

INVESTOR REPORT December 31, 2016

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DEFINITIONS

In this document:

- “Company” means LOXAM S.A.S., and “we”, “us”, “our” and “our group” refer to LOXAM S.A.S. and its consolidated subsidiaries, unless the context requires otherwise;
- “Profit from ordinary operations” means operating profit plus certain items disclosed separately under “other operating income and expense”, including a limited number of items, unusual, abnormal, and uncommon, with significant amounts. These items are disclosed separately in the income statement to make it easier to appreciate the Group’s current operating performance;
- “EBITDA” means profit from ordinary operations plus depreciation and amortization of fixed assets;
- “Free cash flow” means EBITDA (before capital gains on fleet disposals) plus the proceeds from disposals of fixed assets less the following: (i) gross capital expenditures, (ii) other operating income and expense (excluding non cash expense or income), (iii) finance income and expense (excluding non cash expense or income), (iv) income taxes (excluding deferred taxes), (v) increases in working capital requirement and (vi) miscellaneous items;
- “Gross book value” means the total acquisition cost of the fleet equipment;
- “Gross debt” means loans and debt owed to credit institutions, bonds, lease liabilities, bank overdrafts and other financial debt, plus accrued interest on debt excluding derivative instruments on the balance sheet;
- “Net debt” means gross debt less cash and cash equivalents (cash plus marketable investment securities);
- “Like-for-like” means changes in revenue for the period indicated compared to the prior comparable period, excluding changes in the scope of consolidation;

NOTICE

All financial information in this report relating to the financial year have been prepared in accordance with IFRS and are presented in million of euros. This financial information has been subject to an audit by our statutory auditors. All financial information in this report relating to the quarters have been prepared in accordance with IFRS and have not been subject to an audit by our statutory auditors.

In this document, we use certain non-GAAP measures, such as EBITDA, free cash flow or net debt, as we believe they and similar measures are widely used by certain investors as supplemental measures of performance and liquidity. These non-GAAP measures may not be comparable to other similarly titled measures of other companies and may have limitations as analytical tools. Non-GAAP measures such as EBITDA, free cash flow and net debt are not measurements of our performance or liquidity under IFRS and should not be considered to be alternatives to operating profit or any other performance measures derived in accordance with IFRS. They should not be considered to be alternatives to cash flows from operating, investing or financing activities as a measure of our liquidity as derived in accordance with IFRS.

Rounding adjustments have been made in calculating some of the financial and other information included in this document. As a result, figures shown as totals in some tables may not be exact arithmetic aggregations of the figures that precede them.

Change in accounting policy

Loxam has adopted International Financial Reporting Standard “IFRS” as accounting standard for its 2015 full year financial statements. Loxam’s auditors have audited the full year accounts for 2015 and 2016 under IFRS standard. Loxam reports the Q4 2016 quarterly performance under IFRS and has provided a restated historical quarterly performance under IFRS for comparison purpose. Neither Q4 2016 figures nor Q4 2015 figures have been audited or reviewed by Loxam’s auditors.

During Q4 2016, LOXAM has taken the decision to change the depreciation policy for its entire equipment fleet with effect from 1st January 2016. This decision was made after a review of the economic life of the fleet and the price at which second-hand equipment is sold. On average, the depreciation period has been increased from 5 to 7 years and a residual value of 10% of the gross book value has been introduced. For equipment bought from 1st January 2016, the new policy has been applied. For equipment present before 1st January 2016, the depreciation charge for 2016 has been calculated in accordance with the new rules, based on its NBV as of December 31st 2015 .

The calculated depreciated charge booked in Q4 2016 takes into account the full year effect of the new depreciation policy.

The following discussion and analysis is based on, and should be read in conjunction with, our audited annual consolidated financial statements included elsewhere in this report.

This document contains certain statements that are forward-looking. These statements refer in particular to the Company's forecasts, projections, future events, trends or objectives that are naturally subject to risks and contingencies that may lead to actual results materially differing from those explicitly or implicitly included in these statements. Such forward-looking statements are not guarantees of future performance. The Company, as well as its affiliates, directors, advisors, employees and representatives, expressly disclaim any liability whatsoever for such forward-looking statements. The Company does not undertake to update or revise the forward-looking statements that may be presented in this document to reflect new information, future events or for any other reason and any opinion expressed in this document is subject to change without notice.

This document does not constitute, or form part of, an offer or invitation to sell or purchase, or any solicitation of any offer to purchase or subscribe for, any securities of the Company in any jurisdiction whatsoever. This document shall not form the basis of, or be relied upon in connection with, any contract or commitment whatsoever.

CONSOLIDATED FINANCIAL STATEMENTS SUMMARY

Consolidated Income Statement according to IFRS <i>(in millions of euros)</i>	Year ended December 31,	
	2015	2016
Revenue	838.3	926.8
Other income.....	57.4	56.3
Purchases consumed	(92.0)	(105.5)
Personnel expenses	(224.6)	(244.4)
Other current expenses.....	(286.4)	(311.7)
Taxes and duties	(15.5)	(16.6)
Depreciation and amortization.....	(187.3)	(143.7)
Profit from ordinary operations	90.0	161.1
Other operating income and expense	0.1	(19.9)
Operating profit	90.0	141.2
Financial income and expense.....	(66.6)	(88.1)
Share of profit of associates	(0.4)	(1.0)
Income tax expense	(15.3)	(17.6)
Net profit	7.7	34.4
Non controlling interests	(0.3)	0.1
Net profit, group share	8.0	34.3

Consolidated balance sheet under IFRS

(in millions of euros)

	As of	
	December 31, 2015	December 31, 2016
Intangible assets and goodwill.....	983.0	969.0
Property, plant and equipment.....	560.1	630.0
Investments in associates	8.5	9.7
Financial assets	9.4	9.9
Financial derivatives	-	0.8
Deferred tax assets	8.6	7.8
Non-current assets	1,569.6	1,627.2
Inventories	18.4	18.7
Trade and other receivables	206.4	224.6
Other current assets	25.6	32.7
Cash and cash equivalents	158.2	155.9
Current assets	408.6	431.9
TOTAL ASSETS	1,978.2	2,059.1
Shareholders' equity	547.2	480.8
Provisions for employees benefits.....	15.0	18.7
Deferred tax liabilities.....	21.9	25.4
Borrowings and financial debt – long term portion.....	1,109.0	1,189.2
Financial derivatives	9.5	4.9
Non-current liabilities.....	1,155.5	1,238.2
Provisions.....	7.1	4.9
Borrowings and financial debt – current portion	73.7	107.4
Supplier and other payables	89.4	123.1
Other current liabilities.....	105.3	104.6
Current liabilities	275.5	340.1
TOTAL EQUITY AND LIABILITIES.....	1,978.2	2,059.1

Consolidated condensed cash-flow statement according to IFRS <i>(in millions of euros)</i>	Year ended December 31,	
	2015	2016
Cash flow from operations	153.3	165.6
Cash flow from investing activities	(217.3)	(178.3)
Cash flow from financing activities.....	77.7	7.0
Change in cash and cash equivalents	13.7	(5.7)
Cash and cash equivalents at the end of the period ⁽¹⁾	158.0	155.7

Note : (1) Including bank overdraft.

BUSINESS

Overview

We are a leading European equipment rental group for the construction, industry, public works and events sectors. Our activity is split in three business divisions:

- Generalist France division, which includes equipment for earth moving (backhoes and loaders), aerial work (booms and scissors), handling (forklifts and tele-handlers), compaction (compactors and rollers), and building (concrete mixers and saws), as well as hand tools such as power drills, chainsaws and jackhammers. As of December 31, 2016, our Generalist network included 426 branches. Our Generalist network trades under the LOXAM Rental brand;
- Specialist France division, which includes high-access equipment, modular shelters, large compressors and generators, heavy compaction equipment, suspended platforms and scaffolding. As of December 31, 2016, our specialist network in France includes 73 branches. We rent specialist equipment in France under several specific brands, such as LOXAM Access, LOXAM Access PL, LOXAM Module, LOXAM Power, LOXAM Laho TEC, LOXAM TP and LOXAM Event;
- International division, which comprises our specialist and generalist equipment offerings in 11 other countries outside of France (Denmark, Belgium, the Netherlands, Germany, Spain, the United Kingdom, Ireland, Switzerland, Luxembourg, Morocco and Norway) with a network of 144 branches as of December 31, 2016. We have been present in Brazil since April 2015 through our 25.7% stake in Degraus, a Brazilian equipment rental company that operates a network of 23 branches.

We rent over 1,000 different types of equipment and tools. We also provide services such as transportation, refueling, damage waiver and retail consumable products to complement and support our rental business. As of December 31, 2016, our rental fleet consisted of approximately 220,000 pieces of equipment (excluding accessories) with a gross book value of €1.8 billion.

As of December 31, 2016, we had the largest rental network in Europe with 643 branches, of which 499 were located in France.

We generated revenue of €926.8 million and EBITDA of €304.8 million for the year ended December 31, 2016, representing an EBITDA margin of 32.9%. In 2016, 61.9% of our revenue was generated from our Generalist France division, 17.6% by our specialist France division and 20.5% by our International division.

Competitive Strengths

We believe that the following competitive strengths have been instrumental in our success and provide the foundation for our future growth:

European market leader with dense local network and strong brand recognition

We believe we are the largest equipment rental service provider in Europe based on 2016 revenue, with operations across 11 European countries. We also have operations in Morocco and a presence in Brazil through our minority share in Degraus, a Brazilian rental company. In France, our largest market, we are the leading industry participant, with a national market share of 20% in 2016

(assuming a total market size of €3.6 billion as calculated by the European Rental Association), and we believe that we are consistently one of the two largest players in most of the regions and metropolitan areas where we are active. As of December 31, 2016, our network included 426 generalist branches and 73 specialist branches in France, as well as 144 branches in 11 other countries. The density of our network allows us to maintain close relationships with clients at the local level, which we see as an important competitive advantage in understanding our clients' needs and winning profitable business.

The Loxam brand benefits from strong recognition in France. We believe that many of our professional customers consider Loxam to be a trusted partner in their day-to-day operations, principally as a result of our reliability in terms of service and fleet availability across a wide range of products. Our portfolio of clients in our Generalist France business included approximately 105,000 customers as of December 31, 2016. Our RentalMan platform allows us to set up a national account for each entity and for each branch.

Acceleration of international development in recent years

On the back of our strong national market leadership position in France, we started to expand across Europe in 1996. We are currently active in 11 European countries, in Morocco and Brazil. In Denmark, the Netherlands, Belgium and Switzerland, we believe we were the number two player in terms of revenue in 2015. Our position was strengthened in Denmark in 2014 thanks to our acquisition of Dansk Lift. We also reinforced our market position in the Netherlands through our acquisition of Workx in July 2014. We entered Brazil in April 2015 through our 25% stake in Degraus, a Brazilian equipment rental company that operates today through a network of 23 branches. In June 2015, our subsidiary in Morocco acquired Maroc Elevation, a Moroccan company specialized in access equipment. In addition, in October 2015 we acquired the French and Spanish businesses of Hertz Equipment Rental Company. In April 2016, we increased our stake in the company Degraus, buying 0.7% of additional shares, to a total stake of 25.7%. In October 2016, we acquired Salmat Nord, a French company operating one branch in Dunkirk. We believe that these acquisitions will strengthen our image in these markets and contribute to our brand recognition. We believe we are the only rental group to operate through a portfolio of generalist and specialist brands on this scale in several countries.

Our network of branches in our International division increased from 88 branches as of December 31, 2012 to 144 branches as of December 31, 2016. This growth has been driven by the acquisitions mentioned above, as well as organic developments in our international markets. As a result of this growth, the revenue generated from our International division increased from €118.9 million for the year ended December 31, 2012 to €189.9 million for year ended December 31, 2016. The percentage of our revenue generated by our International division has increased from 14.4% of our total revenue in 2012 to 20.5% of our total revenue in 2016.

Diversified business model

Our business model and size result in a significant diversification in terms of offering, customers, end markets and regions.

With a total of nearly 220,000 machines, representing a gross book value of €1.8 billion at the end of 2016, we believe we offer the largest fleet on the European market by gross book value. Our fleet provides for a full-range of client needs for earth moving, aerial work, handling, compaction, energy, modular and building equipment, including both generalist and specialist equipment. Our fleet is continuously evolving as we seek to meet the demands of increasingly sophisticated technical aspects of our clients' operations and pursue opportunities to target new sectors. Our expanding product offering allows us to act as a one-stop shop with comprehensive rental solutions and to diversify our client portfolio. In 2015, our fleet capital expenditure decreased by 47% year-over-year to €124 million. This decrease resulted primarily from our decision to adjust our fleet in response to decreased demand in the French market and the downward adjustment of our expenditures in anticipation of the Hertz Equipment Acquisition, from which we acquired fleet capital assets that were, on average, younger than our fleet. In 2016, our capital expenditures increased by 60% year-over-year to €198 million as the construction market and the rental market picked-up. The estimated replacement value of our fleet amounted to €2.1 billion as of December 31, 2016.

Our broad and diversified customer base (representing approximately 174,000 customers across all divisions as of December 31, 2016) includes construction, industrial and specialist customers, from small business and craftsmen to large international groups. Most of our largest customers operate multiple divisions, which results in a large portion of our business being carried out directly between our local branches and the local divisions or subsidiaries of larger groups, which further increases our level of customer diversification. Our top ten customers at a group level all of which operate in the civil engineering, construction or utilities sectors, accounted for approximately 18% of our revenue for 2016 compared to 20% in 2015. We have also diversified our revenue across industries. Revenue generated outside of the construction and civil engineering sectors accounted for 36% of our 2016 revenue, an increase from 32% in 2012. While there is some variability in the composition of our customer base, the same ten clients have comprised our ten largest customers in France, our largest market, in every fiscal year since 2007.

Our diversified end market exposure spans from residential and commercial construction sectors to public infrastructure and we are increasingly expanding into industry, municipal projects, as well as events and media, whether to support their day-to-day activities or occasional needs. Approximately 64% of our 2016 revenue was generated from the construction and civil engineering sectors in 2016, while 36% was generated from other end-markets. The largest of these other end markets was the industrial sector, which generated 10% of our revenue in 2016.

The significant density of our network and large number of customers we serve limit the impact of localized economic fluctuations in certain end-markets or geographies and reduce our dependence on any particular customer or group of customers.

Strong financial track record

We operate in a cyclical industry and, as a result, we have gained a significant amount of experience in managing risks and tracking signs of market slowdown and recovery.

We continuously monitor market indicators such as GDP growth and construction activity, as well as information generated from our local branch network and our strong customer relationships, to gain insight on future short and medium-term demand for our services. This allows us to adjust our operating cost structure in a timely manner in reaction to changes in the industry, as demonstrated by our high level of profitability, with annual EBITDA margins ranging between 30% and 36% since 2006.

Our EBITDA margin was 34.5% for the Generalist France division in 2016 and did not suffer from the merger of Hertz Equipment in our network and head office. The EBITDA margin of this division has consistently been above 30% since 2006. In 2016, the EBITDA margin for the Specialist France division stood at 31.1% as we have taken the opportunity of the integration of the specialist branches of Hertz Equipment to expand the network of Loxam Power and Loxam TP. EBITDA margins for this division have ranged between 31% and 39% since 2006.

For our International division, the EBITDA margin was 26.8% in 2016 and increased as our international subsidiaries enjoyed a growing market and we noticed a convergence of the EBITDA margins of all subsidiaries towards the division average. EBITDA margins for our International division have historically been lower than in France because we have pursued an active growth strategy through branch openings and acquisitions and also because of the impact of local headquarters costs on networks with a lower density of branches. Margins for the international division have ranged between 22% and 33% since 2008.

Our understanding of the business cycles affecting our industry and a close monitoring of our own set of key internal indicators, such as the age and utilization rates of the different products in our fleet, also allow us to make appropriate decisions with respect to our capital expenditure programs.

In a growth cycle, we use free cash flow to invest in our rental fleet to enhance our product offering and expand into new products and markets. It is our view that larger market participants such as Loxam are well positioned to take advantage of the return to growth in the rental market while maintaining a strong financial position. In a downturn, we tend to right-size our business, reduce capital expenditure and apply cash flow to pay down debt. Investment in the fleet can be quickly limited to a strict minimum by our management and we have no long-term engagements in respect of capital expenditure. Following the onset of the global financial crisis, we significantly reduced our investments in new equipment and increased our asset sales, primarily during the 2009 fiscal year, when our investments were only €28.1 million, a fraction of our normal level of investments. In contrast, we increased our new fleet investments in 2013, 2014 in an effort to diversify and rejuvenate our fleet in France, and to sustain the organic growth of our International division. In 2015, we again reduced our capital expenditure significantly in response to weak demand in the French market and the downward adjustment of our expenditures in connection with the Hertz Equipment acquisition, from which we acquired fleet capital assets that were, on average, younger than those in our fleet. In 2016, we increased our capital expenditure, by 59.9% compared to 2015.

We benefited in France from a temporary tax incentive which started in Spring 2015 and will last until mid-April 2017. Equipment purchased during this period of time will benefit from an additional depreciation consisting in an extra deduction of 40% more of the gross book value of the assets in our tax returns .

We believe that our focus on quickly adjusting our operating costs and our fleet to market conditions is a competitive advantage. We have been able to maintain a high level of profitability throughout the business cycles, while maintaining an active and modern fleet.

Flexibility and responsiveness of our network

Our reactivity and flexibility is driven by our dense branch network, which is supported by a well-trained and motivated workforce, a standardized premium rental equipment fleet and an optimized IT system.

The capacity to anticipate and adapt to changes in market environment is an important part of our business culture. Our branches are deeply embedded in local markets in which they operate, and we emphasize building and maintaining close relationships with clients at the local level to better anticipate their needs. Typically, the selection of a rental equipment provider is made locally by the construction site supervisor, and we believe the key factors in this decision are proximity, product offering and reliability. Our key clients show significant loyalty and generate significant recurring revenue. Our business model combines a centrally-determined investment budget with large autonomy for regional and branch managers in spending their respective budget allocations, which allows us to adapt our equipment fleet at the branch level to accurately address local demand. Branches serve as a continuous source of information by reporting the latest market opportunities and seamlessly feed information up to the rest of the organization.

We operate a high-quality and well-invested fleet that has the breadth to meet the specific and complex needs of our most demanding customers. Across our rental fleet, we aim to obtain standardized equipment from our suppliers by providing them with uniform specifications, according to our high standards. A standardized fleet lowers maintenance costs and reduces training time for our staff. It also makes it easier to share spare parts between branches and transfer equipment from one branch to another, resulting in greater fleet utilization.

To improve the efficiency of our French generalist network, all branches have been operating under the Loxam Rental brand since January 2014. In order to optimize our network, we have streamlined and simplified the management of our operations. For example, in 2014 we merged 50 branches in our generalist network in order to adapt to the downturn in the French construction market. We continued these operations in 2015 by merging 31 branches, including 21 in France and 10 in our International division, and in 2016, by merging 35 branches, including 34 in France and one in our international division.

Our network is well-managed through close quality control of our branches, optimized IT systems and strong reporting tools, allowing information sharing and internal benchmarking and resulting in a highly dynamic and flexible network. We monitor the quality of our branches through regular audits (both internal and external). In order to support our network and preserve its quality and dynamism,

we provide our employees with different types of comprehensive internal trainings across all levels and divisions to foster the development of multiple skill sets, resulting in a more efficient utilization of our employees.

In 2015, we completed the roll-out of a group-wide integrated ERP system based on the RentalMan platform, which is a dedicated, unified and multilingual rental system that links all aspects of our fleet management and back office in real time. We have access to immediate information that allows us to redeploy assets within our network to areas where the level of demand is higher and to maximize our utilization rates.

In addition, we have deployed a new customer relationship management (CRM) system, a valuable commercial tool based on the Salesforce platform that helps us serve our customers more efficiently.

Our IT system also tracks maintenance and certification requirements, credit management and supplier e-invoicing.

Experienced and proven management team

Our senior management team is led by Mr. Gérard Déprez, our president and CEO and controlling shareholder, who has 30 years of experience with Loxam. The members of our management committee have significant industry experience.

Our management team has experienced several economic cycles of expansion and downturn in our industry and has proven its ability to consistently maintain strong financial performance and protect cash flow generation. Our top management is supported by divisional and regional managers in an organizational structure that empowers middle management and keeps bureaucratic processes at a minimum. This encourages strong commitment and entrepreneurial spirit across the Company and ensures lean corporate functions.

Pragma Capital, one of our shareholders, has a strong expertise in the rental industry stemming from previous investment in the sector. Pragma participates actively in our strategic decisions through their representatives on our Strategic Committee.

Our Strategy

We intend to pursue the following key elements of our business strategy:

Continuously refine our network coverage to capture profitable growth

We will continue to focus on generating profitable growth through the optimization of our branch network at the local, national and international levels.

We aim to defend our national leadership position in France on the back of strong market shares in all the local markets in which we are active. We continue to monitor the efficiency of our network of 499 branches in France through regular reviews of the profitability of each individual branch and the utilization rates of our fleet. Based on a certain number of key indicators relating to our network and our fleet, as well as our expectations of future local market conditions, we adjust our coverage

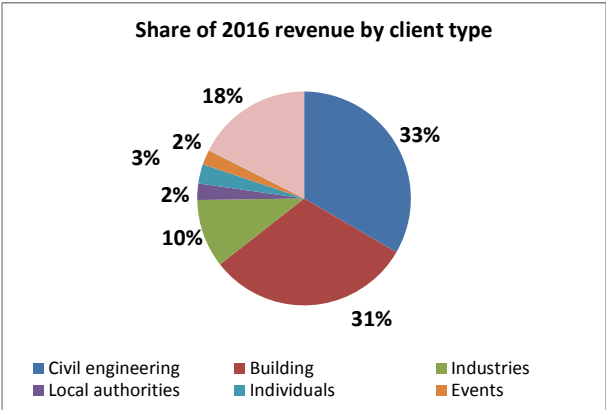
and product offering accordingly. We are able to open new branches in dynamic areas while reducing our presence where demand is weaker. For example, in France we completed 50 branch consolidations in 2014. We also opened 14 new branches in 2014, including five in our Generalist France division, and acquired 11 branches from Phocomex, a French rental company based near Marseille that had filed for bankruptcy earlier in 2014. In 2015, we opened 11 branches, including 3 in our Generalist France division, closed 6 branches and conducted 31 mergers of branches as part of the optimizing of our network. Among the branch mergers, 21 took place in France as we continued to consolidate the network following the Phocomex acquisition. In 2016, we acquired 1 branch, opened 11 branches, including 6 in our Generalist France division and 5 in our Specialist division, closed 2 branches and conducted 35 mergers of branches mainly following the acquisition of Hertz Equipment. We consider most of the costs associated with branch openings and closings to be part of our normal activities and therefore typically include them in our operating costs.

To complement our organic growth, we will continue our selective acquisition strategy. Since the beginning of 2013, we have acquired approximately 130 branches (excluding Brazil) through external acquisitions. We acquired Dansk Lift in December 2013, with six branches in Denmark, four branches in Norway and one branch in Sweden (which we subsequently closed in November 2015), and €18.8 million of revenue in 2013. In July 2014, we acquired Workx in the Netherlands, which has a network of 42 branches and had revenue of €34.0 million in 2013. In November 2014 we acquired two branches in Spain and in December we acquired most of the remaining assets of Phocomex, which added 11 branches to our French Generalist network. Since April 2015, we have been present in Brazil through our 25% stake in Degraus, a Brazilian equipment rental company that operates a network of 20 branches. In June 2015, our subsidiary in Morocco acquired Maroc Elevation, a Moroccan company specializing in access equipment. In August 2015 we acquired the modular building rental business of OBM Construction, consisting of one branch in France. In October 2015, we acquired the French and Spanish businesses of Hertz Equipment Rental Company, which included 60 branches in France and two in Spain. In April 2016, we increased our stake in Degraus, buying 0.7% of additional shares to a total of 25.7%. In October 2016, we acquired Salmat Nord, a French company with 1 branch in Dunkirk. Through our acquisition strategy, we seek to strengthen our leading market positions, increase the density of our network and reach a critical size to run profitable operations at a local level. We believe the fragmentation in the market will continue to allow us to complete acquisitions at attractive prices and act as a market consolidator going forward.

Further diversify our end markets

We will continue our strategy of diversifying our end-markets. For example, we have strengthened our focus on renovation, which is less cyclical than the overall new construction market, and we have also reduced the share of our business generated from civil engineering. We have increased as well our exposure to other end-markets, such as manufacturing, local authorities, event organizers, landscaping, retail, petro-chemical, training, demolition and facilities management. The customers in these sectors often have higher expectations in terms of quality of service (24 hours a day/7 days a week), which help us maintain a high standard of service and equipment quality across our business. We are also seeking to target additional client categories, such as small and medium enterprises (SME) or craftsmen who need smaller equipment.

We are also broadening our customer base through the development of partnerships with major do-it-yourself retail chains, sometimes based on a co-branding model. We already have co-branding partnerships in place with Leroy Merlin, Bricoman and Weldom, three French do-it-yourself chains. We also continue to open shops in Paris branded Loxam City to offer our customers proximity to their sites in parts of the city where traffic is heavy. We opened one new Loxam City branch in Paris in 2016, and had a total of ten branches as of December 31, 2016.



The following chart shows the percentage of our revenue generated by client category for 2016 and shows that the percentage of our revenue generated by the construction and civil engineering amounts to 64% in 2016.

Managing lifecycle and performances of our rental equipment

We will continue to actively monitor the size, quality, age, composition and efficiency of our rental fleet. We are committed to the disciplined management of our fleet to optimize utilization and profitability through the following strategies:

- Leveraging our scale to negotiate fleet purchase prices and develop customized services and bespoke equipment addressing our requirements in terms of quality, safety and low maintenance costs. In addition, our long-lasting relationship with key equipment suppliers will allow us to obtain useful information on new product innovations and assess market demand.
- Using our comprehensive information systems to increase our utilization rate and yield; we will continue redeploying assets within our branch network, optimizing pricing, adjusting our fleet mix on a real time basis and maintaining fleet quality and diversification; we will focus our primary investments in the most active markets where our fleet has a higher utilization rate and where we expect stronger market trends.
- Continuing a rigorous maintenance program by tracking the servicing history of each piece of equipment.

- Seeking to remove older or idle equipment from our fleet at optimal times, and rejuvenating our fleet so as to be well positioned to serve customers and meet higher demands as a result of a strengthening market.
- Optimizing recycling of equipment through repair and salvage is an integral part of our approach. Fleet equipment that leaves our active rental fleet at the end of its lifecycle is sent to a reprocessing facility near Alençon. This facility evaluates the equipment and helps us to determine whether to sell such equipment to third parties or to recycle it for spare parts for our fleet. These recycling efforts allow us to take advantage of lower costs for certain replacement parts for our rental fleet.

Continue to adapt our financial discipline to business cycles

Our management's experience in equipment rental gives us a long-term vision of cyclicity in the construction and public works industries and thus of demand for our equipment. Our diversified and flexible business model enables us to maintain high EBITDA margins and quickly adjust our capital expenditure investments to demand in order to protect cash flow generation. This strategy relies on strong financial discipline implemented across our platform, and the cash flows we generated during the downturn are evidence of our success in relying on this discipline in the past.

We plan to continue using this experience to help us identify the inflection points in the business cycle, when we must decide whether to reduce capital investments and apply cash to debt repayment or make further expenses to meet growing market demand. Our approach helps us to avoid either excess fixed costs related to over-investment when demand drops or lost revenue opportunities and customer dissatisfaction due to under-investment when demand picks up. We intend to continue managing our operations with a clear focus on EBITDA and cash flow growth to fund our future investments and service our debt.

Maintain our commitment to innovation, quality, sustainability and corporate and social responsibility

We intend to remain at the forefront of innovation in the industry and leverage our reputation for quality, safety, reliability and environmental commitment, as evidenced by our ISO 9001, ISO 14001, MASE and VCA certifications.

We continually strive to offer the best level of safety to users of our equipment, and as such we endeavor to work only with well-known manufacturers. Our long-standing relationships and cooperation with our suppliers make us well positioned to highlight difficulties in the use of equipment or safety issues and thereby improve machine design standards. By accounting for market changes, feedback from users in the field and changes to regulations, we strive to ensure that the equipment we offer our customers is increasingly reliable and practicable.

We also endeavor to train our employees throughout their careers. The Loxam School in Bagneux, near Paris, has been opened to our French employees across our divisions and has offered sessions to both beginners and experienced staff since 2008. The aim of the Loxam School is to improve the key skills of our employees. Training is provided by experienced professionals from our network. They

deal with a variety of fields including knowledge of equipment, safety, environment (waste processing, energy savings, etc.) sales skills and team management, among others.

In October 2015, we became a member of the UN Global Compact program, the world's largest corporate sustainability initiative. We issued our first Corporate Social Responsibility brochure, "Responsible Rental," in 2014 providing information about our corporate responsibility initiatives. In December 2016 Loxam underwent an audit of its corporate and social responsibility actions according to the guidelines of the ISO 26000:2010 standard. We have been rewarded in France with a performance rating of level 3 (on a scale of 5) in the ISO 26000:2010 standard, which demonstrates our level of commitment and maturity with regards to our corporate and social responsibility.

History and Development

Our company was founded in 1967 in Hennebont (Brittany), France under the name "SAM Location." Since our creation, we have been a generalist equipment rental company. In the early 2000s, we decided to create a specialist network in order to address the growing demand from our customers in France for specialist equipment (such as access equipment, power equipment, assembled modular shelters, heavy earthmoving equipment, and more recently, events and scaffolding). Around the same time, we began our international expansion through a combination of acquisitions and new branch openings. These three principle areas of our group's development are further described below.

Our company was the subject of a management buy-out starting in 1994 following the acquisition of our main shareholder by Holderbank, a building materials company, which had decided to exit the equipment rental sector in order to refocus on its core business. In 2011, private equity investors led by 3I plc and Pragma Capital took each a minority stake in Loxam. In December 2016, the funds managed by 3I plc tendered their shares as Loxam effected a buy-back on 11% of its share capital to optimize its capital structure. As a result of the share buy-back, the management of Loxam owns approximately 95.2% of Loxam's shares and Pragma Capital owns 4.8% at the date of this Quarterly Report.

Generalist market expansion

We began expanding nationally in France almost 20 years ago, both organically and through a number of small and large strategic acquisitions. We opened our 100th branch in 1991. In 2004, we acquired Loueurs de France, an equipment rental company focused on the construction and civil engineering sectors with approximately 50 branches concentrated in Paris and in northern and southeastern France. In 2007, we acquired Laho, which was at the time a major general construction equipment rental firm in France with a similar range of equipment. Laho's approximately 120 branches across France significantly increased the size our network. In September 2011, we strengthened our presence in the Eastern part of France with the acquisition of Locarest. Until January 1, 2014, we operated branches under the Loueurs de France, Laho and Locarest names. Since the beginning of 2014 we have combined our networks into a single organization, operating under the Loxam Rental name. In December 2014, we acquired most of the assets of Phocomex, a French rental company based near Marseilles which had filed earlier in the year for bankruptcy. In October 2015, the Hertz Equipement acquisition expanded our Generalist network in France by 60 branches. In October 2016,

we acquired Salmat Nord, a French rental company with one branch in Dunkirk. As of December 31, 2016, our Generalist network in France had 426 branches taking into account the branch opening and closures in the network.

Specialization to meet client needs

We began developing activities in specialist markets as early as the 1980s in order to address our clients' needs for large quantities of specific equipment, such as access equipment, or very specialized needs, such as high access with operators, assembled modular constructions, temperature control, high end power and large capacity compressors, which we believed presented targeted opportunities for growth. In 1988, we acquired LMI (since named Loxam Power), which specializes in air compressors and generators. In 2001, we solidified this segment by establishing three business units to address the increasing demand for specialist equipment: Loxam Access, which specializes in powered-access equipment, Loxam TP, which specializes in heavy equipment for civil engineering and demolition, and Loxam Module, which specializes in modular shelters. We further extended our reach in the Specialist segment in recent years through targeted acquisitions, such as Loxam Access PL (a specialist in access equipment with and without operators) in 2008. Our specialist branches are located in France and also in other geographical markets. As of December 31, 2016, we had 73 specialist branches located in France.

International development

We established our international presence in 1996 with the acquisition of two branches in Switzerland. In 1999 and 2000, we expanded through acquisitions in generalist and specialist rental markets in Belgium, Germany, the United Kingdom and Ireland. In 2002, we opened operations in Spain under the name Loxam Alquiler. In 2007, we became an important participant in the Denmark equipment rental market with the acquisition of DNE/JJ operating in approximately 15 locations. In 2010, we expanded our presence in Belgium with the acquisition of Locamachine. We opened our first branch outside of Europe in 2011 with the launch of our operations in Morocco in partnership with Stokvis, a Moroccan industrial group. In December 2013, we acquired Dansk Lift, operator of 6 branches in Denmark and, under the Safelift name, four branches in Norway and one branch in Sweden. On April 14, 2015, we acquired 25% of shares of Degraus, which operated 23 branches in Brazil, primarily located in Sao Paulo state. This acquisition enabled us to enter a new market that has a long-term development potential with limited capital expenditure, as well as to gain expertise in the market through partnership with an established market participant. On June 30, 2015, our 51% owned subsidiary in Morocco, Atlas Rental, acquired 100% of the shares of Maroc Elevation, a Moroccan company operating two branches and specializing in access equipment. On October 30, 2015, we completed the acquisition of Hertz Equipment in France and Spain which added two branches specializing in power generation in Spain. In April 2016, we increased our stake in Degraus, buying 0.7% of additional shares to a total stake of 25.7%. As of December 31, 2016, we had 144 generalist and specialist branches in our International network.

Post closing events

On February 6, 2017, we acquired a 100% interest in Hune rental S.L, the number 2 player on the Spanish equipment rental market. Hune operates through 37 branches in Spain, Portugal and France and has joint-ventures in Saudi Arabia and Colombia. This acquisition enables us to get a market leading position on one of our core markets. Hune recorded consolidated revenue of €66 million in 2016.

On February 13, 2017, we took control of Lavendon Group plc., Europe's largest powered access equipment rental player. The Lavendon Group consists of 70 branches located in 10 countries and has a strong position on each of its geographical markets. This acquisition anchors us as one of the leading worldwide rental companies and reinforces our leadership in Europe. Lavendon Group recorded consolidated revenue of £282 million in 2016. In order to finance the acquisition of Lavendon Group plc, Loxam SAS concluded with a group of banks a bridge facility on February 10, 2017 for an amount of €795 million covering the acquisition cost of the shares in Lavendon Group plc as well as the refinancing of its financial debt and some costs in relation the acquisition. Loxam SAS also signed during February a new RCF (replacing the RCF of €50 million) for an amount of €75 million and a maturity of 5 years.

Products and Services

Our business is organized into three divisions:

- Generalist France division, which comprises our generalist rental operations in France;
- Specialist France division, which comprises our specialist rental operations in France; and
- International division, which is composed of our generalist and specialist rental operations in 11 countries other than France.

In each of our divisions, our principal activity is equipment rental, which accounted for approximately 70% of total revenue in 2016. We also provide rental services (approximately 24% of total revenue in 2016), such as transportation of equipment and assembly related to modular rentals, that complement and support our rental offerings and, to a lesser extent, engage in retail activity at our branches (approximately 6% of total revenue in 2016).

We offer over 1,000 different types of equipment and tools for rent. Most of our rentals are short-term (often less than one week), although we are also expanding our offerings under longer-term rental contracts. For example, our "mini-leases" (one to three years) offer clients the ability to personalize equipment and use it for a longer period while having us handle maintenance and repair.

Generalist France

Our generalist offering in France is focused on equipment principally used in construction and civil engineering projects. These projects encompass a wide range of activities, including new buildings in the residential, industrial, commercial and governmental sectors, renovation, utilities, roadwork and

infrastructure. We also provide equipment for general industrial, landscaping and other activities. Since January 1, 2014, we rent generalist equipment solely under the Loxam Rental brand. Our main product lines include:

- earth moving equipment, including backhoes, loaders, dumpers and excavators, which are designed for digging, lifting, loading and moving material and are frequently used in construction and civil engineering projects;
- aerial work platforms, including booms, scissors and vehicle-mounted platforms, which are mechanical elevation equipment used in various activities, including general industrial and service works and facility management;
- handling equipment, such as forklifts and telehandlers, which are used to lift and transport materials and are often used in the construction, manufacturing and warehousing industries;
- compaction equipment, including compactors, rammers and rollers, which are used to compact soil, gravel, concrete or asphalt in the construction of roads and foundations or to reduce the size of waste material;
- energy equipment, including compressors and generators, which are used to power machinery or construction sites;
- building equipment, such as concrete mixers and saws;
- other equipment, including scaffolding, trucks, pumps, site surveillance systems, traffic management equipment and hand-operated tools such as power drills, chainsaws, and jackhammers, among others, mainly used in construction and renovation projects.

Specialist France

Our specialist equipment offerings in France serve specific client needs in terms of performance (such as power or reach) or quantity of equipment. Our different lines of specialist equipment are marketed and rented through dedicated subsidiaries and business units, as described below:

- powered-access elevation equipment, with or without operators, rented by Loxam Access and Loxam Access PL, includes truck-mounted booms, telescopic and articulated booms and other platforms for reaching significant heights, used in construction, landscaping, events and by utilities and media customers;
- modular shelters, rented by Loxam Module, include portable accommodation, workspaces and containers, often used on major construction or civil engineering sites, for special events, for schools, administrative offices and for other applications;
- large compressors, generators and temperature control units, rented by Loxam Power, include air compressors used to provide power to construction machinery and electrical generators that convert mechanical energy into electrical energy to power heavy machinery or to provide electricity where the grid is not available, as well as welding and pumping equipment;

- heavy civil engineering equipment, rented by Loxam TP, is used for excavating, grading and compacting, principally for earthworks, road and railway construction, landscaping and demolition;
- equipment such as forklifts, super-silent generators and platforms, rented by Loxam Event for use in the production and logistical coordination of cultural, sporting and public events, concerts, exhibitions and television productions,
- temporary suspended platforms, mobile and fixed scaffolding, modular portable formwork and lifting equipment, rented by Laho TEC.

We continue to add new products to our rental catalogue, including temperature controls and cooling equipment, deconstruction equipment and accessories, bi-energy equipment (such as excavators and access equipment) and site elevators, reflecting our ongoing innovation and response to customer needs.

International

In addition to our generalist and specialist offerings in France, we offer equipment rental in Denmark, Belgium, the Netherlands, Germany, Spain, the United Kingdom, Ireland, Switzerland, Luxembourg, Norway and Morocco. Since April 2015 we have been present in Brazil through our 25% stake in Degraus, a Brazilian equipment rental company that operates a network of 23 branches. We increased our stake in April 2016, buying 0.7% of additional shares to a total of 25.7%. We believe we were the number two player in terms of revenue in 2016 in Denmark, the Netherlands, Belgium and Switzerland, and we believe we were in the top three in Luxembourg, Spain, and Morocco, in the top five in Spain and Ireland and in the top ten in Britain.

Internationally, we are principally focused on generalist equipment used in construction and civil engineering projects, which we rent mainly through our Loxam Rental brand. We also offer specialist equipment in certain international markets, including powered-access elevation equipment in Ireland, Luxembourg, the Netherlands, the United Kingdom, Denmark and Switzerland through our Loxam Access brand; modular shelters in Belgium and Denmark through our Loxam Module brand; and compressors, generators and temperature control units in the Netherlands through our Loxam Power brand.

Rental services and retail

In all three of our divisions, we offer a variety of services that complement and support our rental offerings. Rental services, which accounted for approximately 24% of total revenue in 2016, include transportation of equipment to a site and assembly of modular equipment, damage waivers, which act like a product warranty against theft and breakage, rebilling of other services such as equipment maintenance and fuel. The cost of providing these services is passed on to customers. Our rental services activity supports our core rental business and is not a separate division.

We also sell supplies, work site accessories and tools at our branches, including replacement parts, safety equipment and cleaning tools used by our end-customers. Retail activity accounted for

approximately 6% of our total revenue in 2016. We consider retail to be an activity that supports our primary rental activity.

Customers

We have a broad customer base of approximately 174,000 clients across all divisions, ranging from individuals to large international companies. Our customers operate in many sectors, including residential, industrial, commercial and governmental construction, civil engineering such as transportation and infrastructure, utilities, building renovation, distribution, logistics, retail, environmental, events and media. A significant portion of our customers are large construction and civil engineering groups with national operations. These customers operate through a large number of divisions with whom our relationships are established locally at the branch level by our branch managers and sales executives (and supported by key accounts managers within our headquarters), providing multiple entry points in our contacts with customers and contributing to the diversification and stability of our customer base. In 2016, construction and civil engineering customers represented approximately 31% and 33% of our sales in France, respectively.

Our network of branches and our specialist equipment offerings enable us to provide tailored and attentive service to local and regional customers, while our developed full-service infrastructure allows us to effectively service large national and international customers. Our largest customers include Bouygues and Eiffage. These large and diversified groups are significant operators in the construction and civil engineering sectors, as well as in road building, industrial maintenance and electrical works. They operate through hundreds of companies whom we serve through our network of 499 branches in France. Our top ten customers in France, all of which operate in the civil engineering, construction or utilities sectors, accounted for approximately 23% of our revenue in France (excluding Hertz) for 2016 and no single customer on a group basis accounted for more than 7% of our revenue in 2016. In 2016, as a result of our diversification efforts, we have continued to reduce the percentage of our revenue generated by our top ten customers and we continue to develop our base of smaller customers, including small- and medium-sized enterprises (SMEs) and craftsmen.

With our largest customers, we negotiate framework agreements establishing pricing policies for our equipment. These agreements typically have a duration of 12 months but do not include exclusivity or volume commitments. Smaller and more localized customers are typically subject to our standard terms and conditions. While rental rates and pricing guidelines are established centrally, branches negotiate directly with their customers and generally have flexibility to make certain price adjustments as needed.

We monitor counterparty risk, particularly in respect of our smaller customers, and are attentive to signs of liquidity problems among our customers so that we can react quickly if needed. This policy has helped us to maintain a bad debt ratio of approximately 0.5% our revenue in 2016.

Sales and Marketing

We have a strong sales and marketing organization, which we believe allows us to expand our customer base and maintain loyalty with existing customers. Our sales and marketing organization

operates at three levels: (i) locally, at the branch level; (ii) regionally, through commercial managers operating under the regional managers; and (iii) centrally, through our dedicated sales and marketing team. Branch managers and regional commercial managers develop relationships with local customers and assist them in planning their equipment and rental requirements, while our centralized sales and marketing team works with our largest customers and targets new customers to identify their needs and propose comprehensive solutions. In addition, we maintain an in-house call center staffed only with experienced sales staff, providing additional points of contact for our customers.

To stay informed about local markets, sales agents track rental opportunities in the area through industry reports and local contacts. In addition, our specialist branches, due to the nature of the equipment they supply, are often in contact with customers at the early phases of large construction or civil engineering projects, which we believe creates opportunities for cross-selling and cross-promotion that also benefit our generalist branches. We also offer training programs for our customers at all of our branches, which we believe improves customer satisfaction and loyalty.

We have also implemented marketing and service initiatives at a centralized level to prioritize strong relationships with our customers. These initiatives include:

- LoxCall, our dedicated call center that provides a 24/7 one-stop service to clients by phone and coordinates order fulfilment through our branches, with guaranteed equipment availability. This service is targeted to our larger clients that need to source equipment in a number of locations and prefer centralized handling of their accounts;
- Loxam Drive, a service that allows customers to use our website to reserve any piece equipment in our catalogue, to be collected at the branch of the customer's choice within 24 hours;
- LoxForce, our customer relationship management platform based on the Salesforce platform, which allows us to know our customers better and respond to their needs;
- loyalty programs, including our specialty programs such as Loxam Club, which targets SMEs, and Loxcity, which targets public authorities;
- Loxam Global Solutions, a turn-key solution for major civil engineering and industrial sites, which can provide for a dedicated fleet of equipment, an on-site branch and optimized local service; and
- Loxam app for iPhone that allows customers to geo-locate the branch closest to them, request a quote and book equipment from their phones.

We also leverage our quality, safety and environmental certifications, including ISO 14001 for environmental commitment, ISO 9001 for product quality and MASE for employee safety, which we believe are factors used by some of our larger customers in selecting their rental partners. In October 2015, we became a member of the UN Global Compact programme, the world's largest corporate sustainability initiative.

We have also issued a brochure called "Responsible Rental" providing information about our corporate responsibility initiatives.

Rental Fleet

We have a well-maintained fleet consisting of approximately 220,000 pieces of equipment (excluding accessories) as of December 31, 2016, with approximately 143,000 pieces of equipment in our Generalist France division, approximately 25,000 in our Specialist France division and approximately 52,000 in our International division. We strive to offer a large variety of equipment and we believe that our rental fleet is one of the most extensive fleets in the European market, representing over 1,000 different types of generalist and specialist equipment and tools. All of the equipment in our fleet is branded and painted in Loxam colors or those of the relevant business unit. As of December 31, 2016, our fleet had a gross book value of €1.8 billion, of which Generalist France accounted for €1,010 million, Specialist France accounted for €355 million and International accounted for €418 million.

Our combined fleet is composed of the following principal equipment ranges and equipment types:

- earth moving: excavators, backhoes, loaders, dumpers;
- aerial work platforms: booms, scissors, van mount, truck mount;
- handling: forklifts and tele-handlers;
- compaction: compactors, rammers, rollers;
- energy: compressors, generators, coolers, heaters;
- modular: modular spaces, containers, sanitariums; and
- building and other: concrete mixers, scaffolding, pumps, tools and other equipment, such as trucks and traffic management.

Together, earth moving and aerial work platform equipment represented approximately 61% of our 2016 rental revenue while the remainder was divided among handling, compaction, energy, modular, building and other equipment.

Fleet management

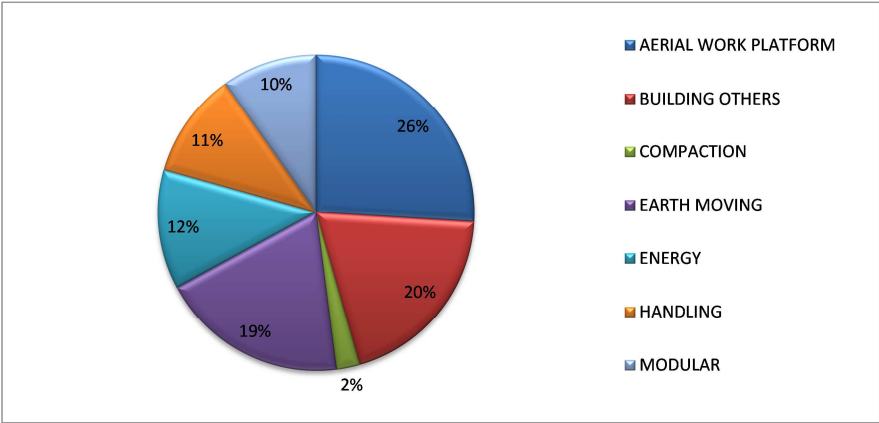
Our approach with respect to fleet management is to provide regional and branch managers with wide autonomy to develop their business and manage their own equipment with the objective of maximizing its own profitability, but with central fleet managers able to monitor and assist in fleet

management across branches and regions and to ensure overall efficiency. Managers of our generalist branches are encouraged to maintain and rent a diverse and balanced portfolio. Large customer orders may require cooperation among branches to provide the quantities required, but equipment is not pooled at the regional or group level. If a branch is unable to answer its own demand for a major construction site, for example, it notifies the regional manager. The regional manager then decides whether to temporarily grant equipment to other branches. If the request is approved, the regional manager notifies the branches concerned and the relevant equipment is transferred from one branch to the other for the required duration. We believe this approach helps to ensure that each branch acts as its own profit center.

Our budget for fleet investment is established annually by management, which sets out the group's orientation in terms of capital expenditure for the year. The investment budget is then allocated by region. Each branch manager gives his or her equipment needs (the number and types of machines) for the coming year to the regional manager. Regional managers, in consultation with branch managers, set commercial objectives and adapt the requests to the budget, allowing them to respond to trends at the local level. The consolidated requests are given to group management for review, which makes any required adjustments and delivers approvals to the regional managers. Purchase orders are then centralized and new equipment is delivered directly to the branches.

Our approach to fleet management assumes the replacement of a fleet item upon the expiration of its useful rental life, which is usually when it is obsolete or no longer capable of generating revenue in excess of maintenance costs. Most of the equipment in our fleet is depreciated on a straight-line seven-year basis while a residual value of 10% of the original cost is kept in our books. The disposal of a piece of equipment from the fleet is a technical decision made by a technical manager at the regional level. We have established metrics and guidelines for each category of equipment that help determine the desired replacement cycle. Most metrics are based on repair costs relative to rental income, utilization rate and age. We determine whether to use equipment that has been removed from our fleet for parts, sell it for scrap or sell it at auction. We take measures to ensure that sales of our used equipment are made to buyers outside of our principal markets to avoid reducing demand for rentals in the areas where we operate. We do not sell our fleet equipment under other circumstances, except for modular equipment, which, due to the long-term nature of the rental, is sometimes purchased by customers at the end of the rental contract.

The following chart provides a breakdown of our fleet capital expenditures in 2016 :



We monitor fleet utilization and other metrics to measure branch performance and maintain appropriate inventory levels and to manage fleet allocation across our networks as well as capital expenditures. Our ERP RentalMan platform, which has been customized to enhance our operating efficiency and equipment turnover rate by providing real time access to inventory data, enables us to track the location and availability of our equipment at our branches.

Maintenance and daily checks of equipment in the fleet are performed at each branch. Minor repairs and parts replacement, such as windshields, tires and hydraulic fittings, are outsourced to approved specialized suppliers, while major repairs are performed by manufacturer-approved dealers.

Suppliers

We purchase the equipment in our rental fleet from large, recognised original equipment manufacturers who we believe have the best product quality and support, and we typically choose to work with two or three manufacturers per equipment range. We have no long-term agreements with our fleet suppliers and no volume commitments or exclusivity clauses apply to these relationships. Furthermore, we typically bundle our purchases and solicit bids through a tender process with selected manufacturers. We believe this policy towards our fleet suppliers allows us to apply competitive pressure and optimize the prices we pay for our fleet equipment. We also work in cooperation with our suppliers to adapt our fleet equipment to client needs and limit maintenance costs. We remove all manufacturers’ branding from our equipment and paint it according to our corporate colors, under which it will be offered to customers. In 2016 our four largest fleet suppliers were Manitou, Haulotte, Volvo and Multitel and they accounted for approximately 35% of our equipment purchases.

We also purchase goods and services, principally non-fleet vehicles and equipment, fuel, lubricants, insurance and transportation, as well as the goods sold in our retail activities, from a number of third-party suppliers. Our arrangements with service suppliers are typically governed by two- or three-year framework agreements.

Our Network of Branches

As of December 31, 2016, we had a network of 643 branches, primarily located in Western Europe. The table below shows the number of branches we operate in each country :

	Number of branches as of December 31, 2016
Country	
France.....	499
Denmark.....	25
Belgium	14
Germany.....	14
The Netherlands.....	48
United Kingdom	11
Spain.....	14
Switzerland.....	7
Ireland	2
Luxembourg	1
Morocco	4
Norway	4
Total	643

Our business model combines a centrally-determined strategy, budget and back-office with wide autonomy for regional and branch managers to develop their business and spend their budget allocation, which allows us to adapt at the local level to meet our clients' needs in different markets. Each branch manages its own fleet, budget and financial reporting and is responsible for bringing in business by developing local relationships and monitoring local construction sites. Branches serve as a continuous source of information about the latest market opportunities, such as planned construction projects, allowing us to offer our services early and to the right client. A typical branch includes a branch manager, a rental consultant, a sales representative, one or more mechanics and one or more drivers. At the regional level, technical managers, commercial managers and administrative managers support the branches in their region, under the oversight of a regional manager. Our branches are deeply embedded in the local markets in which they operate, and we emphasize building and maintaining close relationships with clients at the local level. Our decentralized business model allows us to adapt our equipment fleet at the branch level in order to meet our clients' needs in various markets, offering them a value-added alternative to owning and maintaining equipment in-house. Our dense network in France allows us to meet customer demand by moving equipment across branches.

Our branch network is dynamic, and in any given year we both open and close a number of branches. The decision to open a branch is driven by our analysis of the interaction of the proposed branch with our existing network, the conditions in the local market and the competition in that market. Whether we open a new branch or acquire an existing network depends on the level of saturation in that market and whether acquisitions can provide us a level of penetration that would take too long to develop organically. Branches may be merged or closed based on the market environment (if, for

example, a large construction project concludes or an industrial site closes) or excess proximity to another branch following an acquisition. Closures have also resulted from the consolidation of branches as part of the merger of our Generalist France networks under the Loxam rental brand, which continued, as well as consolidations of the network as a result of the Phocomex and Hertz acquisitions. We may also relocate branches in light of the development of cities, the evolution of infrastructure or to optimize our geographical coverage.

We conduct periodic network optimization plans to enhance profitability. For example, in 2016 we acquired one branch, opened 11 branches, closed 2 branches and conducted 35 mergers of branches as part of the streamlining of our network. Among the branch mergers, 34 took place in France as we consolidated the network following the Hertz acquisition. Since January 1, 2014, the Generalist France division is operated under a single brand, Loxam Rental, to capitalize on the stronger brand of our portfolio. We believe this consolidation should generate revenue synergies through better coordination of commercial activities and capital expenditures, enable the pooling of resources, and improved exchanges of staff and equipment among branches, generate savings in back office and marketing costs, and enhance our branch positioning. Following the acquisition of Hertz Equipment in France and Spain at the end of 2015, the Hertz brand has disappeared during the first half of 2016.

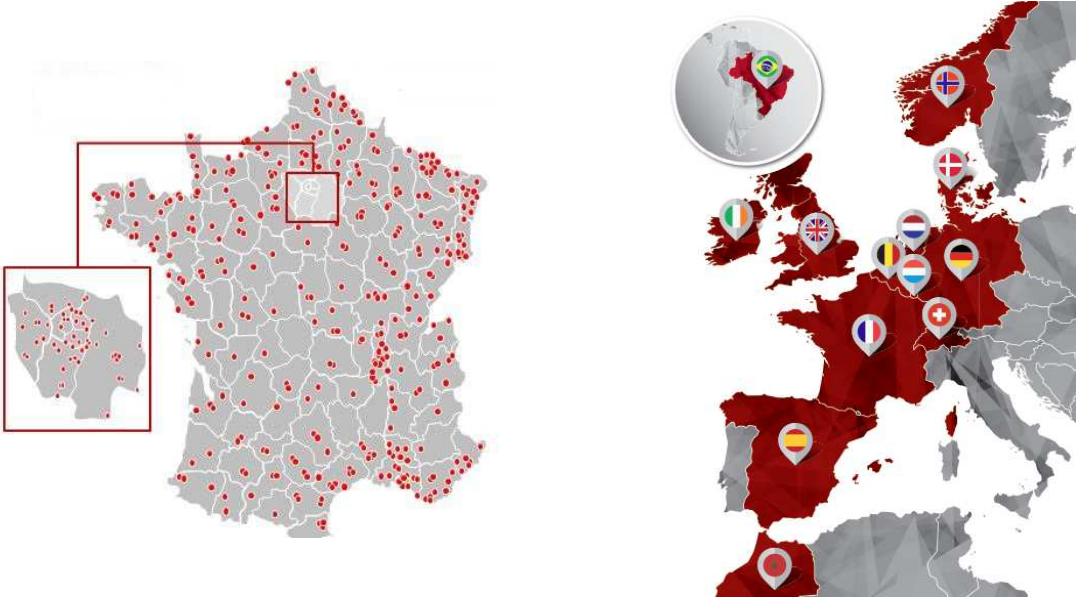
Branches in France and International Branches

Most of our branches are located in France. Of our 499 branches in France as of December 31, 2016, 426 were Generalist branches and 73 were Specialist branches. Most of our branches are located in industrial zones in or near medium and large metropolitan areas. Our broad geographical coverage in France reduces our exposure to regional variations in economic activity.

Our Generalist branches in France operate under the Loxam Rental name. Our Specialist branches operate under the names Loxam Access (38 branches), Loxam Power (16 branches), Loxam Module (10 branches), Laho TEC (2 branches), Loxam TP (6 branches) and Loxam Access PL (1 branch).

In Denmark, the Benelux and Switzerland, where we operate dense networks, we compete at a national level and enjoy strong competitive positioning. In other countries we generally compete at the regional level. Our International branches operate under the Loxam name.

The maps below show the locations of the branches in our Generalist France division highlighting the high density of our network and the markets in which we are present:



* Note: Loxam owns a minority stake in Degraus which is consolidated through the equity method in Loxam accounts.

Loxam City

In 2011, we opened Loxam City, the first store in our urban branch initiative, in Paris. Loxam City offers a wide range of immediately available and easily transportable generalist equipment, such as portable power tools that are often used in urban construction, renovation and other projects. Loxam City also provides service and support, including advice and solutions to tackle specific urban construction site challenges, and is adapted in terms of location, selection and operating hours to the needs of smaller customers, including craftsmen and individuals. As at December 31, 2016, we had 10 Loxam City branches in Paris.

Branch ownership and leasing

We lease the vast majority of our facilities in order to maintain flexibility in growing and developing our network and to be able to respond to demographic and other changes in the areas where we operate and the customers we serve. As of December 31, 2016, we owned the premises of approximately 10% of our branches, which were owned by companies we acquired, and leased the rest. Most of these leases provide for standard terms and renewal options.

Most of our French branches are leased pursuant to “commercial leases” (“baux commerciaux”) which grant significant rights under French law to lessees compared to leases in many other jurisdictions, in particular the lessee’s right of renewal, which the lessor can avoid only by indemnifying the lessee. Most of these commercial leases are for nine-year terms (the statutory

minimum) and provide termination rights for the tenant at the end of each three-year period upon six-months' prior notice. The rent paid under most of our commercial lease agreements is a fixed sum which is annually reviewed relative to national rental indices. In addition, in accordance with applicable regulations governing commercial leases, commercial rents can be adjusted upon the renewal of the lease in certain cases, and if not mutually agreed, may be determined by a competent court. In the year ended December 31, 2016, our real estate rental expense at group level was €47 million, compared to €44 million for the corresponding period in 2015.

In other countries, our leases generally provide for standard terms under the relevant national laws and regulations. We tend to negotiate these leases with a view towards maintaining a certain level of flexibility so that we can fine tune our network as needed from time to time. Generally, rent adjustment upon renewal of our leases is based on market value.

Administrative premises

In addition to the branches in our rental network, we lease a small number of premises for administrative and logistics purposes. Our corporate headquarters are located in Paris, France.

Employees

As of December 31, 2016 we had 5,007 employees (including apprentices and trainees), nearly all of which were salaried personnel. At this date, approximately 80 % of our employees were based in France. Our employees perform the following functions, amongst others: sales operations, parts operations, rental operations, technical service and office and administrative support.

Developing quality rental equipment staff is one of our priorities and staff training plays a key role in ensuring a consistent customer experience across our branches and the adoption of common internal procedures. Our group-wide training center is available to all members of our staff and provides training in areas such as customer relations, sales methods, group processes, regulation, quality and environmental management, technical expertise and management.

Information Technology

Our IT strategy is designed to reinforce our overall business strategy, and in particular, to optimize the management of our fleet and improve synergies as we expand our network. Our IT team, which is centralized in Paris, maintains our hardware and services the software we use. We also use dedicated software such as Salesforce (CRM), Sidetrade (accounts management) and Kyriba (treasury management) for specific purposes and therefore work with external support teams provided by the publishers of these softwares.

We completed the implementation of an ERP ("Rentalman") specialized in rental activity. RentalMan, published by Wynne Systems, is a dedicated, unified and multilingual rental system that links all aspects of our front and back office in real time and is one of the main software applications used by key players in the equipment rental industry. It is designed to support all of our business needs, other than finance. RentalMan supports in our operating efficiency and equipment turnover rate by providing real-time access to inventory data, including the availability and location of equipment. RentalMan also enables branch managers to access information on day-to-day performance, search

the entire rental fleet for needed equipment, quickly determine the closest location equipment and arrange for delivery to customers' work sites. In 2016, the former Hertz Equipment branches in France and Spain were migrated into Rentalman. We believe we are one of the only international equipment rental networks to have consolidated all of its branches across multiple countries under a unified platform.

We have taken steps to enhance the safety of our IT systems. We have a disaster recovery program to protect most of our operations and IT systems, including our ERP system, which includes duplicate synchronized back-ups of our servers hosted by a third party.

Intellectual Property

We use the trademark "Loxam", which enjoys high brand recognition in France and other European countries, as our trading name wherever we are present. "Loxam" is protected in the countries where we do business, including France and the other members of the European Economic Community.

Environmental and Safety Matters

We are subject to comprehensive and frequently changing local, national and European Community-level laws and regulations, including those relating to discharges of substances to the air, water and land, the handling, storage, transportation, use and disposal of hazardous materials and wastes and the cleanup of properties affected by pollutants. Under these laws and regulations, we may be liable for, among other things, the cost of investigating and remediating contamination at our sites and fines and penalties for non-compliance. Our operations generally do not raise significant environmental risks, but we use hazardous materials to clean and maintain equipment and dispose of solid and hazardous waste and wastewater from equipment washing.

To our knowledge, there is no pending or likely remediation and compliance cost that could have a material adverse effect on our business. We cannot be certain, however, as to the potential financial impact on our business if new adverse environmental conditions are discovered or compliance or remediation costs are imposed that we do not currently anticipate.

We have obtained certifications under ISO 14001 for environmental commitment and MASE for employee safety. In October 2015, we became a member of the UN Global Compact programme, the world's largest corporate sustainability initiative. Following an in-depth audit among customers, suppliers, staff members and other stakeholders conducted in December 2015 by SGS, the world's leading inspection and certification body, LOXAM's corporate social and environmental responsibility policy has been rewarded in France with a performance rating of level 3 (on a scale of 5) in the ISO 26000:2010 standard

We have issued our first corporate and social responsibility report entitled "Responsible Rental" in 2014 in order to inform our staff and customers of our significant efforts in this regard.

Competition

Our main competitors include medium-sized and large regional and national, and to a certain extent, international equipment rental groups, but we also compete at a local level with smaller competitors, including those that operate just in a single location.

Competition in our business tends to be based primarily on geographic proximity and availability of equipment, as well as on equipment quality, price, quality of sales relationships, delivery times, quality of service and, for our largest clients, possession of relevant health and safety certifications. We believe our extensive network of branches in France and our decentralized approach give us an advantage over competitors. Our main competitor in France is Kiloutou, which has an estimated 14% market share and competes with us on a national scale. We also have a few regional competitors and many more local competitors.

Insurance

We maintain the types and amounts of insurance customary in our industry and countries of operation. Our group insurance policies, which may be supplemented locally in certain countries where we operate, comprise, in particular, our automotive fleet policy, civil liability policy, multi-risks industrial policy, direct or indirect loss crime and data policy and include coverage for, among other things, employee-related occupational accidents and injuries, property damage, fraud, theft of vandalism of equipment, machinery break-down, and damage and injury that could be caused to third parties by poorly-maintained equipment. We have also subscribed to directors and officers insurance. We consider our insurance coverage to be adequate both as to risks and amounts for our business. We have not had any material claims that were not covered under our insurance policies.

Legal Proceedings

We are party to certain pending legal proceedings arising in the ordinary course of business. We cannot estimate with certainty our ultimate legal and financial ability with respect to such pending matters. See “Risk Factors—Risks Related to our Business—We are exposed to various risks related to legal proceedings or claims that may exceed the level of our insurance coverage.” Based on our examination of these matters and the provisions we have made, we believe that any ultimate liability we may have for such matters will not have a material adverse effect on our business or financial condition.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read together with our consolidated financial statements and the notes thereto. Our financial statements included herein have been presented in euros and prepared in accordance with IFRS.

Overview

We generated revenue of €926.8 million in 2016, representing an increase of 10.6% compared to revenue of €838.3 million in 2015. On a like for like basis and at constant exchange rate, revenue has increased in 2016 (+5.1%). In France, revenue increased by 12.3% in 2016 helped by the contribution of former Hertz Equipment branches in France and thanks to the recovery of the French rental market. Like-for-like, the revenue has increased by 5.5%. At the International division, revenue increased by 4.3%, or 3.7% on a like-for-like basis and at constant exchange rate as most countries enjoyed growth in their markets.

In 2016, 61.9% of our revenue was generated from our Generalist France division (up from 61.4% in 2015), 17.7% was generated from Specialist France division (up from 16.9% in 2015), with our International division contributing to 20.5% (down from 21.7% in 2015).

We generated an EBITDA of €304.8 million in 2016, representing an increase of 9.9% compared to an EBITDA of €277.3 million in 2015. Our EBITDA margin was stable at 32.9% of our revenue in 2016 compared to 33.1 % in 2015. The increase in the EBITDA benefited both from the integration of the Hertz Equipment business and of the organic growth recorded at all three divisions. At the Generalist division the EBITDA grew by 9.4%. The EBITDA grew by 6.1% at the Specialist division as it incurred some costs in relation to the network development of Loxam Power, Loxam Module and Loxam TP as Hertz specialist branches in power generation, modular space and civil engineering were contributed to the division.

Our operating profit increased from €90.0 million in 2015 to € 141.2 million in 2016. This significant increase is the direct consequence of the new depreciation rules on fleet equipment. The average length of our depreciation has been extended from 5 to 7 years on certain fleet equipment, while a residual value of 10% of the original book value was introduced. The change of depreciation policy had a positive impact of €67.7 million on operating profit.

The operating profit was also impacted by a €15.0 million impairment of the goodwill of our Danish subsidiary.

Our net financial expense increased from €66.6 million in 2015 to 88.1 million in 2016.

The gross debt financial expense decreased from €69.4 million to €63.1 million thanks to the refinancing of €300 million senior subordinated notes by €250 million of senior secured bonds as the refinancing brings approximately €1.0 million of savings per month. On the other hand to the refinancing of the senior subordinated notes led to a €24.0 million non recurring expense. These

costs included €16.6 million of early redemption premium and €7.4 million of expense for the full amortization of remaining issuance costs.

Loxam bought a currency £/€ call option with a nominal value of £490.0 million on December 14, 2016 in relation to the offer made for the share capital of Lavendon Group plc, which generated the payment of a €7.5 million premium. Loxam recorded a €6.7 million financial cost representing the change in market-to-market value of the instrument between December 14th and December 31st.

Finally, in order to optimize its capital structure, Loxam launched a share buy-back on December 1, 2016 of up to 11% of its share capital. 10% of the share capital of Loxam was bought during December as funds managed by 3i plc and other private minority shareholders tendered their shares to the buy-back. Also, Loxam recorded a profit of €2.7 million as shareholders in Loxam waived their rights to their warrants awarded in 2011 thereby unlocking a profit equivalent to the liabilities recorded in Loxam accounts. All warrants have now been cancelled.

Profit Before tax more than doubled to €53.0 million. Income tax increased by 15% from €15.3 million in 2015 to €17.6 million in 2016. Income tax was lowered in 2016 by €8.1 million thanks to the anticipation of a lower tax rate on differed tax and thanks to the surcharge of depreciation on the capex incurred in the last two years.

Net profit increased therefore significantly from €8.0 million in 2015 to €34.3 million in 2016 as a result of the factors detailed above.

Key factors affecting results of operations

Our results of operations are primarily affected by factors that impact the equipment rental industry generally, particularly cyclicalities and economic conditions affecting the construction and civil engineering sectors, and our management of capital expenditures in response to changes in the cycle. Our results of operations can also be significantly affected on a short-term basis by one-time factors such as weather conditions in our principal market. Our results of operations are also affected by the expansion of our rental network through the opening and closing of branches and acquisitions. These factors are described in greater detail below.

Cyclicalities and economic conditions

Demand for our products is dependent on the industries in which our customers operate, the general economy, the stability of the global credit markets and other factors. The construction and civil engineering sectors in France and in Europe generally, which are the primary markets for our rental equipment, are cyclical industries with activity levels that tend to increase during periods of economic growth and decline during economic downturns. Demand for our products is correlated to conditions in these industries and in the general economy.

Conditions in the construction and civil engineering markets have an impact on both the utilization rate of our equipment and on prices. As demand increases, utilization follows and we can then, subject to fixed pricing arrangements, choose to allocate equipment to customers who are willing to pay higher prices. When demand decreases, the opposite occurs, and we may reduce prices to

preserve utilization levels. Demand can be affected by short-term factors that affect the utilization rates and prices for a brief period, such as the adverse weather conditions, or by general economic trends that can have an impact (positive or negative) over a longer period. We seek to manage the impact of medium and long-term trends through the adjustment of our investments in new equipment, increases or decreases in sales of our equipment, and the management of our branch network.

Investment in new equipment and asset sales

The management of our level of capital expenditure, by increasing or decreasing the amount of investment in our fleet, is an important factor in our results of operations and cash flow. Decisions about investment in new equipment are based on the condition and remaining useful life of our existing equipment as well as on our views of future demand. We sell assets in our fleet when we believe that these assets have reached the end of their useful life because they have become obsolete or when the cost of maintaining them in proper condition for customer use is too high. We also sell assets in our fleet before the end of their useful life if we believe a decline in demand in a given market is likely to last for a significant period of time. We believe that our experience in the rental equipment market allows us to recognize inflection points (the points at which demand is poised to level off or change direction) in the cycles affecting the construction and civil engineering sectors, so that we can increase investment just before the bottom of the cycle (before we expect demand to expand), and decrease investment just before the top of the cycle (before we expect demand to contract). We believe that our anticipation of trends in the construction and civil engineering cycle has helped us to control our levels of investment and related debt, and thus maintain strong levels of cash flow and positive net income during the periods under review.

The investments allocation in our rental fleet is determined by the type of equipment and the requirements of our business units. Following the onset of the global financial crisis, we significantly reduced our investments in new equipment and increased our asset sales. Subsequently, we significantly increased our fleet investments in 2013 and in 2014 to diversify and rejuvenate our fleet and position for our International businesses, as well as for a potential rebound in market demand in the coming years. In 2015, our fleet capital expenditures decreased, as a result of the continued weak demand in the French market as well as the adjustment of our capital expenditures in connection with the Hertz Equipment Acquisition, from which we acquired fleet capital assets. In 2016, we increased our fleet capital expenditures to €197.6 million compared with €123.7 million in 2015, primarily in order to benefit from the increase in the demand for our rental fleet.

Changes in our rental network

Changes in the size of our rental network as a result of opening or acquiring new branches and closing existing ones can have a significant impact on our revenue from one period to the next. This change in scale affects the comparability of our results during those periods by increasing both revenue and expenses.

We adapt our network in line with changes in the cycle by expanding existing branches or opening new branches in areas that meet certain criteria in terms of size and client activity, and closing or consolidating existing branches that are less profitable. Branch opening decisions are driven by

factors such as the coordination of the overall network, the specificity of a particular market, the competitive environment and our development in the Specialist division. Decisions to close or consolidate branches are influenced by changes in the local market, for example due to the closing of a major construction or industrial site, or the proximity of branches whose clients could be served by a single location, which may occur as the result of an acquisition. In some cases we will relocate an existing branch to take advantage of changes in demographics, urban planning or infrastructure.

The following table shows the number of branches opened or acquired, and the number of branches closed or consolidated in the last two years.

	Branches opened or acquired		Branches closed or consolidated		Total branches at period end	
	France	International	France	International	France	International
2016	12	-	36	1	499	144
2015	66	11	25	12	523	145

In 2016, we acquired 1 branch, opened 11, closed 2 and completed 35 mergers of branches as part of the streamlining of our network. Among the branch mergers, 34 took place in France as we consolidated the network following the Hertz Equipment acquisition. As a result of the combined effects of this acquisition, the streamlining of our network and our branch openings we operated 643 branches as of December 31, 2016, compared to 668 as of December 31, 2015.

Operating Expenses

Our business, like that of all equipment rental groups, is capital-intensive with a relatively high level of fixed costs, principally related to the depreciation of our equipment fleet, as well as other operating expenses that are fixed for short or long periods of time, such as certain personnel charges and rent on real estate. The management of our costs is an important factor in our results of operations and cash flow. To the extent possible we seek to deploy our fleet so as to match increases and decreases in demand.

Acquisitions

We make acquisitions from time to time to take advantage of opportunities for consolidation, to increase the density of our network in our existing markets, or to enter new geographical or specialist markets. During the period under review, we made the following acquisitions :

- On October 28, 2016, Loxam acquired Salmat Nord, a French rental company, with one branch in Northern France serving principally customers in Dunkirk. This company was merged into Loxam on January 1, 2017.
- On April 30, 2016, Loxam increased its stake in Degraus, buying 0.71% of additional shares and, bringing its participation up to 25.71%.
- On October 31, 2015, Loxam acquired Hertz Equipment French and Spanish business which operated 60 branches in France and 2 in Spain.
- On August 30, 2015 we acquired the modular building rental business of OBM Construction, consisting of one branch. This branch is now part of Loxam Module.
- On June 30, 2015, our 51%-owned subsidiary in Morocco, Atlas Rental, acquired 100% of the shares of Maroc Elevation, a Moroccan company specializing in access equipment and operating three branches. Maroc Elevation merged with Atlas Rental in October, 2015.

- On April 14, 2015, we acquired 25% of the shares of Degraus, a Brazilian equipment rental company that operates 20 branches in Brazil, primarily located in the state of Sao Paulo. This acquisition enabled us to enter a new market that we believe has long-term development potential. In connection with this acquisition, we have the right to increase our ownership stake in Degraus to a majority stake within three years either through an exclusive right of participation in capital increases at a price determined as a multiple of earnings or through a call option to purchase additional shares at a price determined by the parties or an independent appraisal, or a combination of the two. Following the fifth anniversary of our investment, we have the right to increase our stake to a substantial majority by purchasing shares of Degraus from other shareholders pursuant to another call option and we have agreed to purchase any and all outstanding shares that other shareholders wish to sell pursuant to a put option, in each case at a price determined by the parties or an independent appraisal. Our minority interest in Degraus is accounted for in our financial statements under the equity method.

Seasonality

Our revenue and operating income are significantly dependent on construction and civil engineering activity in the areas where our branches are located. Construction activity tends to decrease in winter and during extended periods of inclement weather and increase in the summer and during extended periods of mild weather. The consequence is a lower demand for our rental equipment in the first quarter on average compared to the rest of the year.

Explanation of Key Line Items from the Income Statement

The following is a summary description of certain line items from our income statements.

- ***Revenue*** includes the fees paid by customers to rent equipment and revenue from related services such as transportation, fuel, damage waivers and the cost of repair and maintenance services charged back to our customers, as well as the retail activities at our branches.
- ***Other income*** principally includes net capital gains on disposals of fleet assets and real estate rent paid by subtenants.
- ***Purchases consumed*** includes (1) the cost of goods purchased for resale in our retail activity, as well as the cost of fuel and maintenance parts that are rebilled to customers; and (2) the cost of parts used by the workshops in our branches to maintain our equipment.
- ***Personnel expenses*** relates primarily to the salaries, social security charges, and profit sharing expenses for our employees.
- ***Other current expenses*** include (1) external expenses that are directly related to our rental activity, such as transportation, subcontracted maintenance costs, re-rent (subleasing equipment from external renters to fill customer orders when there is not sufficient quantity at our branches) and costs associated with temporary workers; (2) external expenses related to the group, such as rent on real estate and related expenses, general administrative expenses

(including insurance, advisory fees, communications and IT), advertising expenses and other management costs; and (3) losses on bad debts, net of change in provisions on current assets.

- **Taxes and duties** relate mainly to property and local taxes (including the CET or *Contribution Economique Territoriale* paid in France).
- **Depreciation and amortization** principally include depreciation of fixed assets (fleet and non-fleet). In 2016, LOXAM made a change in its depreciation policy used for the valuation of its fleet equipment. This decision was taken primarily after a review of the economic life of the fleet and the second-hand value of used equipment divested by Loxam. We also benchmarked these new rules with accounting policies used by our main European competitors and From January 1, 2016, Loxam decided to lengthened from 5 to 7 years the depreciation period of its equipment and to introduce a residual value of 10% on certain fleet equipment.
- **Other operating income and expense** includes a limited number of items, unusual, abnormal, and uncommon, with significant amounts, disclosed separately in the income statement to make it easier to appreciate the Group's current operating performance.
- **Financial income** primarily includes interest income on cash balances, while **financial expense** comprises interest charges on bank loans, bonds and hedging expenses. It also includes change in the fair value of derivative instruments.
- **Income tax** consists of current and deferred taxes calculated in accordance with the relevant tax laws in force in the jurisdictions in which we operate. As of December 31, 2016, the corporate tax rate in France was 34.43%. We are also subject to tax rates in the other countries in which we operate, which ranged from 12.5% to 33.99% as of that date.
- **Share of associates** includes the group's share of the result of companies accounted for by the equity method.

Results of operations

The table disclosed below sets out our results of operations for the years and quarters ended December 31, 2015 and 2016.

Consolidated Income Statement <i>(in millions of euros)</i>	Year		Quarter	
	ended December 31,		ended December 31,	
	(IFRS)		(IFRS)	
	2015	2016	2015	2016
Revenue	838.3	926.8	227.5	241.5
Other income ⁽¹⁾	57.4	56.3	14.3	20.4
Purchases consumed.....	(92.0)	(105.5)	(27.5)	(29.9)
Personnel expenses.....	(224.6)	(244.4)	(60.1)	(62.0)
Other current expenses	(286.4)	(311.7)	(77.0)	(81.5)
Taxes and duties	(15.5)	(16.6)	(3.1)	(3.4)
Depreciation and amortization	(187.3)	(143.7)	(49.3)	14.9
Profit from ordinary operations	90.0	161.1	24.8	100.1
Other operating income and expense ⁽²⁾	0.1	(19.9)	0.1	(20.0)
Operating profit	90.0	141.2	24.8	80.1
Financial income and expense	(66.6)	(88.1)	(18.1)	(18.2)
Share of profit of associates.....	(0.4)	(1.0)	(0.3)	(0.9)
Income tax expense	(15.3)	(17.6)	(5.1)	(20.3)
Net profit	7.7	34.4	1.2	40.8
Non controlling interests.....	(0.3)	0.1	0.1	0.1
Net profit, group share	8.0	34.3	1.1	40.7

Note :

- (1) Other income include capital gains on fleet disposals amounting to €46.1 million and €43.3 million in 2015 and 2016 , respectively, and to €11.6 million and € 17.5 million in the quarters ended December 31, 2015 and 2016, respectively.
- (2) Other operating income and expense include in 2016 non recurring costs relating to the goodwill depreciation of the Danish subsidiaries for €15.0 million, and non recurring costs for €5.0 million.

We consider revenue and EBITDA (despite the fact that they are non GAAP financial measures) to be key measures in analyzing our business. We do not present financial information by segment in our financial statements, but we consider our business to have three divisions: Generalist France, Specialist France and International. Each of our branches is assigned to one of these divisions, and as of December 31, 2016 we had 426 branches in Generalist France, 73 in Specialist France and 144 in International. The following table sets out these key figures in each of the Generalist France,

Specialist France and International divisions for the years ended December 31, 2015 and 2016 and the quarters ended December 31, 2015 and 2016.

<i>(in millions of euros)</i>	Year ended December 31, (IFRS)		Quarter ended December 31, (IFRS)	
	2015	2016	2015	2016
Revenue ⁽¹⁾				
Generalist France	514.7	573.3	142.2	148.1
Specialist France.....	141.5	163.6	36.7	43.1
France	656.2	736.9	178.9	191.2
International	182.1	189.9	48.6	50.3
Total revenue	838.3	926.8	227.5	241.5
EBITDA				
Generalist France ⁽²⁾	181.0	198.0	47.5	56.1
Specialist France ⁽²⁾	47.9	50.8	12.1	13.0
France	228.9	248.8	59.6	69.1
International	46.0	50.9	13.8	15.0
Real Estate ⁽³⁾	2.4	5.1	0.7	1.0
Total EBITDA.....	277.3	304.8	74.1	85.2
<i>EBITDA margin</i>	<i>33.1 %</i>	<i>32.9 %</i>	<i>32.6 %</i>	<i>35.3 %</i>

Notes:

- (1) To present Generalist and Specialist revenue generated in France by division, we aggregate the revenue of each branch assigned to that division. Revenue for Generalist France and Specialist France are presented net of rebates. Due to an internal reorganization between the French Generalist and Specialist divisions concerning Loxam Event and LahoTEC, the quarterly and year-end revenue allocation between Generalist and Specialist have been restated since January 1, 2016.
- (2) To present Specialist and Generalist EBITDA generated in France by division, we allocate rebates pro rata based on revenue, which are accounted for centrally, and then allocate direct expenses (which represent a majority) directly to a given branch. Indirect expenses are allocated centrally or regionally and are then allocated to a given branch according to a factor that is based on that branch's revenue, the gross value of its equipment or the rental value of its equipment.
- (3) Real estate EBITDA corresponds to rental income from real estate held by the group that is not assigned to a division.

Year ended December 31, 2016 compared to year ended December 31, 2015

Construction Market in France and Europe in 2016

After several years of decrease, the French construction market has shown a revival in 2016 with a growth of 2.3% according to Euroconstruct. The construction sector benefited in 2016 from an increase of both the residential and non-residential construction sectors while civil engineering works stabilised.

In other European countries in which Loxam is present, the construction market recorded another year of growth.

Revenue

We generated revenue of €926.8 million in 2016, representing an increase of 10.6% compared to revenue of €838.3 million in 2015. On a like-for-like basis and at constant exchange rate, revenue has increased in 2016 (+5.1%).

Revenue from our Generalist France division increased by 11.4% from €514.7 million in 2015 to €573.3 million in 2016, helped by the contribution of former Hertz Equipment branches in France and thanks to the recovery of the French rental market. Like-for-like, the revenue of both the Generalist and Specialist France division has increased by 5.5%. At the International division, revenue increased by 4.3% from €182.1 million in 2015 to €189.9 million in 2016, or by 3.7% on a like-for-like basis and at constant exchange rate as most countries enjoyed growth in their markets.

In 2016, 61.9% of our revenue was generated from our Generalist France division (up from 61.4% in 2015), 17.7% was generated from Specialist France division (up from 16.9% in 2015), with our International division contributing to 20.5% (down from 21.7% in 2015).

Other income

Other income decreased slightly from €57.4 million in 2015 to €56.3 million in 2016, mainly due to lower gains on fleet disposals.

EBITDA

We generated an EBITDA of €304.8 million in 2016, representing an increase of 9.9% compared to an EBITDA of €277.3 million in 2015. Our EBITDA margin was stable at 32.9% of our revenue in 2016 compared to 33.1 % in 2015. The increase in the EBITDA benefited both from the integration of the Hertz Equipment business and of the organic growth recorded at all three divisions.

At the Generalist division the EBITDA grew by 9.4% at €198.0 million. Like-for-like, EBITDA increased by 3.7% and the EBITDA margin was 34.5%. The EBITDA grew by 6.1% at the Specialist division at €50.8 million in 2016; the EBITDA margin decreased from 33.9% in 2015 to 31.1% in 2016, as it incurred some costs in relation to the network development of Loxam Power, Loxam Module and Loxam TP as Hertz specialist branches in power generation, modular space and civil engineering were contributed to the division.

EBITDA from our International division increased by 10.7% to €50.9 million in 2016 from €46.0 million in 2015. The EBITDA margin was 26.8% in 2016 and increased as our international subsidiaries benefited from a growing market.

Purchases consumed

Purchases consumed increased from €92.0 million in 2015 to €105.5 million. The increase was the consequence of the 18.9% increase in retail sales in 2016.

Personnel expenses

Personnel expenses increased by 8.8% to €244.4 million in 2016 from €224.6 million in 2015. Headcount increased at our Generalist and International divisions in connection with our 2015 acquisitions; the average headcount increased in 2016 by 7.4%, compared to 2015. Like-for-like, personnel expenses increased by 2.7%. Expressed as a percentage of revenue, our personnel expenses slightly decreased to 26.4% in 2016 compared to 26.8% in 2015.

Other current expenses

Other current expenses increased by 8.8% to €311.7 million in 2016 from €286.4 million in 2015. Like-for-like, other operating expenses increased by 3.8%, primarily due to haulage costs and subrent of equipment, which increased because of the growth in revenue. The other current costs have remained under control .

Depreciation and amortization

Depreciation and amortization decreased significantly to €143.7 million in 2016 compared to €187.3 million in 2015, as the Group implemented new depreciation rules on fleet equipment. The average length of our depreciation has been extended from 5 to 7 years on certain fleet equipment, while a residual value of 10% of the original book value was introduced. The change of depreciation policy reduced the depreciation charge of the year by €67.7 million in comparison with the previous rules of depreciation.

Other operating income and expense

Other operating income and expense amounted to €(19.9) million in 2016 and are relating to non recurring costs for €(5.0) million incurred on the project to acquire Lavendon plc, and to an depreciation charge of the Danish goodwill for an amount of €(15.0) million.

Financial income and expense

Our net financial expense increased from €66.6 million in 2015 to €88.1 million in 2016. This increase is due to €24.0 million of non-recurring costs related to the refinancing of €300 million senior subordinated notes due in January 2020. These costs included €16.6 million of early redemption premium and €7.4 million of expense for the full amortization of remaining issuance costs. Loxam

also changed its policy concerning the amortization of its bond issue costs and has decided to amortize these costs over the duration of the bonds less two years to reflect the probable refinancing before the end maturity of these instruments. Loxam bought a £/€ call option with a nominal value of £490.0million on December 14, 2016 in relation to the offer made for the share capital of Lavendon Group plc, which generated the payment of a €7.5 million premium. Loxam recorded a €6.7 million financial cost representing the change in the mark-to-market value of the instrument between December 14th and December 31st. Finally, following the share buy-back launched on December 1, 2016, Loxam recorded a gain of €2.7 million as shareholders in Loxam waived their rights to their warrants awarded in 2011 thereby unlocking a profit equivalent to the liabilities recorded in Loxam accounts.

This above described costs were partially offset by a decrease of the financial interest expense from €69.4 million to €63.1 million thanks to the May 2016 refinancing transaction (€300 million of senior subordinated notes were refinanced by €250 million of senior secured bonds), which results in approximately €1.0 million of savings per month.

Income tax

Profit Before tax more than doubled to €53.0 million. Income tax increased by 15% from €15.3 million in 2015 to €17.6 million in 2016. Income tax was lowered in 2016 thanks to the reduced tax rate used on differed tax and thanks to the extra tax benefit on the fleet invested in the last two years in France.

Net profit, group share

Net profit increased therefore significantly from €8.0 million in 2015 to €34.3 million in 2016 as a result of the factors detailed above.

Quarter ended December 31, 2016 compared to quarter ended December 31, 2015

Revenue

Revenue increased by 6.2% to €241.5 million in the fourth quarter of 2016 from €227.5 million in the fourth quarter of 2015. On a like-for-like basis and at constant exchange rate, revenue increased by 4.3%.

Revenue from our Generalist France division increased by 4.2% in the fourth quarter of 2016 to €148.1 million as compared to €142.2 million in the fourth quarter of 2015, as Hertz Equipment French branches were consolidated for 2 month in Q4 2015 compared to 3 months in Q4 2016. Salmat Nord, was consolidated for 2 months in the fourth quarter of 2016. Like-for-like, revenue from our Generalist France division increased by 1.2%. Generalist France represented 61% of total revenue in the fourth quarter of 2016, compared to nearly 62% in the fourth quarter of 2015.

Revenue from our Specialist France division increased by 17.6% to €43.3 million in the fourth quarter of 2016 as compared to €36.7 million in the fourth quarter of 2015 as the division continues to benefit from the contribution of the specialist branches acquired from Hertz Equipment in power generation, modular construction. The Specialist France division represented 18% of total revenue in the fourth quarter of 2016, compared to 16% in the fourth quarter of 2015.

International revenue increased by 3.4% to €50.3 million in the fourth quarter of 2016 compared to €48.6 million in the fourth quarter of 2015, thanks to the growth of rental markets in Europe. Like-for-like and at constant exchange rate, International revenue increased by 4.2%. Our International division represented 21% of total revenue in the fourth quarter of 2016, as well as in the fourth quarter of 2015.

Other operating income

Other operating income increased by 42.9% to €20.4 million in the quarter ended December 31, 2016 from €14.3 million in the quarter ended December 31, 2015, thanks to higher capital gains on fleet disposals.

Purchases consumed

Purchases consumed increased by 8.7% to €29.9 million for the quarter ended December 31, 2016 compared to €27.5 million for the quarter ended December 31, 2015 as a consequence of higher purchases of workshop consumables.

Personnel expenses

Personnel expenses increased by 3.2% 2015 to €62.0 million in the quarter ended December 31, 2016 from €60.1 million in the quarter ended December 31, 2015. Like-for-like, personnel expenses

increased by 1.5%, as personnel expenses remained relatively stable in the Generalist and international divisions but grew at the Specialist Division as it increased its network.

Other current expenses

Other operating expenses increased by 5.8% to €81.5 million in the fourth quarter of 2016 from €77.0 million in the fourth quarter of 2015. Like-for-like, other operating expenses increased by 3.8%, primarily owing to haulage costs and subrent equipment, linked to the growth of revenue. Other current costs have remained under control in Q4 2016, thanks to lower cost of bad debt.

Depreciation, amortization and provisions

As explained before, Loxam has implemented new depreciation rules for its fleet equipment with effect from January 1, 2016 in the fourth quarter of 2016. Therefore, depreciation, amortization and provisions was a credit of €14.9 million in Q4 2016. Overall the new rules have reduced the depreciation charge for the full year 2016 by €67.7 million in comparison to the previous rules.

Other operating income and expense

Other operating income and expense amounted to €(20.0) million in Q4 2016 and are relating to non recurring costs for €(5.0) million incurred on the project to acquire Lavendon Group plc, and to an impairment charge of the Danish goodwill for an amount of €(15.0) million.

Financial income and expense

Net financial expense remained stable at €18.2 million in the quarter ended December 31, 2016, compared to €18.1 million in the quarter ended December 31, 2015. The net interest charge decreased by €2.2 million from €17.3 million in Q4 2015 to €15.1 million Q4 2016, thanks to lower interest rates on bond debt. Other financial income and expenses increased by €2.3 million to €3.2 million in Q4 2016 from €0.8 million in Q4 2015 due to a €6.7million loss in fair value of a currency swap £/€ covering for the bridge financing secured by Loxam to acquire Lavendon Group plc. Separately, Loxam incurred a non-cash profit on the cancellation of equity warrants by Loxam shareholders which resulted in a financial profit of €2.7 million.

Income tax

Income tax was an expense of €20.3million in the quarter ended December 31, 2016, compared to an expense of €5.1 million in the quarter ended December 31, 2015. In the quarter ended December 31, 2016, profit before tax amounted to €61.9 million, compared to a profit before tax of €6.7 million in the quarter ended December 31, 2015.

Net profit

As a result of the various factors described above, we recorded a profit of €40.8 million in the quarter ended December 31, 2016, compared to €1.2 million in the quarter ended December 31, 2015.

Liquidity and Capital Resources

Cash is used to pay for working capital requirements, taxes, interest payments, capital expenditures, acquisitions and to service our indebtedness in accordance with repayment schedules.

Our sources of financing consisted mainly of the following:

- cash generated from our operating activities;
- borrowings under our syndicated credit facilities (including the revolving credit facility), and bilateral credit facilities and finance leases; and
- net proceeds from our outstanding debt securities and any other debt securities that we may issue in the future.

As of December 31, 2016, the gross debt (excluding derivatives) amounted to €1,296.6 million, compared to €1,182.7 million as of December 31, 2015. Our net debt (excluding derivatives) as of December 31, 2016 amounted to €1,140.8 million, an increase from €1,024.5 million compared to year-end 2015.

As of December 31, 2016, we had €902.0 million of outstanding bond debt, after deduction of €8.0 million of issuance costs to be amortized over the duration of the bonds less two years using the effective interest rate method. Our bond debt was made of €250.0 million of senior secured notes due in May 2023 (issued in May 2016), €410.0 million of senior secured notes due in July 2021, and €250.0 million of senior subordinated notes due in July 2022, both issued in July 2014. We also had €244.7 million of outstanding debt under bilateral facilities from banks and €143.7 million of finance leases. Cash and cash equivalents net of bank overdrafts on our balance sheet amounted to €155.7 million as of December 31, 2016.

We also have a 5-year €50 million revolving credit facility, which was entered into in connection with the issuance of the 2014 Notes and which we may use for general corporate purposes. As of December 31, 2016, this revolving credit facility was not drawn.

We expect to finance future capital expenditures through cash flow from operations finance leases or bilateral credit facilities to finance the development of our operations. During 2016, we entered into an aggregate of €147.2 million of new bilateral credit facilities and €91.3 million in finance leases in connection with the financing of our capital expenditures in 2016 and some refinancing of Hertz Equipment fleet in France.

Capital expenditures

Our capital expenditures consist principally of investments in fixed assets (i.e., our equipment fleet). We determine and allocate our budget for capital expenditures on an annual basis. Decisions about investment in new equipment are based in significant part on our views of future demand. During growth cycles we may decide to invest in our business by replacing aging or end-of-life equipment

and by expanding the total size of the fleet, while in downturns we tend to restrict capital expenditures to the replacement of end-of-life equipment and conserve cash.

The table below shows our fleet investments for the last two years:

<i>(in millions of euros)</i>	Year Ended December 31,	
	2015	2016
Purchases of rental equipment	123.7	197.6
Purchases of non-rental equipment ⁽¹⁾	27.1	33.2
Gross capital expenditures	150.8	230.9
Proceeds from disposals of rental equipment	54.3	50.0
Proceeds from disposals of non-rental equipment	4.2	4.6
Proceeds from disposals of fixed assets	58.6	54.6
Net fleet capital expenditures ⁽²⁾	69.3	147.6
Net capital expenditures ⁽³⁾	92.2	176.3

Notes:

- (1) Non-rental equipment principally includes equipment used in our workshops, equipment used to outfit or maintain our branches, and information technology.
- (2) Net fleet capital expenditures is the net amount of purchases of rental equipment less proceeds from disposals of rental equipment.
- (3) Net capital expenditures is gross capital expenditures less proceeds from disposals of fixed assets.

In 2016, gross capital expenditures increased to €230.9 million in 2016 from €150.8 million in 2015. Fleet capital expenditures amounted to €197.6 million in 2016, compared to €123.7 million in 2015. Loxam benefits in France from a tax incentive which started in Spring 2015 and will last until mid-April 2017. Late in 2016, the incentive has been extended for deliveries of capex occurring until mid-April 2019, provided that firm orders on capex would be made before mid-April 2017 and a 10% deposit would be paid to the suppliers. Equipment purchased in France during this period of time will benefit from an additional tax deduction of 40% of the original value of the assets.

In 2016, the gross book value of disposed rental equipment was €171.4 million, compared to €173.4 million in 2015.

Cash flow

The following is a discussion of our cash flow from operations, cash flow from investing activities and cash flow from financing activities for the years ended 2016 and 2015.

Cash flow from operations include the fluctuations in our working capital requirements. In addition to typical variations in our accounts receivables and payables, working capital is also affected by the level of income tax debt or credit at the end of the year and by payables to fleet suppliers.

Cash flow from investing activities consists of our net capital expenditures, i.e., capital expenditures less the proceeds from the sale of the equipment retired from operations, as well as the cash impact of external acquisitions.

Cash flow from financing activities reflects the net issuance of new debt or equity, less debt repayments and dividend payments.

Year ended December 31, 2016 compared to year ended December 31, 2015

The following table presents a summary of our cash flow for the year ended December 31, 2016 as compared to the year ended December 31, 2015:

	Year Ended	
	December 31,	
	2015	2016
	(in millions of euros)	
Cash flow from operations	153.3	165.6
Cash flow from investing activities	(217.3)	(178.3)
Cash flow from financing activities	77.7	7.0
Change in cash and cash equivalents.....	13.7	(5.7)

Cash flow from operations

Net cash provided by operations increased to €165.6 million in 2016, compared to €153.3 million in 2015. Before changes in working capital requirements, net cash provided by operations was €158.8 million in 2016, compared to €147.4 million in 2015, due to a higher EBITDA in 2016, partially offset by higher financial expenses related to the refinancing of the 2013 Notes. Changes in working capital had a positive impact of €6.8 million in 2016, compared to €5.9 million in 2015.

Cash flow from investing activities

Net cash used in investing activities decreased to €178.3 million in 2016 compared to €217.3 million in 2015, mainly due to the decrease in the cash used for acquisitions, partially offset by higher fleet capital expenditures in 2016. Purchases of fixed assets in 2016 amounted to €230.9 million, of which our rental fleet accounted for €197.6 million. Purchases of fixed assets in 2015 amounted to €150.8 million, of which our rental fleet accounted for €123.7 million. Cash from fixed asset disposals amounted to €54.6 million in 2016 compared to €58.6 million in 2015, most of which related to our rental fleet. Cash used for acquisition amounted to €2 million in 2016, mainly due to the acquisition of Salmat Nord and additional shares in Degraus.. In 2015, cash used for acquisition amounted to €125.1 million, following the acquisition and refinancing of Hertz Equipment and the acquisition of a 25% interest in the Brazilian company Degraus.

Cash flow from financing activities

Net cash provided by financing activities was €7.0 million in 2016 compared to €77.7 million in 2015.

In 2016, we issued €485.5 million of debt, including the issuance of €250.0 million of senior secured Note, net of issuance costs amounting to €3.0 million, €147.2 million new bilateral facilities and €91.3 million of new finance leases. In 2015, we issued €125.9 million of debt, including €105.2 million new bilateral facilities and €20.7 million of new finance leases.

In 2016, we repaid €378.0 million of debt, including €300 million of senior subordinated Notes issued in 2013, €28.1 million of bilateral facilities and €49.9 million of finance leases at maturity.

In 2015, we repaid €43.2 million of debt, including €8.3 million under our bilateral facilities and €34.9 million under our finance leases at maturity.

EBITDA

We define EBITDA as profit from ordinary operations plus depreciation and amortization of fixed assets. However, other companies may present EBITDA differently than we do. We present EBITDA as additional information because we believe it is helpful to investors in highlighting trends in our business. EBITDA is not a measure of financial performance and should not be considered as an alternative to operating income as an indicator of our operating performance or any other measures of performance derived in accordance with IFRS.

The following table presents a reconciliation of EBITDA to operating income and net income for the periods indicated.

<i>(in millions of euros)</i>	Year ended December 31,		Quarter ended December 31,	
	2015	2016	2015	2016
EBITDA	277.3	304.8	74.1	85.2
Depreciation of fixed assets.....	(187.3)	(143.7)	(49.3)	14.9
Other operating income and expense.....	0.1	(19.9)	0.1	(20.0)
Operating profit	90.0	141.2	24.8	80.1
Financial income and expense.....	(66.6)	(88.1)	(18.1)	(18.2)
Share of profit of associates	(0.4)	(1.0)	(0.3)	(0.9)
Income tax expense	(15.3)	(17.6)	(5.0)	(20.3)
Net income.....	7.7	34.4	1.2	40.8

EBITDA amounted to €304.8 million in 2016 compared to €277.3 million in 2015, with an EBITDA margin of 32.9% in 2016 and 33.1% in 2015. EBITDA amounted to €85.2 million in the quarter ended December 31, 2016 compared to €74.1 million in the quarter ended December 31, 2015.

EBITDA from our Generalist France division amounted to €198.0 million in 2016, compared to €181.0 million in 2015. Our EBITDA margin for Generalist France was 34.5% in 2016 compared to 35.2% in 2015. EBITDA from our Generalist France division amounted to €56.1 million in the quarter ended December 31, 2016, compared to €47.5 million in the quarter ended December 31, 2015.

EBITDA from our Specialist France division amounted to €50.8 million in 2016, compared to €47.9 million in 2015. Our EBITDA margin for Specialist France was 31.1% in 2016 and 33.9% in 2015. EBITDA from our Specialist France division amounted to €13.0 million in the quarter ended December 31, 2016 compared to €12.1 million in the quarter ended December 31, 2015.

EBITDA from our International division amounted to € 50.9 million in 2016, compared to €46.0 million in 2015. Our EBITDA margin for International was 26.8% in 2016 compared to 25.2% in 2015.

EBITDA from our International division amounted to €15.0 million in the quarter ended December 31, 2016, compared to €13.8 million in the quarter ended December 31, 2015.

Free cash flow

We define free cash flow as EBITDA less net capital expenditures, other operating income and expense (excluding non cash operating income and expense), financial income and expense (excluding non cash financial income and expense), taxes (excluding deferred taxes), capital gains on fleet disposals and certain other income and expenses and changes in working capital requirement. Free cash flow is presented before the payment of dividends to shareholders, capital increases and acquisitions. We present free cash flow as additional information because we believe it is helpful to investors in highlighting trends in our business. However, other companies may present free cash flow differently than we do. Free cash flow is not a measure of financial performance and should not be considered as an alternative to operating income as an indicator of our operating performance or any other measures of performance derived in accordance with IFRS.

For the years ended December 31, 2016 and 2015, free cash flow was €(5.4) million and €60.0 million respectively. Excluding the costs incurred for the refinancing of the €300 million senior subordinated Notes, Loxam would have recorded a positive free cash flow in 2016.

The following table presents a reconciliation of free cash flow to EBITDA for the periods indicated.

	Year Ended December 31,		Quarter ended December 31,	
	2015	2016	2015	2016
	(in millions of euros)			
EBITDA before capital gains on fleet disposals	231.2	261.5	62.5	67.7
+ Proceeds from disposals of fixed assets.....	58.6	54.6	15.1	20.7
- Gross capital expenditure	(150.8)	(230.9)	(41.3)	(71.0)
- operating income and expense ⁽¹⁾		(4.9)		(5.0)
- Financial income and expense ⁽²⁾	(65.1)	(76.5)	(16.8)	(13.9)
- Income taxes ⁽³⁾	(17.9)	(12.7)	(3.1)	(9.6)
- +/- Change in working capital requirement ⁽⁴⁾	5.9	6.8	6.6	28.2
Miscellaneous ⁽⁵⁾	(1.9)	(3.3)	(0.0)	(2.3)
Free cash flow ⁽⁶⁾	60.0	(5.4)	23.0	14.8
Acquisition ⁽⁷⁾	(125.1)	(3.5)	(112.6)	(3.3)
Share capital movement ⁽⁸⁾	-	(95.5)		(95.5)
Dividends.....	(4.9)	(4.9)	-	-
Issue costs amortization and currency variations	(2.5)	(6.9)	0.9	0.8
Change in net debt ⁽⁹⁾	(72.5)	(116.3)	(88.7)	(83.2)

Notes:

- (1) corresponds to non recurring costs related to acquisitions.
- (2) Corresponds to financial income and expense immediately payable (i.e., excluding non-cash items)
- (3) Corresponds to taxes immediately payable (i.e., excluding deferred taxes).
- (4) Excluding change in accrued interests on loans and change in other financial debt, which together totalled €(5.3) million in 2016 compared to €1.1 million in 2015.
- (5) Primarily composed of deduction of capital gains of non fleet disposal and other non cash items excluded from EBITDA, mainly related to change in provisions.
- (6) Before payment of dividends, capital increases and acquisitions.
- (7) Corresponds to the Salmat acquisition in Q4 2016 and the acquisition of additional shares in Degraus earlier in the year. In Q4 2015 it corresponds to Hertz Equipment acquisition.
- (8) Corresponds to the share buy-back programme
- (9) Excluding change in derivatives instruments

Net debt

We define net debt as gross debt less cash and cash equivalents (cash plus marketable investment securities). Net debt is presented as additional information because we believe that netting cash against debt may be helpful to investors in understanding our financial liability exposure. However, other companies may present net debt differently than we do. Net financial debt is not a measure of financial performance under IFRS and should not be considered as an alternative to any other measures of performance derived in accordance with IFRS.

The following table presents a reconciliation of net debt to amounts included in the consolidated balance sheet as of the indicated dates.

	As of December 31,	
	2015	2016
	(in millions of euros)	
Senior secured notes	410.0	410.0
Senior subordinated notes.....	550.0	500.0
Issuance costs related to notes.....	(15.2)	(8.0)
Bank loans on bilateral facilities	125.5	244.7
Accrued interest on debt securities and loans.....	9.6	5.0
Lease liabilities	100.8	143.7
Other financial debt.....	1.7	1.1
Bank overdrafts.....	0.2	0.2
Loans and financial debt (gross debt).....	1,182.7	1,296.6
Cash.....	(71.8)	(90.6)
Marketable investment securities	(86.4)	(65.3)
Cash and cash equivalents	(158.2)	(155.9)
Net debt.....	1,024.5	1,140.8

Net debt increased to €1,140.8 million as of December 31, 2016 from €1,024.5 million as of December 31, 2015, as a result of the negative free cash flow of €(5.4) million of the operations, as well as the impact of the share buy back of €(95.5) million. A dividend of €4.9 million was also paid during the year.

Debt maturity profile

The table below provides the maturity profile of our outstanding indebtedness, as of December 31, 2016.

<i>(in millions of euros)</i>	Total	2017	2018	2019	2020	2021	2022	2023 and later
Bilateral loans	244.7	53.0	54.0	53.4	49.7	28.9	3.6	2.0
Lease liabilities.....	143.7	48.1	41.4	27.7	18.4	7.1	1.0	-
Loans and financial debt owed to credit institutions	388.4	101.2	95.4	81.1	68.1	36.0	4.6	2.0
Other financial debt.....	1.1	1.1	-	-	-	-	-	-
2014 Senior Secured Notes.....	403.6					403.6		
2014 Senior Subordinated notes	245.6						245.6	
2016 Senior secured notes.....	244.8							244.8
Total debt ⁽¹⁾	1,283.5	102.3	95.4	81.1	68.1	439.6	250.1	246.8

(1) Total debt figures exclude accrued interest and bank overdrafts and are presented net of issuance costs.

We have no major financial debt amortization before July 2021 when the senior subordinated notes and the Senior secured notes issued in July 2014 are due.

Currency and interest rate derivatives

Before we decided to refinance the financial debt of the group in the bond market, we used derivative financial instruments (interest rate swaps) to mitigate the adverse effects of interest rate risks.

The derivative financial instruments were maintained after the refinancing of July 2014 and covered a notional amount of €82.3 million at December 31, 2016 for a maximum term in July 2022. These derivatives are recognised in financial liabilities for an amount of €4.9 million at December 31, 2016.

As of December 31, 2016, 82% of our loans and other financial debt were at fixed rate.

The large majority of our revenue, expenses and obligations are denominated in euros. However, we are exposed to limited foreign exchange rate risk, primarily in respect of Danish krone, pounds Sterling, Swiss francs, Moroccan dirham, Norwegian krone and Swedish krone. Our foreign exchange rate derivative financial instruments as of December 31, 2016 covered current liabilities denominated in British Pounds for GBP 14.8 million and in Danish krone for DKK 20.0 million.

In relation to Loxam's offer for Lavendon Group plc, currency swaps hedging the GBP versus the Euro have been bought for a nominal value of GBP 490 million and a consideration of €7.5 million. The fair value of the option premium at December 31, 2016 amounted to €0.7 million. The change in fair value was recognised as a financial expense of €6.7 million in the 2016 accounts.

Critical Accounting Policies and Estimates

Critical accounting policies are described in the appendix within the notes to financial statements.

**APPENDIX
FINANCIAL STATEMENTS**

CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2016

Statement of financial position

ASSETS (€'000)	Notes	31.12.15	31.12.16
Intangible assets and goodwill	5	983,015	968,976
Property, plant and equipment	6	560,095	630,044
Investments in associates	7	8,465	9,738
Financial assets	8	9,425	9,919
Financial derivatives	14	0	765
Deferred tax assets	22	8,618	7,790
Non-current assets		1,569,617	1,627,233
Inventories	9	18,364	18,681
Trade and other receivables	10	206,361	224,636
Other current assets	11	21,767	26,137
Corporate income tax receivables	11	3,865	6,589
Cash and cash equivalents	12	158,211	155,857
Current assets		408,569	431,899
Total assets		1,978,185	2,059,132

LIABILITIES (€'000)	Notes	31.12.15	31.12.16
Share capital		258,223	232,400
Additional paid-in capital		1,882	1,882
Consolidated reserves		278,887	211,313
Net profit for the year		8,008	34,298
Shareholders' equity (Group share)		547,000	479,894
Non-controlling interests		204	938
Total equity	13	547,204	480,832
Employee benefits	16	15,044	18,716
Deferred tax liabilities	22	21,904	25,396
Borrowings and financial debt	15	1,109,036	1,189,195
Financial derivatives	14	9,532	4,854
Non-current liabilities		1,155,518	1,238,161
Provisions	17	7,064	4,948
Borrowings and financial debt	15	73,680	107,442
Trade and other payables	18	89,386	123,129
Other liabilities	18	105,254	103,938
Corporate income tax liabilities	18	80	683
Current liabilities		275,464	340,139
Total shareholders' equity and liabilities		1,978,185	2,059,132

Consolidated income statement and statement of comprehensive income

€'000	Notes	31.12.15	31.12.16
Revenue		838,288	926,782
Other income		57,433	56,265
Operating income		895,720	983,047
Purchases consumed		(91,988)	(105,482)
Personnel expenses	19	(224,557)	(244,362)
Other current expenses		(286,419)	(311,737)
Taxes and duties		(15,472)	(16,637)
Depreciation and amortisation		(187,327)	(143,705)
Profit from ordinary operations		89,957	161,124
Other operating income	20	50	17
Other operating expenses	20	-	(19,956)
Operating profit		90,008	141,185
Interest and financing-related expenses		(69,397)	(63,130)
Other financial expenses		(2,162)	(31,848)
Financial income		4,966	6,830
Financial income (expense)	21	(66,593)	(88,148)
Profit before tax		23,415	53,037
Share of profit of associates		(397)	(1,002)
Income tax expense	22	(15,286)	(17,649)
Net profit		7,732	34,386
Non-controlling interests		(276)	87
Net profit, Group share		8,008	34,298

	31.12.15	31.12.16
Net profit	7,732	34,386
Exchange gains or losses (1)	(1,221)	1,469
Value adjustments linked to hedging derivatives	-	-
Tax	-	-
Items recycled to profit or loss	(1,221)	1,469
Remeasurement of liabilities for defined benefit retirement plans	2,419	(3,291)
Tax	(703)	858
Items not recycled to profit or loss	1,716	(2,434)
Other comprehensive income	495	(964)
Comprehensive income	8,227	33,421
(1) including associates:	(2,020)	2,090

Consolidated cash-flow statement

€'000	Notes	31.12.2015	31.12.2016
Net profit		7,732	34,386
Share of profit of associates	7	397	1,002
Income tax expense (including deferred tax)	22	15,286	17,649
Net finance costs	21	66,593	88,148
Depreciation and provisions, net of reversals		186,871	157,809
Capital gains on asset disposals		(47,565)	(45,686)
Cash flow from operations (before cost of financing and tax)		229,314	253,308
Income tax paid		(17,918)	(12,710)
Financial interest paid		(66,413)	(83,128)
Financial interest received		2,393	1,293
Change in working capital requirements		5,878	6,804
Cash flow from operating activities	A	153,254	165,566
Impact of changes in scope		(125,081)	(2,019)
Acquisitions of fixed assets		(150,756)	(230,857)
Disposals of fixed assets		58,580	54,578
Cash flow from investing activities	B	(217,257)	(178,298)
Dividends paid		(4,906)	(4,906)
Capital decrease		-	(95,542)
Proceeds from loans and borrowings	15	125,882	485,483
Repayment of loans and borrowings	15	(43,240)	(377,989)
Cash flow from financing activities	C	77,736	7,046
Change in cash and cash equivalents	A+B+C	13,733	(5,686)
Cash and cash equivalents at beginning of period		144,253	158,043
Cash and cash equivalents at end of period		158,043	155,677
Impact of exchange rate fluctuations		(57)	(3,320)
Change in cash and cash equivalents		13,733	(5,686)
Other marketable securities		86,429	65,262
Cash at bank and on hand		71,782	90,595
Current bank borrowings		(168)	(180)
Cash and cash equivalents		158,043	155,677

Consolidated statement of changes in equity

€'000	Share capital	Additional paid-in capital	Consolidated reserves	Reserves to be recycled (OCI)	Shareholders' equity (Group share)	Non-controlling interests	Total equity
At 1 January 2014	258,223	1,882	278,693	(5,009)	533,789	283	534,072
Net profit for the period			11,841		11,841	(126)	11,715
Derivatives				5,515	5,515	-	5,515
Employee benefits				(2,810)	(2,810)	-	(2,810)
Exchange gains or losses				(20)	(20)	10	(10)
Comprehensive income			11,841	2,685	14,525	(116)	14,409
Capital increase					-	308	308
Dividends			(4,906)		(4,906)	-	(4,906)
At 31 December 2014	258,223	1,882	285,628	(2,324)	543,408	476	543,884
Net profit for the period			8,008		8,008	(276)	7,732
Employee benefits				1,716	1,716	-	1,716
Exchange gains or losses				(1,226)	(1,226)	5	(1,221)
Comprehensive income			8,008	490	8,498	(271)	8,227
Dividends			(4,906)		(4,906)	-	(4,906)
At 31 December 2015	258,223	1,882	288,730	(1,834)	547,000	204	547,204
Net profit for the period			34,298		34,298	87	34,386
Employee benefits				(2,434)	(2,434)	-	(2,434)
Exchange gains or losses			5	1,450	1,455	14	1,469
Comprehensive income			34,303	(984)	33,320	102	33,421
Capital movements	(25,822)		(69,720)		(95,542)	633	(94,910)
Dividends			(4,884)		(4,884)	-	(4,884)
At 31 December 2016	232,400	1,882	248,430	(2,818)	479,894	938	480,832

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Note 1 – Overview

1.1. Presentation of the Group

Loxam is a French simplified joint stock company (“Société par actions simplifiée”) with a capital of €232,400,370 at 31 December 2016, governed by all of the legislation and regulations for commercial companies in France, and particularly the French commercial code (“Code de commerce”). Its registered office is located at 256 rue Nicolas Coatanlem, 56850 Caudan, France.

The Group is the European equipment rental market leader, with its business focused primarily on construction and civil engineering professionals. The Group operates mainly in Europe, as well as in North Africa, and has a 25.7% stake in a company in Brazil.

1.2. Context for the preparation of the IFRS consolidated financial statements

The consolidated financial statements for the period from 1 January to 31 December 2016 include Loxam and its subsidiaries (the whole referring to “the Group”), and the Group’s share in equity affiliates and joint ventures.

1.3. Functional and reporting currency

The consolidated financial statements are prepared and presented in euros, which is the parent company’s functional currency. All the financial data are presented in thousands of euros, rounded to the nearest thousand euros. The total amounts indicated in the tables may differ from the sum of the various items due to rounding.

Note 2 – Highlights

Overview of key developments in 2016:

On March 31, 2016, Loxam Alquiler merged with Hertz Alquiler de Maquinaria with an accounting and tax effect from January 1, 2016. This merger has no consequences on Loxam's financial consolidated accounts.

In April 2016, Loxam increased its stake in the company Degraus, buying 0.7% of additional shares for a total consideration of €0.3 million, to reach a total control interest of 25.7% .

In May 2016, Loxam refinanced its €300 million senior subordinated notes due in January 2020, thanks to the issue of €250 million of senior secured notes due in May 2023.

On May 31, 2016, Safelift AB Sweden was liquidated, and removed from the scope of consolidation.

On October 28, 2016, Loxam SAS acquired 100% of the share capital of Salmat Nord; this entity is now included within the scope of consolidation.

Loxam SAS decreased its capital by 2,582,226 shares in December, by launching a share buy back on minority shareholders, which resulted in a capital decrease of €95.5 million.

The Group changed its accounting estimate of the average depreciation lengths of rental fleet equipment effective from January 1, 2016..

Overview of key developments in 2015:

On 14 April 2015, the Group acquired a 25% stake in Degraus, which operates 20 branches in Brazil. This interest enables the Group to exercise a significant influence over Degraus, and is therefore classified as an associate. As a result, Loxam SAS' investment in Degraus is accounted for using the equity method of accounting. The goodwill associated with the acquisition of Degraus is valued at €4.4 million and is included in investments in associates.

In June 2015, our 51%-owned Moroccan subsidiary Atlas Rental acquired a 100% interest in Maroc Elevation. Maroc Elevation has been consolidated in Loxam's consolidated accounts since July 1, 2015. Its contribution to the Group's consolidated financial statements was not significant for the period. In accordance with IFRS 3 (revised), Loxam is currently measuring the fair value of the identifiable assets and liabilities acquired.

The provisional goodwill associated with the acquisition of Maroc Elevation is valued at €0.9 million at 31 December 2015.

On 31 October 2015, the Group acquired a 100% interest in Hertz Equipement France and Hertz de Alquiler de Maquinaria in Spain. These two companies have been consolidated in Loxam's consolidated accounts since 1 November 2015. Their contribution to the Group's consolidated financial statements represents €11.0 million in revenue and €73.3 million in property, plant and equipment. If the companies had been consolidated from 1 January 2015, the contribution to revenue over 12 months would have represented €69.5 million. In accordance with IFRS 3 (revised),

Loxam is currently measuring the fair value of the identifiable assets and liabilities acquired. The provisional goodwill associated with the acquisition of Hertz Equipement France is valued at €30.3 million at 31 December 2015, while the amount for Hertz de Alquiler de Maquinaria in Spain is negative and represents €50 K.

In 2015, several mergers took place without any impact on the consolidated accounts:

- Merger of Dansk Lift with Loxam Danemark A/S on 30 April 2015, effective retroactively to 1 January 2015
- Merger of Workx BV with Workx Holding BV on 31 August 2015, effective retroactively to 1 January 2015
- Merger of Hertz Equipement France SAS with Loxam SAS at 31 December 2015, effective retroactively to 1 January 2015.

Subsequent events to the closing

Salmat Nord which was acquired in 2016 was merged into Loxam SAS as at January 1, 2017.

In January 2017, Loxam effected a share buy back on 258,222 shares, retained 100,000 shares according to L.225-228 and cancelled 158,222 shares by capital decrease.

On February 6, 2017, Loxam took a 100% interest in the Spanish company Hune rental S.L, that operates on the equipment rental market in Spain, Portugal and France and has joint-ventures in Saudi Arabia and Colombia.

On February 13, 2017, Loxam took the control of Lavendon Group, which has its registered office in the UK. This Group consists of 70 branches located in the UK, Germany, France, Belgium and the Middle East.

Note 3 – Accounting principles

3.1 Declaration of compliance

The Loxam Group has prepared its consolidated financial statements at 31 December 2016, approved by the Chairman on 15 March 2017, in accordance with IFRS (International Financial Reporting Standards) as adopted by the European Union at 31 December 2016, with mandatory compliance at this date, with comparative information presented for 2015, established with the same reporting standards.

These standards include International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS), as well as the interpretations of the Standing Interpretations Committee (SIC) and the International Financial Reporting Standards Interpretations Committee (IFRS IC).

These standards are available on the European Commission site:

http://ec.europa.eu.internal_market/accounting/ias/index_fr.htm

The consolidated financial statements include the financial statements of Loxam SAS and its subsidiaries for the financial year from January 1, 2016 to December 31, 2016.

The list of consolidated companies is presented in Note 4.

3.2 Application and interpretation of standards and regulations

New mandatory IFRS standards, IFRIC interpretations or amendments to be applied from January 1, 2016:

Standards, amendments or interpretations	Dates adopted by the European Union	Application dates: financial year starting on or after
Amendments to IAS 1: Presentation of financial statements as part of the Disclosure Initiative.	19.12.2015	01.01.2016
Amendment to IAS 16 and IAS 38 – Clarification of acceptable methods of depreciation and amortisation	03.12.2015	01.01.2016
Amendments to IAS 16 and IAS 41 – Agriculture: bearer plants assets	24.11.2015	01.01.2016
IAS 19 – Defined benefit plans: Employee Contributions	09.01.2015	01.02.2015
Annual improvements for 2010-2012	09.01.2015	01.02.2015
Amendments to IFRS 11 – Joint arrangements: acquisition of an interest in a joint operation	25.11.2015.	01.01.2016
Annual improvements for 2012-2014	16.12.2015	01.01.2016
Amendments to IAS 27 – Equity method in separate financial statements	23.12.2015	01.01.2016
Amendments to IFRS 10, IFRS 12, and IAS 28 – Clarifications to apply the consolidation Exemption	22.09.2016	01.01.2016

The application of the standards and amendments did not have a material impact on the consolidated financial statements.

Amendments published by the IASB and applicable by anticipation:

Standards, amendments or interpretations	Dates adopted by the European Union	Application dates: financial year starting on or after
IFRS 15 – Revenue from ordinary activities from contracts with customers	22.09.2016	01.01.2018
IFRS 9 Financial Instruments – Classification and measurement - amendments to IFRS 9, IFRS 7 and IAS 39 – general hedge accounting	22.11.2016	01.01.2018

These standards, amendments or interpretations have not been applied early. Their potential impact is currently being analysed.

New standards, reviews of IFRS regulatory and statutory framework, as well as interpretations published by the IASB, but not yet applicable, or not applied in advance by the Group:

Standards, amendments or interpretations	Adoption in Europe	IASB application dates: financial years starting on or after
Amendments to IAS 7: Disclosure initiative	Not adopted	01.01.2017
Amendments to IAS 12: Recognition of deferred tax assets for unrealised losses	Not adopted	01.01.2017
Annual improvements for 2014-2016	Not adopted	01.01.2017 or 01.01.2018
Amendments to IAS 40 – Investment property	Not adopted	01.01.2018
IFRIC 22 Interpretation – Foreign currency transactions and advance consideration	Not adopted	01.01.2018
IFRS 14 – Regulatory deferral accounts	Will not be adopted by the EU	01.01.2016
Amendment to IFRS 15 – Clarification	Not adopted	01.01.2018
Amendments to IFRS 2 – Classification and measurement of transactions which payment is based on shares	Not adopted	01.01.2018
Amendments to IFRS 4 – For insurance contracts: “Apply IFRS 9 financial instruments with IFRS 4”	Not adopted	01.01.2020
Amendments to IFRS 10 and IAS 28 - Sale or contribution of assets between an investor and its associate or joint venture	Postponed	Postponed
IFRS 16 – Leases contracts	Not adopted	01.01.2019.

3.3 Presentation of the financial statements

The Group's consolidated financial statements are prepared on a historical cost basis, with the exception of certain categories of assets and liabilities, measured at fair value, in accordance with IFRS. The categories concerned are mentioned in the following notes.

The financial year-end for all the Group's subsidiaries and entities is December 31.

3.4 Consolidation principle

A subsidiary is an entity controlled by Loxam SAS. An entity's control is based on three criteria:

- Power over the entity, i.e. the ability to direct the activities with the greatest impacts on its profitability;
- Exposure to the entity's variable returns, which may be positive, based on dividends or any other economic benefits, or negative;
- Link between power and these returns, i.e. the ability to exercise power over the entity to influence the returns achieved.

The financial statements of subsidiaries are consolidated from the date on which the Group acquires effective control until such time as control is transferred outside the Group.

The consolidated financial statements include all of the subsidiary's assets, liabilities, income and expenses. Equity and income are shared between the owners of the Group and non-controlling interests.

Transactions between consolidated companies and intragroup profits are eliminated when preparing the consolidated financial statements.

An associate is an entity in which the Group has significant influence, without having control or joint control over financial and operational policies. The share in the associate's assets and liabilities, including goodwill, is presented on a separate line on the balance sheet.

3.5 Comparability of the financial statements

In 2016, the Group carried out an assessment of the useful life of its equipment for rent on the basis of internal statistics. The review resulted in the extension of the average length of our depreciation on certain fleet equipment as a result of new maintenance practices, higher quality of the materials used by our suppliers, and preventive maintenance. Also a residual value was introduced for certain fleet equipment to reflect the capital gains on equipment disposals on the second-hand market .

In accordance with IAS 8, the impact of the change in depreciation estimate was recorded according to a prospective approach since the beginning of the year 2016.

This change of estimate was applied to the net book value of the assets at December 31, 2015 over the remaining depreciation period, that now ranges between 3 and 10 years vs 2 and 7 years before.

The impact of this change resulted in an improvement of the net result after tax by €47.6 million, and an improvement in operating profit by €67.7 million.

Furthermore, the consolidated financial statements included 2 months of Hertz (France + Spain) at December 31, 2015, compared to 12 months at December 31, 2016.

3.6 Accounting judgments and estimates

To prepare the consolidated financial statements in accordance with IFRS, the Group makes a certain number of estimates and assumptions that are based on historical information and other factors, including expectations for future events that are considered reasonable in view of the circumstances. The Group's estimates and judgments with the most significant impacts on the financial statements concern the following elements:

- Impairment tests for intangible assets with an indefinite useful life (primarily goodwill) (Note 5),
- Measurement of obligations relating to defined benefit plans (Note 16),
- Measurement of financial instruments at fair value (Note 14),
- Qualification of leases (Note 3.13),
- The revision of depreciation periods, and new management rules on the Group's fleet.

These estimates are based on the information available when they were prepared. They are continuously assessed based on past experience and various other factors that are considered to be reasonable, which form the basis for assessments of the book value of assets and liabilities. Estimates may be revised if the circumstances on which they were based change or new information becomes available. Actual results may differ significantly from these estimates depending on different conditions or assumptions.

3.7 Business combinations

a) Business combinations

In accordance with IFRS 3, business combinations are accounted for on the acquisition date, which is the date when control is transferred to the Group.

Goodwill represents the fair value of the consideration transferred (including the fair value of any interest previously held in the company acquired), plus the amount recognised for any non-controlling interest in the company acquired, less the net amount recognised (generally at fair value) for the identifiable assets and liabilities assumed.

When the difference is negative, this is badwill, representing a profit resulting from acquisitions under preferential conditions. Badwill is recognised immediately in profit or loss.

The costs relating to the acquisition are expensed as incurred.

Corrections or adjustments may be made to the fair value of the assets and liabilities assumed and the consideration transferred within 12 months of the acquisition. As a result, the goodwill may be revised.

Contingent consideration relating to business combinations is measured at fair value on the acquisition date and subsequently measured at fair value at each future reporting date. After a one-year period from the acquisition date, any change in the fair value of the contingent consideration

classified as a financial liability will be recognised in profit or loss. During this one-year period, any changes to this fair value explicitly related to events occurring after the acquisition date will also be recognised in profit or loss. Other changes will be recognised as adjustments to goodwill.

Goodwill is not amortized. In accordance with IAS 36 Impairment of Assets, it is subject to impairment tests at least once a year and more frequently if there are any indications of impairment. The conditions for these tests are presented in Section 3.14.

- b) Commitment to buy out non-controlling interests (minority interests), entered into at the time of business combinations, if minorities do not retain current access to profits :

The anticipated acquisition method is applied: the deferred payment for the buyout commitment is recognised as a liability for the present value of the option's exercise price. Goodwill is calculated taking into account the total percentage including the commitment to buy out the non-controlling interests.

- c) Commitment to buy out non-controlling interests (minority interests), entered into at the time of business combinations, if minorities retain current access to profits

The deferred payment for the buyout commitment is recognised as a liability for the present value of the option's exercise price. Subsequent changes in the value of the commitment are recognised in equity attributable to owners of the parent.

- d) Acquisition of non-controlling interests (minority interests), agreed on after business combinations:

For an additional acquisition of shares in an entity that is already controlled, the difference between the acquisition price of the shares and the additional consolidated equity interest acquired is recognised in equity attributable to owners of the parent, while keeping the consolidated value of the subsidiary's identifiable assets and liabilities, including goodwill, unchanged.

3.8 Foreign currency translation methods

- a) Transactions in foreign currencies

Transactions in foreign currencies are converted into euros based on the exchange rate at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are converted based on the exchange rate at the reporting date.

Profit and loss data denominated in foreign currencies are converted using the average rate for the period.

The resulting exchange gains or losses are recognised in profit or loss for the year under financial income and expenses.

- b) Financial statements in foreign currencies

The assets and liabilities of subsidiaries presented in foreign currencies are converted into euros based on the exchange rate at the reporting date. Income and expenses for these companies are converted into euros at the average exchange rate for the year. The resulting exchange gains or losses are recognised directly in other comprehensive income.

Exchange rates applied at 31 December 2016 (euro vs. currency):

1 EUR =	GBP	CHF	DKK	MAD	SEK	NOK	BRL
Reporting date rate	0.85618	1.07390	7.43440	10.65860	9.55250	9.08630	3.43050
Average rate	0.81894	1.09017	7.44534	10.84364	9.46718	9.29367	3.86118

3.9 Breakdown of current / non-current assets and liabilities

Under IAS 1, assets and liabilities are classified as “current” or “non-current”.

Loxam applies the following rules for classifying the main balance sheet aggregates:

- Fixed assets are classified as “non-current”
- Assets and liabilities included in working capital requirements in connection with the business’ normal operating cycle are classified as “current”
- All deferred tax assets and liabilities are presented as “non-current”
- All provisions are classified as “current”
- Financial liabilities are classified as “current” or “non-current”, depending on whether they are due within or later than one year after the reporting date.

3.10 Fair value of financial assets and liabilities

Financial assets and liabilities - including derivatives - measured at fair value are categorized into three levels (1 to 3), each corresponding to a level of fair value observable inputs based on data used in the fair value measurement technique:

- Level 1: fair value determined based on quoted prices in active markets for identical assets or liabilities;
- Level 2: fair value estimated based on observable data for the asset or liability, either directly (i.e. prices) or indirectly (i.e. pricing-derived data);
- Level 3: fair value estimated using valuation techniques that include data relating to the asset or liability that are not based on observable market data.

Further information on the classification of financial instruments for each category is presented in Note 3.18 Cash and cash equivalents and Note 3.19 Financial instruments.

3.11 Intangible assets and goodwill

- a) Goodwill

The goodwill resulting from acquisitions of subsidiaries is included in intangible assets. It represents an asset with an indefinite useful life. For the valuation of goodwill, see Note 3.7.

b) Other intangible assets

Other intangible assets have a finite useful life and are recorded at their acquisition cost, after deducting accumulated amortization and impairment losses.

The amortization of intangible assets is recorded as an expense on a straight-line basis over the estimated useful life from the moment assets are brought into service.

These other intangible assets are primarily software products, amortized over one to three years.

3.12 Property, plant and equipment

Property, plant and equipment are recognised at their acquisition cost, after deducting accumulated depreciation and impairment losses. They are not remeasured.

The cost includes the expenditure directly attributable to the asset’s acquisition.

Depreciation charges for property, plant and equipment are calculated on a straight-line basis over the useful lives indicated below. Land is not depreciated:

- Buildings 10 to 20 years
- Building fixtures and fittings 5 to 20 years
- Tools 3 to 5 years
- Fleet equipment 3 to 10 years
- Other property, plant and equipment 2 to 5 years

Property, plant and equipment are depreciated from the moment they are brought into service. A residual value is applied to some categories of equipment, in order to take the resale value of this equipment at the end of its life into account.

3.13 Leases

The Group holds finance leases in accordance with IAS 17.

Finance-leased fixed assets, transferring substantially all the risks and rewards of ownership of the leased asset to the Group, are recorded as assets on the balance sheet at the lower of the fair value of the equipment leased and the present value of minimum future lease payments. The corresponding liability is recorded as financial liabilities.

Lease payments are apportioned between financial expense and the reduction of the liability in order to obtain a constant periodic rate of interest on the remaining liability.

Finance-leased assets are depreciated over their useful life in accordance with the accounting policy applicable to the other property, plant and equipment (cf. Note 3.12- Property, plant and equipment).

Leases under which the lessor retains substantially all the risks and rewards of ownership of the asset are operating leases. Payments for these leases are recorded as expenses on a straight-line basis over the term of the lease.

3.14 Impairment of intangible assets and property, plant and equipment

Assets are reviewed at each reporting date to determine whether there are any indications of impairment. If such indications are identified, the asset's recoverable amount is estimated.

Goodwill is tested annually and whenever indications of impairments arise.

To be tested, the assets that do not generate independent cash inflows are grouped in cash generating units (CGU), which correspond to the countries in which the Group operates. These countries may be grouped together by geographic area (aggregation of CGU's), particularly for financial reporting. For impairment testing, the CGUs which the goodwill is allocated to are grouped together to ensure that the level at which impairment tests are carried out reflects the lowest level at which goodwill is monitored for internal management requirements. Goodwill acquired in connection with a business combination is allocated to the CGU that is expected to benefit from the synergies of the business combination.

The CGU's recoverable amount is the higher of its fair value less costs of disposal and the value in use.

The value in use retained by the Group corresponds to the value of the future economic benefits expected to be earned from their use and disposal. It is assessed using the discounted cash flow (DCF) method, based on the following principles:

- The cash flows are based on the medium-term business plan (five years) drawn up by top management,
- The discount rate is determined based on the weighted average cost of capital for the business and the region concerned,
- The terminal value is calculated by discounting cash flows to infinity, based on standard cash flows and a perpetuity growth rate. The growth rate is consistent with the development potential of the markets in which the Group operates, as well as its competitive position on these markets.

When the recoverable amount is lower than the net book value of the asset or the cash generating unit, an impairment is recognised in profit or loss.

Impairments recorded for goodwill are irreversible.

3.15 Financial assets

Financial assets include:

- Securities of non-consolidated companies,
- Security deposits paid,
- Cash management assets,
- Cash and cash equivalents.

Financial assets are measured and recognised in accordance with IAS 39.

Financial assets are initially recognised at their fair value.

Financial assets maturing in under one year are classified as current financial assets.

3.16 Inventories

Inventories primarily include trade products, parts and consumables. Inventories are measured using the weighted average cost method.

An impairment is recognised when the realisable value, less costs of disposal, is lower than the book value.

3.17 Trade receivables and other current assets

Trade receivables and other current assets are generally measured at their nominal value, when this is considered to be close to their fair value. Provisions for impairment are recorded for receivables when their recoverable value amount is lower than their book value.

3.18 Cash management assets and Cash and cash equivalents

In accordance with IAS 7 Statement of Cash Flows, the cash recorded in the consolidated cash flow statement includes cash at bank and on hand, bank credit balances and cash equivalents. Cash equivalents correspond to liquid short-term deposits that are easily convertible into a determinable amount of liquid assets and subject to an insignificant risk of changes in value.

Term deposits for over three months, which include options for early withdrawals at any time without notice, particularly to cover short-term cash commitments, are consistent with the definition of cash and cash equivalents from IAS 7 in the following cases:

- The capital is guaranteed even in the event of early withdrawal,
- No penalties are due in the form of payments to the financial institution managing the investment, or non payment of part of the return on the investment. When the return is calculated based on the rate for the previous period or a reduced rate, without any significant change in the value of the amount of the return received, this is not considered to be a penalty and does not call into question the investment's classification as cash and cash equivalents.

Cash management financial assets comprise money-market securities, bonds and shares in UCITS invested over a short-term management horizon that do not meet the criteria for being classified as cash equivalents under IAS 7. They are measured and recognised at fair value. Changes in fair value are recognised in profit or loss.

Purchases and sales of cash management financial assets are recognised on the transaction date.

Marketable securities classified as cash equivalents on the reporting date are recognised at fair value through profit or loss, with their fair value based on their net asset value.

3.19 Derivative financial instruments – relating to the interest rate risk

The Group holds interest rate swaps to reduce its net interest rate risk exposure.

These derivative financial instruments are initially recognised at their fair value. This fair value corresponds to Category 2 consistent with the definitions given in Note 3.10. Since the hedging relationship is not documented, changes in fair value are recognised in profit or loss.

The swaps that were eligible for hedge accounting on the transition date have been recognised in other comprehensive income on the opening balance sheet. This reserve is amortized over the term of the swap agreements. With the refinancing in July 2014, virtually all the variable-rate loans held by Loxam SAS were repaid and fixed-rate bonds were subscribed to. Since July 2014, the swaps retained are no longer effective. As a result, the remaining reserve was fully recycled to profit or loss when the underlyings disappeared.

3.20 Derivative financial instruments – relating to the foreign exchange risk

On an ad hoc basis, and consistent with its market forecasts, the Loxam Group uses financial instruments to reduce its net foreign exchange risk exposure. The Group primarily uses forward currency sales options.

As these instruments concern intra-group receivables, which are eliminated in the consolidated financial statements, the Group has not opted to apply hedge accounting. These foreign exchange derivative instruments are recognised at fair value on the balance sheet. Fair value adjustments are recognised in profit or loss.

Furthermore, the Group bought a currency £/€ call option as part of its external development projects. This instrument is valued at fair value on the balance sheet. Changes in fair value are recognised in the income statement. This fair value corresponds to Category 2, according to the definition specified in Note 3.10.

3.21 Financial instruments - Equity warrants

Along with the capital decrease that occurred during the last quarter of 2016 and in January 2017, Loxam cancelled all existing equity warrants and incurred a profit of €2,744k as at December 31, 2016.

a) Equity warrant features

Under the terms of a delegation of authority granted by the Company's General Meeting on 29 July 2011, the Chairman, as decided on 28 February 2012, issued 3,165,713 BSA 1 equity warrants and 22,391,550 BSA 2 equity warrants to shareholders.

The BSA 1 and BSA 2 equity warrants were subscribed for in full by beneficiaries and both subscription agreements acknowledging the operation's completion were closed on 2 April 2012.

The BSA 1 and BSA 2 equity warrants were issued free of charge and concomitantly.

b) Accounting treatment

In accordance with IAS 32, these equity warrants have been classified as derivatives and recorded as liabilities. They are measured at fair value through profit or loss, in accordance with IAS 39. This fair value corresponds to Category 3, in line with the definitions given in Note 3.10.

3.22 Employee benefits

Under IAS 19 (revised), all current and future benefits or compensation acquired by employees in return for services rendered during the current period and prior periods must be recognised as an expense over the period when rights are vested.

In accordance with the laws and practices in each country where it operates, the Group is part of various plans for retirement and post-employment benefits.

a) Defined contribution plans

For defined contribution plans, the Group has no obligations other than the payment of contributions. The contributions paid in to plans are recognised as expenses for the period. Where applicable, provisions are recorded for contributions not made during the period.

b) Defined benefits plans

Retirement and related benefits under defined benefit plans are subject to provisions based on an actuarial calculation carried out at least once a year in accordance with IAS 19 (revised).

To assess retirement benefits, the projected unit credit method is applied: each period of service gives rise to an additional unit of benefit entitlements, and each unit is valued separately to determine the obligation in relation to employees.

The calculations consider the specific features of the various plans, as well as the assumptions for retirement dates, career development and wage increases, and the probability of employees still being employed by the Group when they reach retirement age (staff turnover, mortality tables, etc.). The present value of the obligation is determined based on the interest rates for long-term bonds from top-tier issuers.

An employee benefit liability is recorded for the obligation net of any plan assets measured at fair value.

The net expenses for retirement and related benefits are recognised in operating profit for the period in relation to the cost of services provided during the period. The net financial cost is recognised in financial income and expenses.

Under IAS 19R, the actuarial gains or losses generated by changes in assumptions on the net defined benefit liability or differences between interest income and the actual returns on plan financial assets are recognised immediately in other comprehensive income and cannot be recycled to profit or loss.

c) Other long-term benefits

Certain other long-term benefits are also subject to provisions, which are determined with a similar actuarial calculation to that applied for defined benefit plans.

These benefits primarily concern long-service awards (*médailles du travail*). Remeasurements of the obligation are recognised in profit or loss.

3.23 Provisions

In accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets, a provision is recorded when, on the reporting date, the Group has an obligation (legal or implied), it is probable

that an outflow of resources representing economic benefits will be required to extinguish this obligation, and the amount of the obligation can be estimated reliably.

These provisions are estimated taking into account the most probable assumptions on the reporting date.

3.24 Borrowings and financial debt

Interest-bearing liabilities are initially measured at their fair value, less any directly attributable transaction costs. Subsequently, borrowings and financial debt are measured at their amortised cost using with the effective interest rate method.

The Loxam Group regularly issues loans on the bond market in order to finance its acquisitions. As part of its policy aimed at renewing its debt, the Group's Finance Division weighs up the renewal of tranches reaching maturity at least two years before the redemption term.

From 2016, the effective interest rate on bond loans has been calculated over the term of the loan less two years.

3.25 Trade payables and related

Trade and other payables are recorded at their nominal value, which corresponds to their fair value.

3.26 Tax

Income tax includes both current and deferred tax.

Current tax corresponds to the cumulative amount of corporate income tax payable on taxable income for all the Group's companies and is determined using the tax rates adopted on the reporting date.

There are three tax consolidations within the Group: one for the French companies, with Loxam SAS as head of the group, one for the Danish companies and one for the Workx group companies in the Netherlands.

Deferred tax is recorded, using the accrual method, generally for temporary differences on the reporting date between the taxable base for assets and liabilities and their book value on the balance sheet.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the assets will be realised or the liabilities settled, based on the tax rates - and tax regulations - that have been enacted or substantively enacted at the reporting date.

In the event of deductible temporary differences and tax losses, deferred tax assets are recognised for the amount of the deferred tax liabilities whose repayment will make it possible to allocate these tax losses, and beyond that if it is likely that the Group will have future taxable profits.

Deferred taxes are recorded for each entity. Deferred tax assets and liabilities are offset on the balance sheet when taxes are levied by the same tax authority and they relate to the same taxable entity.

Taxes relating to elements recorded in other comprehensive income are recognised in other comprehensive income and not in profit or loss.

The Group does not consider the French CVAE business value-added tax to be an income tax under IAS 12 and accounts for it as taxes other than on income.

3.27 Revenue

Revenue comprises income from equipment rental, services and sales related to rental activities (transportation, damage waivers, labour charges invoiced for repairs) and sales of goods. Income is recognised over the period services are provided.

3.28 Other income

Other income primarily concerns net capital gains on disposals of assets in connection with the Group's normal operating cycle.

3.29 Other current expenses

Other current expenses primarily include external services (particularly subcontracted maintenance and transportation costs, property and real estate rentals, and general administrative costs), in addition to losses on receivables net of changes in provisions.

3.30 Other operating income and expenses

Other operating income and expenses concern items that involve a very limited number of instances, that are unusual, abnormal and uncommon, that involve particularly significant amounts, which the company presents separately in profit or loss to make it easier to understand recurring operational performance.

3.31 Financial income and expenses

Financial income primarily concerns interest on investments.

Financial expenses primarily concern interest on bank borrowings and bonds, adjustments to the fair value of financial instruments, and the amortization of the recyclable reserve included in other comprehensive income for swaps classified as hedging on the transition date, then disqualified due to a lack of documentation.

Exchange gains and losses are recorded as financial income or expenses consistent with fluctuations in foreign currencies resulting in gains or losses.

Note 4 – Scope of consolidation

Legal entities	SIREN number (France) or country	% control	% interest	Consolidation method
SAS LOXAM	450776968	100%	100%	Parent
SAS LOXAM MODULE	433911948	100%	100%	Full
SAS LOXAM POWER	366500585	100%	100%	Full
SARL SALMAT NORD	383562493	100%	100%	Full
LOXAM ACCESS UK	United Kingdom	100%	100%	Full
LOXAM GMBH	Germany	100%	100%	Full
LOXAM S.A.	Switzerland	100%	100%	Full
LOXAM S.A.	Belgium	100%	100%	Full
LOXAM RENTAL SARL	Luxembourg	100%	100%	Full
LOXAM LTD	Ireland	100%	100%	Full
LOXAM ALQUILER	Spain	100%	100%	Full
LOXAM BV	Netherlands	100%	100%	Full
WORKX HOLDING BV	Netherlands	100%	100%	Full
WORKX MATERIEELVERHUUR BV	Netherlands	100%	100%	Full
WORKX SLOOP EN GRAAFDIENSTEN BV	Netherlands	100%	100%	Full
ATLAS RENTAL	Morocco	100%	51%	Full
LOXAM HOLDING A/S	Denmark	100%	100%	Full
LOXAM A/S	Denmark	100%	100%	Full
LOXAM AS NORVEGE	Norway	100%	100%	Full
DEGRAUS	Brazil	25.7%	25.7%	Equity
SCI AVENUE ARISTIDE BRIAND	384564472	100%	100%	Full
SCI EST POSE	340583160	100%	100%	Full
SAS LOXAM GRANDE ARMEE	572045953	100%	100%	Full
EURL NORLEU	409981024	100%	100%	Full
SCI TARTIFUME	328948013	100%	100%	Full
SCI THABOR	332962125	100%	100%	Full
LOXAMAM	799097944	100%	100%	Full

Note 5 – Intangible assets and goodwill

Changes in intangible assets and goodwill in 2016

€'000	Intangible assets	Goodwill	Total
Gross value at year-start	15,682	981,462	997,145
Changes in scope	2	744	746
Increase	1,544	300	1,844
Decrease / disposals	(543)		(543)
Reclassification	221		221
Exchange gains or losses	(1)	11	11
Gross value at year-end	16,906	982,517	999,423
Depreciation and amortisation at year-start	(14,130)	-	(14,130)
Changes in scope	(2)		(2)
Depreciation and amortisation for the year	(1,828)	(15,000)	(16,828)
Withdrawals / reversals on withdrawals	543		543
Reclassification	(29)		(29)
Exchange gains or losses	0		0
Depreciation and amortisation at year-end	(15,447)	(15,000)	(30,447)
Net value at year-start	1,552	981,462	983,015
Net value at year-end	1,459	967,517	968,976

Changes in intangible assets and goodwill in 2015

€'000	Intangible assets	Goodwill	Total
Gross value at year-start	13,118	950,083	963,200
Changes in scope	1,216	31,230	32,446
Increase	1,488	150	1,638
Decrease / disposals	(1,013)		(1,013)
Contingent consideration			-
Reclassification	870		870
Exchange gains or losses	5		5
Gross value at year-end	15,682	981,462	997,145
Depreciation and amortisation at year-start	(11,555)	-	(11,555)
Changes in scope	(1,205)		(1,205)
Depreciation and amortisation for the year	(1,831)		(1,831)
Withdrawals / reversals on withdrawals	1,012		1,012
Reclassification	(546)		(546)
Exchange gains or losses	(5)		(5)
Depreciation and amortisation at year-end	(14,130)	-	(14,130)
Net value at year-start	1,563	950,083	951,645
Net value at year-end	1,552	981,462	983,015

Impact of changes in scope on goodwill:

The entity below has been impacted by the change of scope at December 31, 2016:

€'000	Total
Salmat Nord	744
FY 2016	744

The entities below have been impacted by the change of scope at December 31, 2015:

€'000	Total
Maroc Elevation	886
Hertz Equipement France	30,344
FY 2015	31,230

Goodwill impairment tests:

Goodwill and other intangible assets with an indefinite useful life acquired through business combinations are allocated to the CGUs for impairment testing. The CGUs correspond to the countries where the Group operates. For financial reporting, the Group has combined its CGUs for each region: France and International.

Allocation of goodwill for each CGU group:

€'000	31.12.15	31.12.16
France	819,442	820,486
International	162,020	147,031
FY 2016	981,462	967,517

Goodwill is tested once a year and whenever indications of impairment arise.

The last test was performed in December 2016. In these tests, the book value of the net asset, including goodwill allocated to a CGU, is compared with its recoverable amount. The recoverable amount is determined using the "Discounted Cash Flow" method. The cash flow forecasts used for the calculations are based on amounts from the following year's budget approved by management, and forecasts for the next four years.

The cash flow forecasts covering a five-year period are based on experience and development forecasts for the markets in which the Group operates. Cash flows are calculated net of tax and discounted to their present value with a discount rate reflecting the risks associated with the cash flows. The discount rates correspond to the weighted average cost of capital (WACC) calculated for each CGU, in line with the sector's financial structure and market data.

The book value of the Denmark CGU has been compared with its value-in-use calculated based on the method of discounted future cash flows. This resulted in a loss of €15 million as at 31 December 2016. This impairment charge was allocated to the goodwill value and disclosed under "other operating expenses".

The operating assumptions are based on forecasts related to the activity and EBITDA targets. These were revised based on past performances and market forecasts for Denmark.

The upward adjustment of the budget data as well as of the discount rate explain the impairment that was recorded as a result.

The assumptions used were as follows:

%	31.12.15	31.12.16
Discount rate	5.72%	6.94%
Compound annual growth rate (CAGR)	5.2%	4.1%
Perpetual growth rate	1.5%	1.5%

The following assumptions, considered to be key assumptions, were used to calculate the discounted value of cash flow forecasts for the CGUs:

%	31.12.15		31.12.16	
	Perpetuity growth rate	Discount rate	Perpetuity growth rate	Discount rate
France	1.50%	5.90%	1.50%	6.82%
International	1.5% to 3.0%	5.1% to 8.2%	1.5% to 3.0%	6.1% to 7.5%

Perpetuity growth rate: The perpetuity growth rate reflects a moderate level of inflation expected for the entire region in which the Group operates.

Discount rate: The cash flow forecasts are discounted with a specific rate for each CGU. The weighted average cost of capital (WACC) represents the discount rate. To determine the specific rate for each CGU, the specific risk for each country is taken into account, including assumptions for fluctuations in inflation and/or exchange rates.

Sensitivity analysis regarding the key assumptions: the amounts presented below include the value assigned to the main parameters, for each assumption taken separately, for which the book value is equal to its recoverable amount. In the sensitivity analysis, the parameters for the perpetuity growth rate and discount rate are modified independently, while holding the other assumptions constant.

Sensitivity tests: value of the parameter to reach the book value:

%	31.12.2015		31.12.2016	
	Perpetuity growth rate	Discount rate	Perpetuity growth rate	Discount rate
France	-1.5%	8.0%	-1.4%	8.8%
International	-3.6%	9.4%	-5.4%	10.9%

Note 6 – Property, plant and equipment

Change in property, plant and equipment in 2016

€'000	Rental equipment	Other	Total
Gross value at beginning of year	1,766,238	252,468	2,018,706
Changes in scope	8,141	195	8,337
Acquisitions	197,631	22,750	220,381
Disposals ^(a)	(179,589)	(21,503)	(201,091)
Reclassification	(3,033)	3,397	364
Exchange gains or losses	(6,321)	(113)	(6,433)
Gross value at end of year	1,783,068	257,195	2,040,264
Cumulative depreciation at beginning of year	(1,274,090)	(184,522)	(1,458,612)
Changes in scope	(5,960)	(136)	(6,097)
Depreciation for the year	(127,338)	(14,546)	(141,884)
Disposals	173,453	19,255	192,708
Reclassifications	(573)	18	(555)
Exchange gains or losses	4,162	58	4,220
Cumulative depreciation at end of year	(1,230,346)	(179,874)	(1,410,219)
Net value at beginning of year	492,149	67,946	560,095
Net value at end of year	552,722	77,322	630,044

(a) Including impairment on fleet equipment following the Hertz acquisition for an amount of €8,2 million.

Change in property, plant and equipment in 2015

€'000	Rental equipment (a)	Other (a)	Total
Gross value at beginning of year	1,637,720	204,341	1,842,061
Changes in scope	175,739	40,843	216,583
Acquisitions	123,642	23,350	146,992
Disposals	(173,366)	(17,751)	(191,117)
Reclassification	(2,228)	1,359	(870)
Exchange gains or losses	4,731	326	5,057
Gross value at end of year	1,766,238	252,468	2,018,706
Cumulative depreciation at beginning of year	(1,154,451)	(153,372)	(1,307,824)
Changes in scope	(108,152)	(34,638)	(142,790)
Depreciation for the year	(174,751)	(10,745)	(185,495)
Disposals	164,813	15,763	180,576
Reclassifications	1,711	(1,165)	546
Exchange gains or losses	(3,260)	(365)	(3,625)
Cumulative depreciation at end of year	(1,274,090)	(184,522)	(1,458,612)
Net value at beginning of year	483,268	50,969	534,237
Net value at end of year	492,149	67,946	560,095

Note 7 – Investments in associates

Gross and net values

€'000	Associates	Associates
	31.12.15	31.12.16
Value at beginning of year	-	8,465
Increase in capital of associates	-	-
Group share in earnings for the year	(397)	(1,002)
Dividends paid	(45)	(70)
Changes in scope	10,928	254
Exchange gains or losses	(2,020)	2,090
Value at end of year	8,465	9,738

Note 8 – Financial assets

Financial assets movements in 2016

€'000	Loans and other borrowings	Other non-current financial assets	Total
	Gross and net value at beginning of year	9,424	1
Changes in scope	1	11	12
Increase	1,142		1,142
Decrease	(646)		(646)
Exchange gains or losses	(13)		(13)
Gross and net value at end of year	9,907	12	9,919

This heading primarily concerns security deposits paid, mainly in connection with branch real estate leases.

Financial assets movements in 2015

€'000	Loans and other borrowings	Other non-current financial assets	Total
	Gross and net value at beginning of year	6,018	1
Changes in scope	1,896		1,896
Increase	2,104		2,104
Decrease	(572)		(572)
Exchange gains or losses	(21)		(21)
Gross and net value at end of year	9,424	1	9,425

Note 9 – Inventories

€'000 - Net value	31.12.15	31.12.16
Trade	11,509	12,705
Parts and consumables	6,855	5,976
Total	18,364	18,681

Note 10 – Trade and other receivables

€'000	31.12.15	31.12.16
Gross value	232,154	248,962
Impairment	(25,793)	(24,326)
Total trade and other receivables	206,361	224,636
Not past due	67%	68%
Past Due < 30 days	21%	20%
Past Due 30 to 60 days	6%	6%
Past Due > 60 days	6%	6%

Note 11 – Income tax receivables and other current assets

€'000	31.12.15	31.12.16
Income tax receivables	3,865	6,589
Prepaid expenses	3,923	6,923
Other receivables	17,845	19,214
Other current assets	21,767	26,137
Total income tax receivables and other current assets	25,632	32,726

Note 12 – Cash management assets, cash and cash equivalents

€'000	31.12.15	31.12.16
Other marketable securities	86,429	65,262
Cash	71,782	90,595
Total	158,211	155,857

Marketable securities comprise cash investment funds (SICAV) included in the AMF's "short-term money market" category, as well as term accounts and deposits in line with the IAS 7 definition of cash and cash equivalents (cf. Note 3.18).

Note 13 – Shareholders' equity

The share capital amounts to €232,400,370 split into 23,240,037 shares with a par value of €10. It is fully paid up.

The capital decrease of December related to 2,582,226 shares.

The dividend per share is €0.19 in 2016, same as in 2015.

Note 14 – Financial risk management - Financial instruments

Financial instruments relating to interest rate risk:

As indicated in Note 3.19, the interest rate swaps entered into by the Group are classified as derivative financial instruments.

No new contracts were entered into 2015 and 2016.

At 31 December 2016, these agreements relate to a notional amount of €82,300k against the 3-month Euribor, with next maturity date in September 2018 and a maximum maturity date of July 2022. At 31 December 2015, these agreements related to a notional amount of €167,700k.

At 31 December 2016, the fair value of these derivative instruments amount to €4,854k, compared with €6,613k at 31 December 2015. Fair value adjustments are accounted for in financial incomes for an amount of €1,759k in 2016, €2,540k in financial expenses for 2015.

The fair value is estimated based on forecasts of observable interest rates on the derivatives market and classified as Level 2 in accordance with the classification presented in Note 3.10.

Financial instruments relating to foreign exchange risk:

As specified in Note 3.20, foreign currency put options entered into by the Group are classified as derivative financial instruments.

The Group held options on the Pound Sterling for GBP 14,845k at 31 December 2016, GBP 16,535k at 31 December 2015, and on the Danish Krone for DKK 20,000k at 31 December 2016, DKK 29,500k at 31 December 2015.

The fair value of these derivative financial instruments is -€24k at 31 December 2016, €175k at 31 December 2015. The fair value adjustments are accounted for in financial income for an amount of €200k in 2016, compared with a financial expense of €19k in 2015.

Financial hedging instruments relating to the GBP were put in place for a nominal amount of GBP 490,000k which generated a premium payment of €7,490k. The fair value of the option amounted to €741k at 31 December 2016. The fair value adjustment was recorded as a financial expense for an amount of €6,749k.

The fair value is estimated based on forecasted exchange rates observable on the currency market and is classified as Level 2 in accordance with the classification presented in Note 3.10.

Financial instruments relating to the equity warrants:

These financial instruments and their accounting treatment are presented in Note 3.21.

These financial instruments are valued using an option model based on the following assumptions. This valuation of equity warrants is classified as Level 3 in accordance with the classification presented in Note 3.10.

The fair value of these derivatives instruments amounted to €2,744k at 31 December 2015. The cancellation of these equity warrants in December 2016 led to a reversal of fair value, which was recognised in financial income for an amount of €2,744k.

Change in the valuation of financial instruments in 2016:

€'000	Interest Rate swaps	Equity warrants	Exchange rate hedging	GBP Option	Financial instruments
Fair value level	Level 2	Level 3	Level 2	Level 2	
Value at beginning of year	6,613	2,744	175	0	9,532
Changes in scope					0
Acquisition				(7,490)	(7,490)
Value adjustment	(1,759)	(2,744)	(200)	6,749	2,047
Other					0
Value at end of year	4,854	0	(24)	(741)	4,089
Derivatives instruments included in the assets					765
Derivatives instruments included in the liabilities					4,854

Change in the valuation of financial instruments in 2015:

€'000	Interest Rate swaps	Equity warrants	Currency hedge	Financial instruments	
Fair value level		Level 2	Level 3	Level 2	
Value at beginning of year		9,153	2,523	156	11,832
Changes in scope					0
Value adjustment		(2,540)	221	19	(2,300)
Other					0
Value at end of year		6,613	2,744	175	9,532
Derivatives instruments included in the assets				-	
Derivatives instruments in the liabilities				9,532	

Liquidity risk information

Liquidity risk is managed by Loxam's Finance Department, which provides subsidiaries with access to adequate short or long-term financing facilities.

The subsidiaries can look to local financing to fund their investments; in this case, these agreements are validated by the Group's Finance Department.

Liquidity is optimised at the parent company level through investment tools with capital guarantees (particularly marketable securities or instant access term deposit accounts).

Transfers between the parent company and its subsidiaries are covered by cash management agreements or loan agreements.

Credit risk information

The Loxam Group put in place a credit management policy enabling it to ensure its customers' financial solvency.

Outstanding balances are monitored with regular reports and financial information concerning customers is tracked daily. Provisions are recorded in the accounts for uncollectible amounts at each month-end.

Note 15 – Borrowings and financial debt

Breakdown of current and non-current financial debt:

€'000	31.12.15	31.12.16
Bond (1)	944,840	901,969
Bilateral loans	100,187	191,638
Lease debt	64,010	95,589
Non-current financial debt	1,109,036	1,189,195
Short-term bilateral loans	25,356	53,041
Short-term lease debt	36,789	48,148
Other financial debt	11,368	6,073
Current bank borrowings	168	180
Current financial debt	73,680	107,442
Financial debt	1,182,717	1,296,637

(1) net of bond issue costs.

Breakdown of financial debt by interest rate

€'000	31.12.15	31.12.16
Variable-rate debt	115,967	227,780
		1,068,38
Fixed-rate debt	1,066,259	2
Bank overdrafts	168	180
Other	323	295
TOTAL	1,182,717	1,296,63
		7

Breakdown of financial debt by maturity

€'000	31.12.15	31.12.16
< 1 year	73,378	107,442
1 to 5 years (1)	451,653	687,411
> 5 years	657,686	501,785
TOTAL	1,182,717	1,296,63
		7

(1) Including other financial debt due in more than one year (classified as current liabilities)

Change in borrowings and financial debt

Changes in 2016

€'000	Beginning of year	Change in scope	Increase	Decrease	Other	Year-end
Bond issues	944,840		247,02 9	(300,000)	10,100	901,969
Bilateral loans	125,543		147,17 8	(28,094)	52	244,679
Lease debt	100,799	1,509	91,277	(49,895)	48	143,737
Other financial debt	11,536				(5,283)	6,252
TOTAL	1,182,71	1,509	485,48	(377,989	4,916	1,296,63
	7		3)		7

Changes in 2015

€'000	Beginning of year	Change in scope	Increase	Decrease	Other	Year-end
Bond issues	942,260				2,580	944,840
Bilateral loans	28,730		105,197	(8,334)	(50)	125,543
Lease debt	115,011		20,685	(34,906)	9	100,799
Other financial debt	10,405				131	11,536
TOTAL	1,096,406	-	125,882	(43,240)	3,669	1,182,717

Note 16 – Employee benefits

€'000	31.12.15	31.12.16
Net Defined Benefit Obligation	15,044	18,716

Reconciliation of the commitment and the provision

Commitment	27,022	31,012
Plan assets	11,977	12,296
Amount paid in advance		
Net Defined Benefit Obligation at year-end	15,044	18,716

Movement in Defined Benefit Liability

Net Defined Benefit Liability at beginning of year	15,085	15,044
Expense for the financial year	1,406	380
Recognition of actuarial gains or losses through OCI	(2,419)	3,291
Changes in scope	973	
Other		
Net Defined Benefit Obligation at year-end	15,044	18,716

Breakdown of the expense for the financial year

Current service cost	1,616	1,268
Benefits or contributions paid by the employer	(744)	(799)
Other	182	(442)
Interest cost	248	341
Exchange gains or losses	103	12
Expense for the year	1,406	380

The provisions for employee benefits concern retirement benefits for €17,897k at 31 December 2016 vs €13,880k at 31 December 2015, and long-service awards (“médailles du travail”) for €818k at 31 December 2016 vs €1,164k at 31 December 2015.

Actuarial assumptions used	31.12.15		31.12.16	
	France	International	France	International
Discount rate (a)	2.25	0.75 to 2.75	1.50	0.60 to 2
Salary increase rate	2.00	0.00 to 2.50	1.50	1.75 to 2
Inflation rate	2.00	1.00 to 2.00	1.75	0.6 to 1.75
Mortality table	INSEE TH TF 07-09	Depending on the country	INSEE TH TF 07-09	Depending on the country
Retirement age	65	62 to 70	65	62 to 67

(a) Discount rate retained at 31/12/2016: Mercer Pension Yield Curve Eurozone.

Schedule of future payments over four years	31.12.15	31.12.16
Less than 1 year	453	435
1 to 4 years	2,483	8,692

Sensitivity Analysis - Changes in the defined benefit obligation as %	31.12.15	31.12.16
Discount rate +0.5%	-9%	-9%
Discount rate -0.5%	11%	11%

Note 17 – Provisions

Change in provisions in 2016:

€'000	Provisions for contingencies	Provisions for charges	Total
Balance at beginning of year	3,703	3,361	7,064
Changes in scope	28		28
Allocations	2,091	616	2,707
Reversals	(1,909)	(2,937)	(4,846)
Reclassifications	(5)		(5)
Balance at end of year	3,909	1,039	4,948

Change in provisions in 2015:

€'000	Provisions for contingencies	Provisions for charges	Total
Balance at beginning of year	4,366	1,205	5,571
Changes in scope	512	2,435	2,947
Allocations	1,272	1,340	2,613
Reversals	(2,451)	(1,621)	(4,072)
Reclassifications	4	1	4
Balance at end of year	3,703	3,361	7,064

Note 18 – Trade payables and other current liabilities

€'000	31.12.15	31.12.16
Trade payables	65,813	82,928
Payables to fixed asset suppliers	23,572	40,201
Trade payables and related	89,386	123,129
Corporate income tax liabilities	80	683
Tax and social security liabilities	87,350	89,485
Other liabilities	15,880	12,928
Accrued income	2,024	1,525
Other liabilities and accruals	105,254	103,938
Total current liabilities	194,720	227,750

Note 19 – Personnel expenses

€'000	31.12.15	31.12.16
Salaries	164,993	179,723
Payroll taxes	59,118	63,922
Employee profit-sharing	446	717
Total personnel expenses	224,557	244,362
Average headcount	4,659	5,004

The French tax credit, “Crédit d’Impôt Compétitivité Emploi (C.I.C.E.)”, is deducted from payroll taxes.

Note 20 – Other operating income and expenses

At 31 December 2016, other operating income and expense amount to -€19,939k and refer to:

- ✓ The result of the liquidation of the Swedish subsidiary
- ✓ The depreciation of goodwill in Denmark (-€15,000k);
- ✓ Non-recurring fees, especially related to the acquisitions.

In 2015, other operating income related to the recognition of the badwill generated by the acquisition of Hertz Spain.

Note 21 – Financial income (expense)

€'000	31.12.15	31.12.16
Interest and financing-related expenses	(69,397)	(63,130)
Income from cash and cash equivalents	1,183	541
Net finance costs	(68,213)	(62,589)
Fair value adjustments for financial instruments	2,300	(2,047)
redemption costs (a)	-	(24,023)
Other financial expenses	(1,921)	(1,075)
Other financial income	1,242	1,587
Financial income (expense)	(66,593)	(88,148)

(a) In 2016, relates to the early redemption fees and accelerated amortization of remaining issuance costs.

Note 22 – Corporate income tax

Analysis of tax expense

€'000	31.12.15	31.12.16
Current tax	(17,918)	(12,710)
Deferred tax	2,633	(4,939)
Total	(15,286)	(17,649)

A reduced rate of 28% was used to calculate the deferred tax on the accelerated tax depreciation and on employee benefits (French 2017 Tax Act).

Reconciliation between actual tax and theoretical tax expense

€'000	31.12.15	31.12.16
Consolidated income before tax and "CICE" French tax credit	17,775	47,228
Tax rate (parent)	34.43%	34.43%
Theoretical tax expense	(6,120)	(16,260)
Difference in parent / subsidiary rates	(1,589)	4,948
Unused tax losses for the year	(1,383)	(525)
Use of previously unused losses	19	391
Permanent differences	(5,787)	(5,606)
French tax on dividends	(147)	(147)
Tax credits and other	(280)	(450)
Actual tax expense	(15,286)	(17,649)

Deferred tax assets and liabilities

€'000	31.12.15	31.12.16
Opening balance	(15,261)	(13,287)
Income (expense)	2,633	(4,939)
Change in scope	52	(237)
Own funds allocation	(703)	857
Other changes	(7)	1
Closing balance	(13,287)	(17,606)

Deferred tax assets mainly relate to temporary differences and to the use of loss carry forwards. The unrecognised deferred tax assets relating to unused losses amounts to €14.5 million at 31 December 2016 compared to €14.4 million at 31 December 2015.

The deferred tax liabilities refer to temporary differences, mainly related to accelerated tax depreciation charges.

Note 23 – Operating lease commitments

€'000	31.12.15	31.12.16
Future minimum lease payments by maturity:		
Less than 1 year	50,518	51,191
1 to 5 years	103,338	104,766
Over 5 years	8,513	10,346
Total future minimum lease payments (undiscounted)	162,369	166,303

Note 24 – Off-balance sheet commitments

€'000	31.12.15	31.12.16
Guarantee given to banks for payment of real estate rentals	2,106	2,106
Pledging of business assets as collateral	360	360
Total commitments given	2,466	2,466
Bank guarantee received for payment of real estate rentals	7,308	7,308
Other bank guarantees received	450	450
Total commitments received	7,758	7,758

There was no change in the commitments between both financial years.

Other commitments given to guarantee bank borrowings recorded on the balance sheet:

- Guarantee from the Loxam parent company on subsidiaries' borrowings for €19,760K at 31 December 2016.
- Pledge of Loxam Power shares, Loxam Module shares and the Loxam brand as collateral to guarantee €410 million of secured senior bonds.
- Transfer under the Dailly Act as a guarantee: 120% of the outstanding amount drawn on the revolving loan, and pledge of a bank account as collateral to guarantee the revolving loan. The revolving loan was not draw down in 2015 and 2016.

Note 25 – Related-party transactions

Key management personnel compensation for the management bodies is comprised of the following:

€'000	31.12.15	31.12.16
Executive Committee compensation	2,533	2,754
Executive Committee benefits in kind	38	34
Attendance fees paid to directors	40	40
Total amount of compensation and benefits paid to executives and directors	2,611	2,828

The Loxam SAS parent company has entered into a service delivery agreement with DPZ Partners, which holds part of the share capital of Loxam SAS. This agreement has been entered into under normal market conditions. Services provided under this agreement were invoiced to Loxam for an amount of €1.1 million in 2016 compared to €1.2 million in 2015.

The Group does not have any significant transactions with related parties that have not been entered into under normal market conditions.

Note 26 – Statutory Auditors' Fees

€'000	Constantin	KPMG	Other
Accounts certification	163	163	0
Other subsidiaries	84	93	283
Other services	166	153	45
Overall fees amount paid to statutory Auditors	413	408	328