100%	100%
Manitou China Co Ltd.	Shanghai, China	FC	100%	100%
Manitou Deutschland GmbH	Ober-Mörlen, Germany	FC	100%	100%
Manitou Global Services	Ancenis, France	FC	100%	100%
Manitou Interface and Logistics Europe	Perwez, Belgium	FC	100%	100%
Manitou Japan Co.Ltd	Tokyo, Japan	FC	100%	100%
Manitou Malaysia MH	Kuala Lumpur, Malaisia	FC	100%	100%
Manitou Manutencion Espana SL	Madrid, Spain	FC	100%	100%
Manitou Mexico	Mexico DF, Mexico	FC	100%	100%
Manitou Middle East Fze	Jebel Ali, United Arab Emirates	FC	100%	100%
Manitou Nordics Sia	Riga, Latvia	FC	100%	100%
Manitou North America LLC	West Bend, Wisconsin, United-States	FC	100%	100%
Manitou Polska Sp Z.o.o.	Raszyn, Poland	FC	100%	100%
Manitou Portugal SA	Villa Franca, Portugal	FC	100%	100%
Manitou South Asia Pte Ltd.	Gurgaon, India	FC	100%	100%
Manitou Southern Africa Pty Ltd.	Johannesbourg, South Africa	FC	74%	74%
Manitou UK Ltd.	Verwood, United-Kingdom	FC	99,4%	99,4%
Manitou Vostok Llc	Moscou, Russia Federation	FC	100%	100%
Marpoll Pty Ltd (LiftRite Hire & Sales)	Perth, Australia	FC	50,5%	50,5%
Mawsley Machinery Ltd	Northampton, United-Kingdom	FC	85%	85%
Associates companies				
Manitou Group Finance	Nanterre, France	EM	49%	49%
Manitou Finance Ltd.	Basingstoke, United-Kingdom	EM	49%	49%
Other companies*				
Cobra MS*	Ancenis, France	FC	100%	100%
Gehl Power Products, Inc	Yankton, South-Dakota, United-States	FC	100%	100%
Manitou America Holding Inc.	West Bend, Wisconsin, United-States	FC	100%	100%
Manitou Développement	Ancenis, France	FC	100%	100%
Manitou PS	Verwood, United-Kingdom	FC	85%	85%

FC : Full Consolidation
EM : Equity Method
**Holdings and companies without activity*