

**INVESTOR REPORT December 31, 2017**

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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. The notes to the financial statements presented from page 70 to page 109 are unaudited at the date of this report.

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***

During Q4 2016, LOXAM has taken the decision to change the estimates of the depreciation policy for its entire equipment fleet with effect from 1<sup>st</sup> January 2016. However, the calculated depreciation charge booked in Q4 2016 takes into account the full year effect of the new depreciation policy.

### ***Comparability of the financial statements***

Loxam's consolidated financial statements for 2017 take into account :

- 11 months of consolidation of Hune and Lavendon,
- 4 months of Cramo's Danish activities,
- 2 months of consolidation for Loxam Access SRL
- 1 month of consolidation for Swan Hire.

Degraus has been consolidated through the equity method until 31/12/17. As at 31/12/17, the consolidation method has been changed to a full integration. This change in the consolidation method results in the following :

- Loxam consolidates a share of Degraus profit for the year in the "non controlling interest"
- Loxam consolidates Degraus' balance sheet as at 31/12/17

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,	
	2016	2017
<b>Revenue</b> .....	<b>926.8</b>	<b>1,367.7</b>
Other income.....	56.3	62.6
Purchases consumed .....	(105.5)	(144.4)
Personnel expenses .....	(244.4)	(360.1)
Other current expenses.....	(311.7)	(443.3)
Taxes and duties .....	(16.6)	(18.5)
Depreciation and amortization – Property, plant and equipment .....	(141.9)	(227.9)
Depreciation and amortization – Intangibles assets.....	(1.8)	(10.5)
<b>Profit from ordinary operations</b> .....	<b>161.1</b>	<b>225.6</b>
Other operating income and expense .....	(19.9)	(4.5)
<b>Operating profit</b> .....	<b>141.2</b>	<b>221.2</b>
Financial income and expense.....	(88.1)	(116.7)
Share of profit of associates .....	(1.0)	(1.3)
Income tax expense.....	(17.6)	(18.9)
<b>Net profit</b> .....	<b>34.4</b>	<b>84.3</b>
Non controlling interests .....	0.1	(0.4)
<b>Net profit, group share</b> .....	<b>34.3</b>	<b>84.6</b>

<b>Consolidated balance sheet under IFRS</b>	<b>As of</b>	
	<b>December 31, 2016</b>	<b>December 31, 2017</b>
<i>(in millions of euros)</i>		
Intangible assets and goodwill.....	969.0	1,333.9
Property, plant and equipment.....	630.0	1,232.6
Investments in associates .....	9.7	-
Financial assets .....	9.9	15.6
Financial derivatives .....	0.8	1.2
Deferred tax assets .....	7.8	21.6
<b>Non-current assets .....</b>	<b>1,627.2</b>	<b>2,604.9</b>
Inventories .....	18.7	29.3
Trade and other receivables .....	224.6	370.8
Other current assets .....	32.7	84.1
Cash and cash equivalents .....	155.9	117.5
<b>Current assets .....</b>	<b>431.9</b>	<b>601.8</b>
<b>TOTAL ASSETS .....</b>	<b>2,059.1</b>	<b>3,206.7</b>
<b>Shareholders' equity .....</b>	<b>480.8</b>	<b>543.7</b>
Provisions for employees benefits.....	18.7	16.6
Deferred tax liabilities.....	25.4	62.1
Borrowings and financial debt – long term portion.....	1,189.2	2,037.5
Financial derivatives .....	4.9	2.9
<b>Non-current liabilities.....</b>	<b>1,238.2</b>	<b>2,119.0</b>
Provisions.....	4.9	11.2
Borrowings and financial debt – current portion .....	107.4	201.2
Supplier and other payables .....	123.1	188.2
Other current liabilities.....	104.6	143.4
<b>Current liabilities .....</b>	<b>340.1</b>	<b>544.0</b>
<b>TOTAL EQUITY AND LIABILITIES.....</b>	<b>2,059.1</b>	<b>3,206.7</b>

<b>Consolidated condensed cash-flow statement according to IFRS</b> <i>(in millions of euros)</i>	<b>Year ended December 31,</b>	
	<b>2016</b>	<b>2017</b>
Cash flow from operations .....	165.6	260.8
Cash flow from investing activities .....	(178.3)	(1,183.8)
Cash flow from financing activities.....	7.0	883.4
<b>Change in cash and cash equivalents .....</b>	<b>(5.7)</b>	<b>(39.5)</b>
<b>Cash and cash equivalents at the end of the period <sup>(1)</sup> .....</b>	<b>155.7</b>	<b>116.6</b>

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, 2017, our Generalist network included 419 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, 2017, our specialist network in France includes 81 branches. We rent specialist equipment in France under several specific brands, such as LOXAM Access, Lavendon France, LOXAM Module, LOXAM Power, LOXAM Laho TEC, LOXAM TP, LOXAM Event;
- International division, which comprises our specialist and generalist equipment offerings in 21 other countries outside of France (Denmark, Belgium, the Netherlands, Germany, Spain, the United Kingdom, Ireland, Switzerland, Luxembourg, Norway, Morocco, Portugal, Italy, several countries in the Middle East, Colombia and Brazil) with a network of 253 branches as of December 31, 2017. We own joint-ventures in Morocco, in Brazil, the Middle East and Colombia.

We rent over 1,500 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, 2017, our rental fleet consisted of approximately 260,000 pieces of equipment (excluding accessories) with a gross book value of €2.9 billion.

We have the largest rental network in Europe. As of December 31, 2017, we have 753 branches across 21 countries, of which 500 were located in France.

We generated revenue of €1,367.7 million and EBITDA of €464.0 million for the year ended December 31, 2017, representing an EBITDA margin of 33.9%. In 2017, 45.5% of our revenue was generated from our Generalist France division, 15.6% by our specialist France division and 38.9% 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 2017 revenue, with operations across 13 European countries. We also have operations in Morocco, in Brazil, the Middle East and Colombia. In France, our largest market, we are the leading industry participant, with a national market share of 21% in 2017 (assuming a total market size of €4.1 billion as estimated 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, 2017, our network included 419 generalist branches and 81 specialist branches in France, as well as 253 branches in 21 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 over 100,000 customers as of December 31, 2017.

***Acceleration of international development in recent years***

In February 2017, we acquired 100% interest in the Spanish rental company Hune Rental S.L., that operates in Spain, Portugal, and France, and has two joint-ventures (Saudi Arabia and Colombia) and we took control of the British company Lavendon Group plc, which was listed on the London Stock Exchange. This Group specializes in renting out powered access equipment through 70 branches located in the UK, Germany, France, Belgium and the Middle East. We subsequently sold the German subsidiary of the Lavendon Group (Gardemann) in June 2017. In August 2017, we completed the acquisition of the Danish equipment rental operation of Cramo Plc. The seven branches acquired have since been merged with Loxam's Danish operations. In October 2017, we acquired the activities of the Italian powered access equipment rental company Nacanco SpA, through a newly created subsidiary Loxam Access Srl, 80% owned by Loxam and the remaining 20% being controlled by the previous owners of Nacanco. In December 2017, we acquired the Irish construction equipment rental company, Swan Plant Hire. In October and in December 2017, we increased our stake in the company Degraus, buying 24.4% of additional shares, to a total stake of 50.10%. We believe that these acquisitions will strengthen our market share in these markets and contribute to enhance our profile in the international markets. 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 253 branches as of December 31, 2017. 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 €532.3 million for year ended December 31, 2017. The percentage of our revenue generated by our International division has increased from 14.4% of our total revenue in 2012 to 38.9% of our total revenue in 2017.

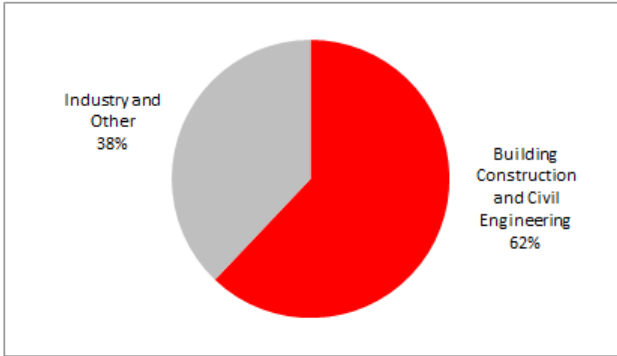
**Diversified business model**

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

With a total of nearly 260,000 machines, representing a gross book value of €2.9 billion at the end of 2017, 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 2016, our fleet capital expenditure amounted to €198 million, as the construction market and the rental market picked-up. In 2017, our capital expenditures increased by 102% year-over-year to €400 million to sustain market demand.

Our broad and diversified customer base (representing approximately 220,000 customers across all divisions as of December 31, 2017) 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 less than 15% of our revenue for 2017 stable compared to 2016. We have also diversified our revenue across industries. Revenue generated outside of the construction and civil engineering sectors accounted for 38% of our 2017 revenue.. 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. As shown in the graph below, approximately 62% of our 2017 revenue was generated from the construction and civil engineering sectors in 2017. The largest of these other end markets was the industrial sector.



LOXAM Group - 2017 Revenue

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. Our EBITDA margin was 34.3% for the Generalist France division in 2017 and benefitted from the strength of the recovery of the French rental market since the beginning of the year. The EBITDA margin of this division has consistently been above 30% since 2006. In 2017, the EBITDA margin for the Specialist France division increased to 32.1% as we have benefited from the contribution of the specialist branches of Lavendon France.. For our International division, the significant increase of the EBITDA margin from 26,8% in 2016 to 33.3% in 2017 was mostly stimulated by the integration of the Lavendon and Hune groups, both reporting EBITDA margins above our international division historical average. 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. In 2016 and 2017, we increased our capital expenditure, by respectively 60% and 102% compared to the year before. We benefited in France from a temporary tax incentive which started in spring 2015 and will last until mid-April 2019 for equipment ordered before mid-April 2017. Equipment purchased during this period of time 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.

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.

Our operations are supported by several integrated ERP systems which handle rental operations with our customers as well as fleet management and back office functions. 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 over 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, our second largest shareholder, has a strong expertise in the rental industry stemming from previous investment in the sector. Pragma Capital participates actively in our strategic decisions through their representatives on our Strategic Committee.

## **Our Strategy**

The key elements described below form the base 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 500 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. In 2017, we opened 11 branches, we acquired 148 branches through the acquisitions of Hune, Lavendon, Cramo's Danish activities, Loxam Access Srl, and Swan; disposed of the 26 branches of Gardemann, merged or closed 23 branches. We consider most of the costs associated with branch openings and closings to be part of our normal activities and therefore include them in our operating costs.

To complement our organic growth, we will continue our selective acquisition strategy. In February 2017, we acquired the Lavendon group (70 branches) and the Hune Group (34 branches). In August 2017, we acquired the Danish equipment rental operations of Cramo (7 branches). In October 2017, we acquired the activities of Nacanco, an Italian company with 14 branches. In December 2017, we acquired Swan Plant Hire, an Irish company with 2 branches, and we acquired a majority interest in Degraus (21 branches). 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. Our expansion of our access equipment business through the Lavendon Acquisition will allow us to diversify our end-markets even further.

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 also continue to open shops in Paris branded Loxam City to offer our customers proximity to their sites. We opened one new Loxam City branch in Paris in 2017, and had a total of 11 branches as of December 31, 2017.

### ***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. As an example, fleet equipment that leaves our active rental fleet at the end of its lifecycle in France 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, VCA and OHSAS certifications.

Shortly after arriving in the LOXAM Group, HUNE earned the internationally-acknowledged OHSAS 18001 certification in 2017 for its occupational health and safety management system. This is recognition of an everyday policy conducted by all of LOXAM HUNE's teams to reduce the risk of accidents, comply with legislation and improve safety and working conditions.

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 all our employees across our three 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.

Through a range of initiatives, the LOXAM Group actively supports several charitable causes. This commitment is exemplified through the collection of £9,500 for Macmillan Cancer Support (UK) the donation of a fitted aerial work platform to London Zoo (ZSL), and the funding of a building for the Calviac Zoological Reserve (France).

## **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, Mr Déprez and his family with the management of Loxam and its employees own approximately 95.2% of Loxam’s shares and Pragma Capital owns 4.8% at the date of this 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. In 2017, we opened 5 branches, and merged or close 10 branches. As of December 31, 2017, our Generalist network in France had 419 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. As of December 31, 2017, we had 81 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 21 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%. In 2017, we acquired the Lavendon Group, specialized in renting out powered access equipment through 64 branches located in the UK, Germany, Belgium and the Middle East, and acquired the Hune Group (33 branches) which operates in Spain, Portugal, and has two joint-ventures (Saudi Arabia and Colombia). We completed the acquisition of the Danish equipment rental operations of Cramo Plc In October 2017, we acquired the activities of the Italian powered access equipment rental company Nacanco SpA, through a newly created subsidiary Loxam Access Srl, 80% owned by Loxam and the remaining 20% being controlled

by the previous owners of Nacanco. Nacanco has a network of 14 branches in Northern & Central Italy. In December we acquired the Irish company Swan Plant Hire, with 2 branches in Dublin. As of December 31, 2017, we had 253 generalist and specialist branches in our International network.

## **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 21 countries other than France.

In each of our divisions, our principal activity is equipment rental, which accounted for approximately 72% of total revenue in 2017. We also provide rental services (approximately 23% of total revenue in 2017), 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 5% of total revenue in 2017).

We offer over 1,500 different types of equipment and tools for rent. Most of our rentals are short-term (often less than one week).

### ***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 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, Italy, Portugal and Morocco and in several countries in Middle East. Since April 2015 we have been present in Brazil through Degraus, a Brazilian equipment rental company that operates a network of 21 branches. We increased our stake in April 2016, and in the fourth quarter of 2017, buying 24.4% of additional shares to a total of 50.10%. Since the acquisition of the Hune group, we have become a market leader in the Spanish market. Through the acquisition of Lavendon Group we have also become the largest rental firm of powered access equipment in the UK and the Middle East. Globally Loxam owns the third largest fleet of access equipment.

## ***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 23% of total revenue in 2017, 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 5% of our total revenue in 2017. We consider retail to be an activity that supports our primary rental activity.

## **Customers**

We have a broad customer base of over 200,000 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 2017, construction and civil engineering customers represented approximately 30% and 35% 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. 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 500 branches in France. Our top ten customers in France, all

of which operate in the civil engineering, construction or utilities sectors, accounted for approximately 18% of our revenue in France for 2017 and no single customer on a group basis accounted for more than 7% of our revenue in 2017. In 2017, 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 0.9% of our revenue in 2017.

### **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 of equipment in our catalogue, to be collected at the branch of the customer's choice within 24 hours;
- 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 ;
- loyalty programs, including our specialty programs such as Loxam Club, which targets SMEs.

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.

In 2017, the quality of our customer service received recognition in France through the "2018 Customer Service of the Year" award in the "Equipment Rental" category. This award recognizes the very best in customer care and was earned following hundreds of "mystery shopper" tests carried out in accordance with the standard.

### **Rental Fleet**

We have a well-maintained fleet consisting of approximately 260,000 pieces of equipment (excluding accessories) as of December 31, 2017, with approximately 150,000 pieces of equipment in our Generalist France division, approximately 30,000 in our Specialist France division and approximately 80,000 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 1,500 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, 2017, our fleet had a gross book value of €2.9 billion, of which Generalist France accounted for €1,065 million, Specialist France accounted for €490 million and International accounted for €1,344 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, sanitarries; 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 65% of our 2017 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 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.

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. 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, 2017, we had a network of 753 branches, primarily located in Western Europe. The table below shows the number of branches we operate in each country :

<b>Country</b>	<b>Number of branches as of December 31, 2017</b>
France.....	500
Spain.....	46
The Netherlands.....	45
Denmark.....	32
United Kingdom .....	29
Brazil.....	21
Germany.....	18
Belgium .....	17
Italy.....	14
Middle East.....	9
Switzerland.....	7
Ireland .....	4
Morocco .....	4
Norway .....	4
Portugal.....	2
Luxembourg .....	1
<b>Total .....</b>	<b>753</b>

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 several markets 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. 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 of our network.

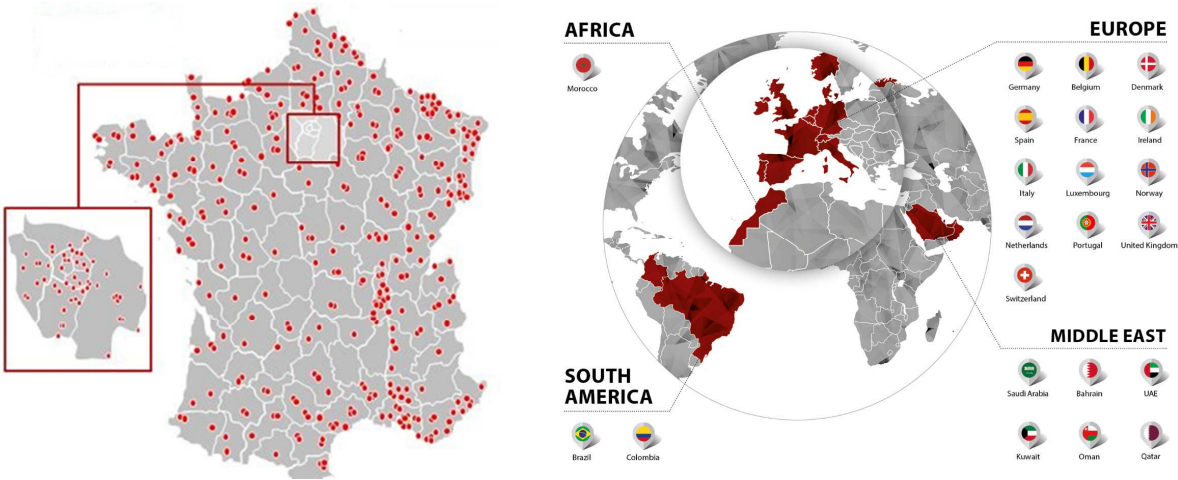
### ***Branches in France and International Branches***

Most of our branches are located in France. Of our 500 branches in France as of December 31, 2017, 419 were Generalist branches and 81 were Specialist branches. Our branches are located typically 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 (39 branches), Loxam Power (16 branches), Loxam Module (11 branches), Loxam Laho TEC (2 branches), Loxam TP (6 branches), Loxam Access PL (1 branch) and Lavendon France (6 branches).

In the UK, Spain, 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 brand, with the exception of the Lavendon, Hune, Nacanco, Degraus and Swan Plant Hire branches.

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:



**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, 2017, we operated 11 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, 2017, we owned the premises of less than 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, 2017, following the acquisitions of the year, our real estate

rental expense at group level was €56 million, compared to €47 million for the corresponding period in 2016.

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, 2017 we had 7,879 employees (including apprentices and trainees), nearly all of which were salaried personnel. At this date, approximately 53 % 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. We have IT teams in France and in the UK to maintain our hardware to service the software we use.

We use several ERP systems including Rentalman, L-Vis and Navision which all specialize in rental activity.

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 systems, which includes duplicate synchronized back-ups of our servers hosted by a third party.

### **Intellectual Property**

We use several trademarks including “Loxam”, “Nationwide Platforms”, “Rapid Access”, “Hune” and “Nacanco”, which enjoy high brand recognition in their home markets. “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 13% 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 €1,367.7 million in 2017, representing an increase of 47.6% compared to revenue of €926.8 million in 2016. On a like for like basis and at constant exchange rate, revenue has increased in 2017 by +8.5%. In France, revenue increased by 13.4% in 2017 including the contribution of Lavendon France, thanks to the growth of the French rental market. At the International division, revenue increased by 180.3%, mostly thanks to the acquisition of the Lavendon and Hune group and also thanks to the organic growth of our business units. On a like-for-like basis and at constant exchange rate, international revenue increased by 7.2%, as most countries enjoyed growth in their markets.

In 2017, 45.5% of our revenue was generated from our Generalist France division (down from 61.9% in 2016), 15.6% was generated from Specialist France division (down from 17.7% in 2016), with our International division contributing to 38.9% (up from 20.5% in 2016).

We generated an EBITDA of €464.0 million in 2017, representing an increase of 52.2% compared to an EBITDA of €304.8 million in 2016. Our EBITDA margin increased to 33.9% of our revenue in 2017 compared to 32.9% in 2016. The increase in the EBITDA is primarily due to the integration of Lavendon and Hune for eleven months which added together €131.8million of EBITDA during 2017. At the Generalist division the EBITDA grew by 7.8%. At the Specialist division, the EBITDA grew by 34.3%, boosted by the integration of Lavendon France. On a like-for-like basis, EBITDA increased by 11.3% at the Specialist division. At the International division, EBITDA increased by 248.0%, or a +8.8% like-for-like and at constant exchange rate. Our operating profit increased from €141.2 million in 2016 to € 221.2 million in 2017, thanks to the organic growth and the 2017 acquisitions.

Our net financial expense increased from €88.1 million in 2016 to €116.7 million in 2017. Our gross debt financial expense increased from €63.1 million to €93.3 million, as we raised €850 million of financing through new bonds. The bonds were issued to pay for the acquisition of Lavendon and Hune and acquisition costs. A bridge facility, which was issued for the acquisition of Lavendon in February 2017 was repaid in full leading to a €13.8 million non recurring expense. Later in the year in August, we used surplus cash to redeem €110.7 million out of the €410.0 million outstanding nominal of the senior secured notes due 2021.

Profit Before tax nearly doubled to €104.4 million. Income tax only increased slightly from €17.6 million in 2016 to €18.9 million in 2017, as Loxam recorded a tax deficit in France and thanks to lower tax rates at our international business.



As a result of the factors detailed above, net profit increased significantly from €34.3 million in 2016 to €84.6 million in 2017.

### **Key factors affecting results of operations**

Our results of operations are primarily affected by factors that impact the equipment rental industry generally, particularly cyclical 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 acquisitions and the opening and closing of branches. These factors are described in greater detail below.

### ***Cyclical 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. In 2017, our fleet capital expenditure increased from €197.6 million to €399.6 million in order to benefit from the increase in the demand in our enlarged markets.

### ***Changes in our rental network***

Changes in the size of our rental network as a result of acquisitions and 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
2017 .....	11	148	10	39	500	253
2016 .....	12	-	36	1	499	144

In 2017, we acquired 148 branches, opened 11, closed 13, completed 10 mergers and sold 26 branches (relating to the Gardemann disposal). As a result of the combined effects of 2017 acquisitions, of the streamlining of our network and of our branch openings, we operated 753 branches as of December 31, 2017, compared to 643 as of December 31, 2016.

### ***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 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 February 6, 2017, Loxam bought a 100% interest in the Spanish rental company Hune Rental S.L., that operates in Spain, Portugal, and France, and has two joint-ventures (Saudi Arabia and Colombia).
- On February 13, 2017, Loxam took control of the British company Lavendon Group plc, which was listed on the London Stock Exchange. This Group specializes in renting out powered access equipment through 70 branches located in the UK, Germany, France, Belgium and the Middle East.
- On June 29, 2017, The German subsidiaries of the Lavendon Group, Lavendon Holding (Deutschland) GmbH and Gardemann Arbeitsbühnen GmbH, were sold to the TVH Group.
- On August 31, 2017, Loxam completed the acquisition of the Danish equipment rental operation of Cramo Plc. This operation was structured as an asset deal. The seven branches acquired have since been merged with Loxam's Danish operations.
- On October 31, 2017, Loxam acquired the activities of the Italian powered access equipment rental company Nacanco SpA, through a newly created subsidiary Loxam Access Srl, 80% owned by Loxam and the remaining 20% being controlled by the previous owners of Nacanco. Nacanco has a network of 14 branches in Northern & Central Italy.

- In October and December 2017, we increased our stake by 24% of the shares of Degraus for a total stake of 50.10%. Degraus is a Brazilian equipment rental company that operates 21 branches in Brazil, primarily located in the state of Sao Paulo. With this complementary acquisition, we took control of Degraus, which is fully consolidated in our consolidated accounts as at 31/12/17.

In December 2017 we merged the operations of Loxam Access in the UK with those of Nationwide Platforms.

### **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). The depreciation policy existing at the Lavendon Group prior to the acquisition has been

kept unchanged. The Loxam group depreciation policy has been retrospectively applied to the Hune fleet in the consolidated financial accounts.

- Since 2017, it also includes depreciation of newly intangible assets (trademarks and customer relationships) follow a purchase price allocation exercise on the Lavendon and Hune acquisitions.
- **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, 2017, 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, 2016 and 2017.

Consolidated Income Statement <i>(in millions of euros)</i>	Year		Quarter	
	ended December 31, (IFRS)		ended December 31, (IFRS)	
	2016	2017	2016	2017
<b>Revenue</b> .....	<b>926.8</b>	<b>1,367.7</b>	<b>241.5</b>	<b>368.2</b>
Other income <sup>(1)</sup> .....	56.3	62.6	20.4	23.7
Purchases consumed .....	(105.5)	(144.4)	(29.9)	(39.9)
Personnel expenses .....	(244.4)	(360.1)	(62.0)	(91.2)
Other current expenses .....	(311.7)	(443.3)	(81.5)	(121.4)
Taxes and duties .....	(16.6)	(18.5)	(3.4)	(4.4)
Depreciation and amortization – Property, Plant and Equip.	(141.9)	(227.9)	15.3	(54.1)
Depreciation and amortization – Intangible assets	(1.8)	(10.5)	(0.4)	(7.9)
<b>Profit from ordinary operations</b> .....	<b>161.1</b>	<b>225.6</b>	<b>100.1</b>	<b>73.0</b>
Other operating income and expense <sup>(2)</sup> .....	(19.9)	(4.5)	(20.0)	(1.6)
<b>Operating profit</b> .....	<b>141.2</b>	<b>221.2</b>	<b>80.1</b>	<b>71.4</b>
Financial income and expense .....	(88.1)	(116.7)	(18.2)	(27.3)
Share of profit of associates .....	(1.0)	(1.3)	(0.9)	(0.7)
Income tax expense .....	(17.6)	(18.9)	(20.3)	(7.7)
<b>Net profit</b> .....	<b>34.4</b>	<b>84.3</b>	<b>40.8</b>	<b>35.7</b>
Non controlling interests .....	0.1	(0.4)	0.1	(0.2)
<b>Net profit, group share</b> .....	<b>34.3</b>	<b>84.6</b>	<b>40.7</b>	<b>35.9</b>

Note :

- (1) Other income include capital gains on fleet disposals amounting to €43.3 million and €50.6 million in 2016 and 2017 , respectively, and to €17.5 million and € 20.4 million in the quarters ended December 31, 2016 and 2017, respectively.
- (2) Other operating income and expense included in 2016 non recurring costs relating to the goodwill depreciation of Loxam Denmark for €(15.0) million, and non recurring costs for €(5.0) million; in 2017, other operating income and expense included non recurring costs relating to 2017 acquisitions for €(9.6) million and a €5.1 million profit on the Gardemann disposal, after deduction of the write-off on the goodwill and intangible assets of Gardemann.

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, 2017 we had 419 branches in Generalist France, 81 in Specialist France and 253 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, 2016 and 2017 and the quarters ended December 31, 2016 and 2017.

	Year ended December 31, (IFRS)		Quarter ended December 31, (IFRS)	
	2016	2017	2016	2017
<i>(in millions of euros)</i>				
<b>Revenue</b>				
Generalist France .....	573.3	622.6	148.1	165.7
Specialist France.....	163.6	212.8	43.1	56.8
<b>France .....</b>	<b>736.9</b>	<b>835.4</b>	<b>191.2</b>	<b>222.5</b>
International .....	189.9	532.3	50.3	145.7
<b>Total revenue .....</b>	<b>926.8</b>	<b>1,367.7</b>	<b>241.5</b>	<b>368.2</b>
<b>EBITDA</b>				
Generalist France <sup>(1)</sup> .....	198.0	213.4	56.1	59.5
Specialist France <sup>(1)</sup> .....	50.8	68.3	13.0	18.9
<b>France .....</b>	<b>248.8</b>	<b>281.8</b>	<b>69.1</b>	<b>78.4</b>
International .....	50.9	177.0	15.0	55.2
Real Estate <sup>(2)</sup> .....	5.1	5.2	1.0	1.5
<b>Total EBITDA.....</b>	<b>304.8</b>	<b>464.0</b>	<b>85.2</b>	<b>135.0</b>
<i>EBITDA margin .....</i>	<i>32.9 %</i>	<i>33.9 %</i>	<i>35.3 %</i>	<i>36.7 %</i>

Notes:

- (1) 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.
- (2) 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, 2017 compared to year ended December 31, 2016**

### ***Construction Market in France and Europe in 2017***

In December 2017, Euroconstruct confirmed its forecast for a robust growth of the French construction market in 2017. The market growth should be driven, like in 2016, by the growth in residential construction. Non residential construction has grown healthily in 2017 while the civil engineering market started to experience a revival after several years of decline.

Elsewhere in Europe where Loxam is active, Euroconstruct confirmed another year of growth for the construction markets.

Concerning rental markets, the ERA estimated in its latest report published in the Autumn 2017 that European markets should enjoy a year of growth in 2017. Among those markets, the French rental market was expected to grow among the fastest with a growth of 5%.

### ***Revenue***

We generated revenue of €1,367.7 million in 2017, representing an increase of 47.6% compared to revenue of €926.8 million in 2016. On a like-for-like basis and at constant exchange rate, revenue has increased in 2016 (+8.5%).

Revenue from our Generalist France division increased by 8.6% from €573.3 million in 2016 to €622.6 million in 2017, a growth which was purely organic and was in-line with our anticipation of the strength of the French rental market. The growth of the rental market was itself underpinned by the improvement of the French construction market.

Revenue from our specialist division increased by 30.1% to €212.8 million, mainly thanks to the contribution of Lavendon France but the organic growth of the division was robust at +9.7%.

At the international division, revenue increased by 180.3% at current exchange rate at €532.3 million, thanks to the 2017 acquisitions of Lavendon, Hune, Cramo's Danish operations, Loxam Access Srl and Swan. Like-for-like and at constant exchange rate, international revenue increased by 7.2% in 2017.

In 2017, 45.5% of our revenue was generated from our Generalist France division (down from 61.9% in 2016), 15.6% was generated from Specialist France division (down from 17.7% in 2016), with our International division contributing to 38.9% (up from 20.5% in 2016).

### ***Other income***

Other income increased from €56.3 million in 2016 to €62.6 million in 2017, mainly due to higher gains on fleet disposals.

### ***EBITDA***

We generated an EBITDA of €464.0 million in 2017, representing an increase of 52.2% compared to an EBITDA of €304.8 million in 2016. Our EBITDA margin increased at 33.9% of our revenue in 2017 compared to 32.9 % in 2016. The increase in the EBITDA benefited both from the integration of Lavendon and Hune and from the organic growth recorded at all three divisions.



At the Generalist division, the EBITDA grew by 7.8% to €213.4 million and the EBITDA margin was 34.3%. The EBITDA grew by 34.3% at the Specialist division to €68.3 million in 2017 and the EBITDA margin increased from 31.1% of the revenue in 2016 to 32.1% in 2017.

EBITDA from our International division increased by 248.0% to €177.0 million in 2017 from €50.9 million in 2016. Like for Like and at constant currency exchange rate, the EBITDA increased by 8.8% to €54.3 million in 2017 from €50.9 million 2016. The EBITDA margin increased from 26.8% in 2016 to 33.3% in 2017, thanks to the integration of Hune and Lavendon.

#### ***Purchases consumed***

Purchases consumed increased by 36.9% from €105.5 million in 2016 to €144.4 million. Like-for-like, purchases consumed increased by 9.9% as a consequence of the growth of retail sales in 2017 (+13.2%).

#### ***Personnel expenses***

Personnel expenses increased by 47.4% to €360.1 million in 2017 from €244.4 million in 2016. Like-for-like, personnel expenses increased by 7.1%, an increase which includes the payment of a one-off bonus to all staff for Loxam's 50<sup>th</sup> anniversary, for a total cost of €6.4 million, including social charges.

#### ***Other current expenses***

Other current expenses increased by 42.2% to €443.3 million in 2017 from €311.7 million in 2016. Like-for-like, other operating expenses increased by 8.7%, as we continued to experience an increase of some variable costs tied to the level of activity such as external re-rent of equipment, temporary staff costs and haulage costs.

#### ***Depreciation and amortization***

Depreciation and amortization increased significantly to €227.9 million in 2017 compared to €141.9 million in 2016, due to the integration of Hune and Lavendon. The depreciation of intangibles assets amounted to €7.0 million in 2017 and are related to Hune and Lavendon trademarks and customer relationships, which were recognized in 2017 in our balance sheet, following a purchase price allocation of both acquisitions.

#### ***Other operating income and expense***

Other operating income and expense amounted to €(4.5) million in 2017 compared to €(19.9) million in 2016 and are relating to non-recurring costs for €(9.6) million incurred on the 2017 acquisitions, and a €5.1 million profit on the Gardemann disposal, after the purchase price allocation.

#### ***Financial income and expense***

Our net financial expense increased from €88.1 million in 2016 to €116.7 million in 2017. Our gross debt financial expense increased from €63.1 million to €93.3 million, as we raised €850 million of financing through new bonds. The bonds were issued to pay for the acquisition of Lavendon and Hune and acquisition costs. A bridge facility, which was issued for the acquisition of Lavendon in February 2017 was repaid in full leading to a €13.8 million non recurring expense. Later in the year in

August, we used surplus cash to redeem €110.7 million out of the €410.0 million outstanding nominal of the senior secured notes due 2021.

### **Income tax**

Profit Before tax nearly doubled to €104.4 million. Income tax only increased by 7% from €17.6 million in 2016 to €18.9 million in 2017, mainly thanks to lower tax rates at our international business and to the additional tax depreciation on the capex (“Loi Macron”).

### **Net profit, group share**

Net profit, group share increased therefore significantly from €34.3 million in 2016 to €84.6 million in 2017 as a result of the factors detailed above.

### **Unaudited Pro forma financial information**

The pro forma consolidated financial information was prepared based on the following assumptions:

- Consolidation of Lavendon Group (excluding Gardemann) and Hune Group, of Loxam Access SRL, Swan Plant Hire and Degraus, and of Cramo’s Danish operations, all from January 1, 2017 (12 months of operations),
- Set up of financing of €850 million from January 1, 2017,
- Repayment of €110.7 million of the €410 million senior secured notes at January 1, 2017,
- Homogenisation of accounting methods in accordance with the Group rules (depreciation rules of fleet and and intangible assets),
- Neutralisation of non-recurring items.

<i>(in millions of euros)</i>	<b>Year ended December 31,</b>	
	<b>2017</b>	<b>2017</b>
	<b>2017</b>	<b>Pro Forma</b>
<b>Revenue</b> .....	<b>1,367.7</b>	<b>1,434.7</b>
<b>EBITDA</b> .....	<b>464.0</b>	<b>479.0</b>
Depreciation of Property, plant and equipment .....	(227.9)	(242.1)
Depreciation of intangible assets .....	(10.5)	(12.4)
<b>Profit from ordinary operations</b> .....	<b>225.6</b>	<b>224.6</b>
Other operating income and expense.....	(4.5)	(9.6)
<b>Operating profit</b> .....	<b>221.2</b>	<b>215.0</b>
Financial income and expense .....	(116.7)	(118.1)
<b>Profit before tax</b> .....	<b>104.5</b>	<b>96.9</b>

The unaudited consolidated pro forma accounts show an EBITDA of €479 million for a revenue of €1,434.7 million.

## **Quarter ended December 31, 2017 compared to quarter ended December 31, 2016**

### ***Revenue***

Revenue increased by 52.4% to €368.2 million in the fourth quarter of 2017 from €241.5 million in the fourth quarter of 2016. On a like-for-like basis and at constant exchange rate, revenue increased by 10.5%.

Revenue from our Generalist France division increased by 11.9% in the fourth quarter of 2017 to €165.7 million compared to €148.1 million in the fourth quarter of 2016 given the continuous recovery of the French rental market and the contribution from the capex spent over the year. The growth of the rental market was itself underpinned by the improvement of the French construction market. Generalist France represented 45.0% of total revenue in the fourth quarter of 2017, compared to 61.3% in the fourth quarter of 2016.

Revenue from our Specialist France division increased by 31.7% to €56.8 million in the fourth quarter of 2017 compared to €43.1 million in the fourth quarter of 2016, mainly thanks to the contribution of Lavendon France but the organic growth of the division was robust at +9.3%. The Specialist France division represented 15.4% of total revenue in the fourth quarter of 2017, compared to 17.9% in the fourth quarter of 2016.

International revenue increased by 189.8% to €145.7 million in the fourth quarter of 2017 compared to €50.3 million in the fourth quarter of 2016, thanks to the 2017 acquisitions and also thanks to the organic growth of our business units. Like-for-like and at constant exchange rate, the revenue of the division increased by 7.6%. Our International division represented 39.6% of total revenue in the fourth quarter of 2017, compared to 20.8% in the fourth quarter of 2016.

### ***Other operating income***

Other income increased by 15.9% to €23.7 million in the quarter ended December 31, 2017 from €20.4 million in the quarter ended December 31, 2016. The increase is primarily due to higher capital gains on fleet disposals due to the enlarged perimeter. Like for like, capital gains dropped by 7.3% in the quarter as the volume of fleet sales decreased.

### ***Purchases consumed***

Purchases consumed increased by 33.7% to €39.9 million for the quarter ended December 31, 2017 compared to €29.9 million for the quarter ended December 31, 2016. Like-for-like, purchases consumed increased by 12.5% while retail sales held up in the quarter.

### ***Personnel expenses***

Personnel expenses increased by 46.9% to €91.2 million in the quarter ended December 31, 2017 from €62.0 million in the quarter ended December 31, 2016. Like-for-like personnel expenses increased by 7.4%.

### ***Other current expenses***

Other current expenses increased by 49.0% to €121.4 million in the fourth quarter of 2017 from €81.5 million in the fourth quarter of 2016. Like-for-like, other current expenses increased by 12.8% with some increase recorded in haulage, IT and marketing costs.

### ***Depreciation, amortization and provisions***

Depreciation and amortization for property, plant and equipment amounted to €54.1 million in the quarter ended December 31, 2017, compared to a credit of €14.9 million in the quarter ended December 31, 2016. This is due to the new depreciation rules introduced by Loxam in the fourth quarter of 2016 for its equipment fleet with effect from January 1, 2016. .

In the fourth quarter of 2017, the depreciation of intangibles are mainly related to Hune and Lavendon's trademarks and customer relationships, recognized in 2017 following a purchase price allocation of both acquisitions. The depreciation of €7.0 million booked in Q4 2017 takes into account eleven months of depreciation.

### ***Other operating income and expense***

Other operating income and expense amounted to €(1.6) million in Q4 2017 compared to (19.9) million in 2016 and are related to the Swan and Loxam Access Srl acquisition costs and an accounting adjustment on the Gardemann disposal's profit.

### ***Financial income and expense***

Net financial expense increased by €9.1 million to €27.3 million in the quarter ended December 31, 2017, compared to €18.2 million in the quarter ended December 31, 2016. Out of this expense, a €2.9 million cost corresponds to the fair value adjustment on the value of Degraus.

### ***Income tax***

Our profit before tax amounted to €44.1 million in the quarter versus a profit before tax of €61.9 million in Q4 2016.

Income tax was an expense of €7.7 million in the quarter ended December 31, 2017, compared to an expense of €20.3 million in the quarter ended December 31, 2016. The income tax is low as there was no income tax in France in the quarter.

### ***Net profit, group share***

As a result of the various factors described above, we recorded a net profit of €35.9 million in the quarter ended December 31, 2017 compared to a net profit of €40.7 million in the quarter ended December 31, 2016.

### ***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, 2017, the gross financial debt (excluding derivatives) amounted to €2,238.7 million, compared to €1,296.6 million as of December 31, 2016. Our net financial debt (excluding derivatives) as of December 31, 2017 amounted to €2,121.2 million, an increase of €980.4 million compared to December 31, 2016.

As of December 31, 2017, we had €1,631.4 million of outstanding bond debt, after deduction of €17.9 million of issuance costs. Our bond debt was made of €299.3 million of senior secured notes due in July 2021, €250.0 million of senior subordinated notes due in July 2022, €300.0 million of senior secured notes due in April 2022, €250.0 million of senior secured notes due in May 2023, €300.0 million of senior secured notes due in April 2024, and €250.0 million of senior subordinated notes due in April 2025. We also had €364.6 million outstanding debt under bilateral facilities from banks, and €218.7 million of finance leases.

In order to finance the acquisition of Lavendon we drew €779.3 million under a bridge facility during the first quarter. Proceeds from the new bonds issuance for €850 million repaid the bridge during the second quarter.

On August 7, 2017, Loxam redeemed €110.7 million out of the €410 million outstanding nominal of the Senior Secured Notes due 2021. This partial redemption was funded out of the Group available cash.

Cash and cash equivalents net of bank overdrafts on our balance sheet amounted to €117.5 million as of December 31, 2017.

On February 28, 2017, Loxam signed a new revolving credit facility, with a principal amount of €75.0 million which has not been drawn. This RCF may be used for general corporate purposes.

We expect to finance future capital expenditures through cash flow from operations, finance leases or bilateral credit facilities. During 2017, new bilateral credit facilities and finance leases were entered into for respectively €174.5 million and €130.4 million.

### **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>	<b>Year Ended December 31,</b>	
	<b>2016</b>	<b>2017</b>
Purchases of rental equipment .....	197.6	399.6
Purchases of non-rental equipment <sup>(1)</sup> .....	33.2	33.3
Gross capital expenditures .....	230.9	432.8
Proceeds from disposals of rental equipment .....	50.0	62.7
Proceeds from disposals of non-rental equipment .....	4.6	3.9
Proceeds from disposals of fixed assets .....	54.6	66.6
Net fleet capital expenditures <sup>(2)</sup> .....	147.6	336.9
Net capital expenditures <sup>(3)</sup> .....	176.3	366.2

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 2017, gross capital expenditures increased to €432.8 million in 2017 from €230.9 million in 2016. Fleet capital expenditures amounted to €399.6 million in 2017, compared to €197.6 million in 2016. Loxam benefits in France from a tax incentive which started in Spring 2015 and will last until mid-April 2019 for equipment ordered before mid-April 2017 as long as a deposit was paid to the

supplier.. Equipment purchased in France satisfying the tax deductibility conditions will benefit from an additional tax deduction of 40% of the original value of the assets.

In 2017, the gross book value of disposed rental equipment was €245.9 million, compared to €171.4 million in 2016.

### ***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 2017 and 2016.

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, 2017 compared to year ended December 31, 2016**

The following table presents a summary of our cash flow for the year ended December 31, 2017 as compared to the year ended December 31, 2016:

	Year Ended	
	December 31,	
	2016	2017
	(in millions of euros)	
Cash flow from operations .....	165.6	260.8
Cash flow from investing activities .....	(178.3)	(1,183.8)
Cash flow from financing activities .....	7.0	883.4
<b>Change in cash and cash equivalents.....</b>	<b>(5.7)</b>	<b>(39.5)</b>
<b>Cash and cash equivalents at the end of the period <sup>(1)</sup> .....</b>	<b>155.7</b>	<b>116.6</b>

Note : (1) Including bank overdraft

***Cash flow from operations***

Net cash provided by operations increased to €260.8 million in 2017, compared to €165.6 million in 2016. Before changes in working capital requirements, net cash provided by operations was €285.8 million in 2017, compared to €164.0 million in 2016, due to a higher EBITDA in 2017, partially offset by higher financial expenses related to the new financing related to the Lavendon Acquisition. Changes in working capital had a negative impact of €(40.7) million in 2017, compared to a positive impact of €6.8 million in 2016.

***Cash flow from investing activities***

Net cash used in investing activities increased strongly to €1,208.7 million in 2017 compared to €179.8 million in 2016. Purchases of fixed assets in 2017 amounted to €432.8 million, of which our rental fleet accounted for €399.6 million. Purchases of fixed assets in 2016 amounted to €230.9 million, of which our rental fleet accounted for €197.6million. Cash from fixed asset disposals amounted to €66.6 million in 2017 compared to €54.6 million in 2016, most of which related to our rental fleet. Cash used for acquisitions amounted to €817.6 million in 2017, mainly due to the acquisitions of Lavendon and Hune, and to a lesser extent to the acquisitions of Cramo's Danish activities, Loxam Access Srl, Swan Hire and the additional shares in Degraus. In 2016, Cash used for acquisitions amounted to €2 million.

***Cash flow from financing activities***

Net cash provided by financing activities was €883.4 million in 2017 compared to €7.0 million in 2016. In 2017, we issued €1,919.0 million of debt, including the issuance of €850 million of new notes, less the issuance costs of €15.2 million, €174.5 million new bilateral facilities and €130.4 million of new finance leases. We drew €779.3 million under a bridge facility during the first quarter. Proceeds from the new bonds issuance for €850 million repaid the bridge during the second quarter.



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

In 2017, we repaid €1021.0 million of debt, including 779.3m€ of a bridge facility, €110.7 million of senior secured notes issued in 2014, €56.6 million of bilateral facilities and €74.5 million of 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.

### **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>	<b>Year ended</b>		<b>Quarter ended</b>	
	<b>December 31,</b>		<b>December 31,</b>	
	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>
<b>EBITDA .....</b>	<b>304.8</b>	<b>464.0</b>	<b>85.2</b>	<b>135.0</b>
Depreciation of Property, plant and equipment.....	(141.9)	(227.9)	15.3	(54.1)
Depreciation of intangible assets .....	(1.8)	(10.5)	(0.4)	(7.9)
Other operating income and expense .....	(19.9)	(4.5)	(20.0)	(1.6)
<b>Operating profit .....</b>	<b>141.2</b>	<b>221.2</b>	<b>80.1</b>	<b>71.4</b>
Financial income and expense.....	(88.1)	(116.7)	(18.2)	(27.3)
Share of profit of associates .....	(1.0)	(1.3)	(0.9)	(0.7)
Income tax expense .....	(17.6)	(18.9)	(20.3)	(7.7)
<b>Net income.....</b>	<b>34.4</b>	<b>84.3</b>	<b>40.8</b>	<b>35.7</b>

EBITDA amounted to €464.0 million in 2017 compared to €304.8 million in 2016, with an EBITDA margin of 33.9% in 2017 and 32.9% in 2016. EBITDA amounted to €135.0 million in the quarter ended December 31, 2017 compared to €85.2 million in the quarter ended December 31, 2016.

EBITDA from our Generalist France division amounted to €213.4 million in 2017, compared to €198.0 million in 2016. Our EBITDA margin for Generalist France was 34.3% in 2017 compared to 34.5% in 2016. EBITDA from our Generalist France division amounted to €59.5 million in the quarter ended December 31, 2017, compared to €56.1 million in the quarter ended December 31, 2016.

EBITDA from our Specialist France division amounted to €68.3 million in 2017, compared to €50.8 million in 2016. Our EBITDA margin for Specialist France was 32.1% in 2017 and 31.1% in 2016. EBITDA from our Specialist France division amounted to €18.9 million in the quarter ended December 31, 2017 compared to €13.0 million in the quarter ended December 31, 2016.

EBITDA from our International division amounted to € 177.0 million in 2017, compared to €50.9 million in 2016. Our EBITDA margin for International was 33.3% in 2017 compared to 26.8% in 2016. EBITDA from our International division amounted to €55.2 million in the quarter ended December 31, 2017, compared to €15.0 million in the quarter ended December 31, 2016.

### ***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 / share buy-back, acquisitions and high yield amortization costs. 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.

In 2017, Loxam recorded several non recurring cash items which we have decided to split from a recurring free cash flow. Excluding the following non-recurring items, Loxam would have recorded a negative free cash flow of €(50.6) million in 2017: €16.5 million of non-recurring costs incurred for the bridge facility of €779.3 million and the repayment of €110.7 million of senior secured notes ; €24.0 million of non-recurring costs incurred by Lavendon for the change of shareholders ; €24.0 million of impact in the working capital requirements due to a 10% deposit paid to fixed assets suppliers to benefit from tax benefits.

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

	Year Ended December 31,		Quarter ended December 31,	
	2016	2017	2016	2017
	(in millions of euros)			
<b>EBITDA before capital gains on fleet disposals</b> .....	<b>261.5</b>	<b>413.4</b>	<b>67.7</b>	<b>114.7</b>
+ Proceeds from disposals of fixed assets.....	54.6	66.6	20.7	25.0
- Gross capital expenditure .....	(230.9)	(432.8)	(71.0)	(92.5)
- operating income and expense <sup>(1)</sup> .....	(0.1)	(1.5)	(0.2)	(0.2)
- Financial income and expense <sup>(2)</sup> .....	(59.9)	(90.5)	(13.9)	(22.2)
- Income taxes <sup>(3)</sup> .....	(20.1)	(17.8)	(11.3)	(3.0)
- +/- Change in working capital requirement <sup>(4)</sup> .....	6.8	13.7	28.2	13.7
Miscellaneous <sup>(5)</sup> .....	(3.3)	(1.6)	(2.3)	(1.9)
<b>Recurring Free cash flow</b> .....	<b>8.6</b>	<b>(50.6)</b>	<b>18.0</b>	<b>33.5</b>
Non recurring items <sup>(6)</sup> .....	(14.0)	(70.6)	(3.1)	2.4
<b>Free cash flow</b> <sup>(7)</sup> .....	<b>(5.4)</b>	<b>(121.1)</b>	<b>14.8</b>	<b>36.0</b>
Acquisition <sup>(8)</sup> .....	(3.5)	(842.5)	(3.3)	(52.8)
Share capital decrease <sup>(9)</sup> .....	(95.5)	(9.6)	(95.5)	-
Dividends.....	(4.9)	(4.9)	-	-
Issue costs amortization and currency variations .....	(6.9)	(2.3)	0.8	(1.6)
<b>Change in net debt</b> <sup>(10)</sup> .....	<b>(116.3)</b>	<b>(980.4)</b>	<b>(83.2)</b>	<b>(18.4)</b>

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 €13.6 million in 2017 compared to €(5.3) million in 2016.
- (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) FY 2017 non-recurring items: €24m of deposit payments on future capex, €24m of WCR increase related to Lavendon's advisory take-over fees, €13.8m of bridge facility fees and €2.7m of HY bond redemption premium, €6.4m of excess credit tax, less income tax  
FY 2016 non-recurring items: €16.6m of HY bond redemption premium and €4.8m of Lavendon advisory fees, less income tax.
- (7) Before payment of dividends, capital increases and acquisitions.
- (8) Corresponds to 2017 acquisitions, and in Q4, corresponds to the acquisition of Loxam Access srl, Swan and additional shares in Degraus. In Q4 2016 it primarily corresponds to Salmat acquisition.
- (9) Corresponds to the share buyback of minority shareholders
- (10) 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.

	<b>As of December 31,</b>	
	<b>2016</b>	<b>2017</b>
	<b>(in millions of euros)</b>	
Senior secured notes .....	660.0	1,149.3
Senior subordinated notes .....	250.0	500.0
Issuance costs related to notes .....	(8.0)	(17.9)
Bank loans on bilateral facilities .....	244.7	364.6
Accrued interest on debt securities and loans .....	5.0	18.6
Lease liabilities .....	143.7	218.7
Other financial debt .....	1.1	4.4
Bank overdrafts .....	0.2	1.0
<b>Loans and financial debt (gross debt) .....</b>	<b>1,296.6</b>	<b>2,238.7</b>
Cash .....	(90.6)	(117.5)
Marketable investment securities .....	(65.3)	(0.1)
<b>Cash and cash equivalents .....</b>	<b>(155.9)</b>	<b>(117.5)</b>
<b>Net debt .....</b>	<b>1,140.8</b>	<b>2,121.2</b>

Net debt increased by €980.4 million to €2,121.2 million as of December 31, 2017 from €1,140.8 million as of December 31, 2016, primarily as a result of a €(842.4) million effect of change in the scope of consolidation mainly related to our acquisition of Hune and Lavendon groups and a negative free cash flow of €(121.1) million.

## Debt maturity profile

The table below provides the maturity profile of our outstanding indebtedness, as of December 31, 2017.

<i>(in millions of euros)</i>	<b>Total</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025 and later</b>
Bilateral loans .....	364.6	108.6	98.9	86.6	47.6	18.9	2.8	0.8	0.3
Lease liabilities.....	218.7	70.0	55.9	46.4	33.6	11.4	1.4	0.0	-
<b>Loans and financial debt owed to credit institutions.....</b>	<b>583.3</b>	<b>178.6</b>	<b>154.9</b>	<b>133.0</b>	<b>81.2</b>	<b>30.3</b>	<b>4.1</b>	<b>0.8</b>	<b>0.3</b>
Other financial debt .....	4.4	4.4	0.0	0.0	0.0	0.0	0.0		
2014 senior secured notes due 2021 .....	297.9	-	-	-	297.9	-	-	-	-
2014 senior subordinated notes due 2022	248.3	-	-	-	-	248.3	-	-	-
2016 senior secured notes due 2023 .....	248.0	-	-	-	-	-	248.0	-	-
2017 senior secured notes due 2022 .....	295.9	-	-	-	-	295.9	-	-	-
2017 senior secured notes due 2024 .....	295.4	-	-	-	-	-	-	295.4	-
2017 senior subordinated notes due 2025	246.0	-	-	-	-	-	-	-	246.0
<b>Total debt <sup>(1)</sup> .....</b>	<b>2,219.1</b>	<b>183.0</b>	<b>154.9</b>	<b>133.0</b>	<b>379.1</b>	<b>574.5</b>	<b>252.1</b>	<b>296.2</b>	<b>246.3</b>

(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 the Senior secured notes issued in July 2014 are due.

### Currency and interest rate derivatives

Loxam still owns a portfolio of derivative financial instruments hedging interest rate variations for a notional amount of €81.9 million at December 31, 2017 for a maximum term in July 2022. These derivatives are recognized in financial liabilities for an amount of €2.9 million at December 31, 2017.

As of December 31, 2017, 84% of our financial debt had a fixed interest rate vs 82% at the end of 2016.

The majority of our revenue (77% in 2017), expenses and obligations are denominated in euros. However, we are exposed to foreign exchange rate risk, primarily in respect of British Pounds, Danish Krone, Swiss Francs, Moroccan Dirham, Norwegian Krone, Middle Eastern as well as Colombian Peso currencies. Our foreign exchange rate derivative financial instruments as of December 31, 2017 covered current liabilities denominated in British Pounds for GBP 100.0 million, in Danish Krone for DKK 15.0 million and in US dollar for USD 16.0 million.

### 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 2017

### Statement of financial position

<b>ASSETS (€'000)</b>	<b>Notes</b>	<b>31.12.16</b>	<b>31.12.17</b>
Intangible assets and goodwill	5	968,976	1,333,889
Property, plant and equipment	6	630,044	1,232,597
Investments in associates	7	9,738	0
Financial assets	8	9,919	15,626
Financial derivatives	14	765	1,181
Deferred tax assets	22	7,790	21,632
<b>Non-current assets</b>		<b>1,627,233</b>	<b>2,604,925</b>
Inventories	9	18,681	29,315
Trade and other receivables	10	224,636	370,842
Other current assets	11	26,137	64,701
Corporate income tax receivables	11	6,589	19,380
Cash and cash equivalents	12	155,857	117,544
<b>Current assets</b>		<b>431,899</b>	<b>601,782</b>
<b>Total assets</b>		<b>2,059,132</b>	<b>3,206,707</b>

<b>LIABILITIES (€'000)</b>	<b>Notes</b>	<b>31.12.16</b>	<b>31.12.17</b>
Share capital		232,400	229,818
Additional paid-in capital		1,882	1,882
Consolidated reserves		211,313	211,953
Net profit for the year		34,298	84,644
<b>Shareholders' equity (Group share)</b>		<b>479,894</b>	<b>528,297</b>
Non-controlling interests		938	15,391
<b>Total equity</b>	<b>13</b>	<b>480,832</b>	<b>543,688</b>
Employee benefits	16	18,716	16,608
Deferred tax liabilities	22	25,396	62,064
Borrowings and financial debt	15	1,189,195	2,037,490
Financial derivatives	14	4,854	2,855
<b>Non-current liabilities</b>		<b>1,238,161</b>	<b>2,119,017</b>
Provisions	17	4,948	11,245
Borrowings and financial debt	15	107,442	201,218
Trade and other payables	18	123,129	188,181
Other liabilities	18	103,938	135,400
Corporate income tax liabilities	18	683	7,958
<b>Current liabilities</b>		<b>340,139</b>	<b>544,003</b>
<b>Total shareholders' equity and liabilities</b>		<b>2,059,132</b>	<b>3,206,707</b>

## Consolidated income statement and statement of comprehensive income

€'000	Notes	31.12.16	31.12.17
<b>Revenue</b>		<b>926,782</b>	<b>1,367,698</b>
Other income		56,265	62,611
<b>Operating income</b>		<b>983,047</b>	<b>1,430,309</b>
Purchases consumed		(105,482)	(144,444)
Personnel expenses	19	(244,362)	(360,111)
Other current expenses		(311,737)	(443,267)
Taxes and duties		(16,637)	(18,488)
Depreciation and amortisation		(143,705)	(238,383)
<b>Profit from ordinary operations</b>		<b>161,124</b>	<b>225,616</b>
Other operating incomes	20	17	14 045
Other operating expenses	20	(19,956)	(18,506)
<b>Operating profit</b>		<b>141,185</b>	<b>221,155</b>
Interest and financing-related expenses		(63,130)	(93,292)
Other financial expenses		(31,848)	(26,920)
Financial income		6,830	3,499
<b>Financial income (expense)</b>	21	<b>(88,148)</b>	<b>(116,714)</b>
<b>Profit before tax</b>		<b>53,037</b>	<b>104,441</b>
Share of profit of associates		(1,002)	(1,306)
Income tax expense	22	(17,649)	(18,860)
<b>Net profit</b>		<b>34,386</b>	<b>84,275</b>
Non-controlling interests		87	(369)
<b>Net profit, Group share</b>		<b>34,298</b>	<b>84,644</b>

	31.12.16	31.12.17
<b>Net profit</b>	<b>34,386</b>	<b>84,275</b>
Exchange gains or losses (1)	1,469	(24,615)
Value adjustments linked to hedging derivatives		(842)
Tax		
<b>Items recycled to profit or loss</b>	<b>1,469</b>	<b>(25,457)</b>
Remeasurement of liabilities for defined benefit retirement plans	(3,291)	3,568
Tax	858	(894)
<b>Items not recycled to profit or loss</b>	<b>(2,434)</b>	<b>2,674</b>
<b>Other comprehensive income</b>	<b>(964)</b>	<b>(22,783)</b>
<b>Comprehensive income</b>	<b>33,421</b>	<b>61,492</b>
(1) including associates:	2,090	
Of which exchange rate adjustments linked to the Lavendon Group: -€20,956k in 2017		



## Consolidated cash-flow statement

€'000	Notes	31.12.16	31.12.17
<b>Net profit</b>		<b>34,386</b>	<b>84,275</b>
Share of profit of associates	7	1,002	1,306
Income tax expense (including deferred tax)	22	17,649	18,860
Net finance costs	21	88,148	116,714
			(14,045)
Depreciation and provisions, net of reversals		157,809	247,049
Capital gains on asset disposals		(45,686)	(52,046)
<b>Cash flow from operations (before cost of financing and tax)</b>		<b>253,308</b>	<b>402,112</b>
Income tax paid		(12,710)	(9,323)
Financial interest paid		(83,128)	(92,696)
Financial interest received		1,293	1,440
Change in working capital requirements		6,804	(40,727)
<b>Cash flow from operating activities</b>	<b>A</b>	<b>165,566</b>	<b>260,805</b>
Impact of changes in scope		(2,019)	(817,570)
Acquisitions of fixed assets		(230,857)	(432,838)
Disposals of fixed assets		54,578	66,643
<b>Cash flow from investing activities</b>	<b>B</b>	<b>(178,298)</b>	<b>(1,183,764)</b>
Dividends paid		(4,906)	(4,941)
Capital decrease		(95,542)	(9,554)
Proceeds from loans and borrowings	15	485,483	1,918,950
Repayment of loans and borrowings	15	(377,989)	(1,021,040)
<b>Cash flow from financing activities</b>	<b>C</b>	<b>7,046</b>	<b>883,416</b>
<b>Change in cash and cash equivalents</b>	<b>A+B+C</b>	<b>(5,686)</b>	<b>(39,544)</b>
Cash and cash equivalents at beginning of period		158,043	155,677
Cash and cash equivalents at end of period		155,677	116,583
Impact of exchange rate fluctuations		(3,320)	(450)
<b>Change in cash and cash equivalents</b>		<b>(5,686)</b>	<b>(39,544)</b>
Other marketable securities		65,262	89
Cash at bank and on hand		90,595	117,455
Current bank borrowings		(180)	(961)
<b>Cash and cash equivalents</b>		<b>155,677</b>	<b>116,583</b>

## 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
<b>At 1st January 2015</b>	<b>258,223</b>	<b>1,882</b>	<b>285,628</b>	<b>(2,324)</b>	<b>543,408</b>	<b>476</b>	<b>543,884</b>
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)
<b>Comprehensive income</b>			<b>8,008</b>	<b>490</b>	<b>8,498</b>	<b>(271)</b>	<b>8,227</b>
Capital movements					0		0
Dividends			(4,906)		(4,906)		(4,906)
<b>At 31 December 2015</b>	<b>258,223</b>	<b>1,882</b>	<b>288,730</b>	<b>(1,834)</b>	<b>547,000</b>	<b>204</b>	<b>547,204</b>
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
<b>Comprehensive income</b>			<b>34,303</b>	<b>(984)</b>	<b>33,320</b>	<b>102</b>	<b>33,421</b>
Capital movements	(25,822)		(69,720)		(95,542)	633	(94,910)
Dividends			(4,884)		(4,884)	-	(4,884)
<b>At 31 December 2016</b>	<b>232,400</b>	<b>1,882</b>	<b>248,430</b>	<b>(2,818)</b>	<b>479,894</b>	<b>938</b>	<b>480,832</b>
Net profit for the period			84,644		84,644	(369)	84,275
Employee benefits (a)				2,674	2,674		2,674
Hedge of net investment				(842)	(842)		(842)
Exchange gains or losses (b)				(23,458)	(23,458)	(1,157)	(24,615)
<b>Comprehensive income</b>			<b>84,644</b>	<b>(21,626)</b>	<b>63,019</b>	<b>(1,526)</b>	<b>61,492</b>
Capital movements	(2,582)		(6,972)		(9,554)		(9,554)
Dividends			(4,941)		(4,941)		(4,941)
Changes in scope			(120)		(120)	15,979	15,859
<b>At 31 December 2017</b>	<b>229,818</b>	<b>1,882</b>	<b>321,041</b>	<b>(24,444)</b>	<b>528,297</b>	<b>15,391</b>	<b>543,688</b>

(a) net of tax

(b) Of which exchange rate adjustments linked to the Lavendon Group: -€20,956k

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**IMPORTANT NOTE:**

*The notes below remain unaudited as they are still under review by the Loxam Auditors at the date of this report. They are only provided to give additional information to our financial data.*

## **Note 1 – Overview**

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### **1.1. Presentation of the Group**

Loxam is a French simplified joint stock company (“Société par actions simplifiée”) with a capital of €229,818,150 at 31 December 2017, 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 North Africa, and has a 50.1% stake in a rental company in Brazil. Following the acquisitions of Lavendon and Hune, the Group also operates in the United Arab Emirates, Bahrain, Saudi Arabia, Oman, Qatar and Kuwait as well as Colombia.

### **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 2017 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

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### Overview of keys developments in 2017:

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

In January 2017, Loxam completed its share buy back programme and bought 258,222 shares, of which 100,000 shares were kept as treasury shares according to L225-228 and were restated in our consolidation statements in deduction of Equity. The remaining 158,222 shares were cancelled.

On February 6, 2017, Loxam bought a 100% interest in the Spanish rental company Hune Rental S.L., that operates in Spain, Portugal, and France, and has two joint-ventures (Saudi Arabia and Colombia). On February 13, 2017, Loxam took control of the British company Lavendon plc, which was listed on the London Stock Exchange. This Group specializes in renting out powered access equipment through 70 branches located in the UK, Germany, France, Belgium and the Middle East.

Lavendon and Hune have been integrated within Loxam's consolidated financial statements from February 1, 2017.

On April 4, 2017, Loxam issued €850 million of new bonds in order to repay the bridge facility which was entered into to finance the acquisition of Lavendon. The bond issue was composed of €300 million of senior secured notes due in April 2022, €300 million of senior secured notes due in April 2024, and €250 million of senior subordinated notes due in April 2025.

On April 28, 2017, Loxam SAS acquired 100% of Hune France shares, from Hune rental SLU (Spain). Hune France was merged on July 1<sup>st</sup>, 2017 into Loxam SAS.

On June 29, 2017, The German subsidiaries of the Lavendon Group, Lavendon Holding (Deutschland) GmbH and Gardemann Arbeitsbühnen GmbH, were sold to the TVH Group.

On August 7, 2017, Loxam redeemed €110.7 million out of the €410 million outstanding nominal of the Senior Secured Notes due 2021. This partial redemption was funded out of the Group available cash.

On August 31, 2017, Loxam completed the acquisition of the Danish equipment rental operation of Cramo Plc. This operation was structured as an asset deal. The seven branches acquired have since been integrated into Loxam's Danish operations.

On October 31, 2017, Loxam acquired the activities of the Italian powered access equipment rental company Nacanco SpA. This transaction was structured as an asset deal in Loxam Access SRL, a newly created company 80% owned by Loxam SAS and the remaining 20% by the previous owners of Nacanco. Loxam Access SRL operates a network of 14 branches.

On November 30, 2017, Loxam acquired an Irish company Swan Plant Hire, which operates out of two branches in Dublin.

In October and December, the Loxam Group increased its stake in the Degraus company by 24.4%, bringing the total stake to 50.1% as at December 31, 2017.

On December 31, the assets and liabilities of Loxam Access Ltd were sold to Nationwide Platforms Ltd (Lavendon UK).

On December 31, Workx Sloop- en Graafdiensten BV ceased trading.

**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.

**Subsequent events to the closing:**

On February 13, 2018, Loxam SAS sold Loxam Alquiler to Hune Rental.

On February 15, 2018, Loxam SAS purchased Lavendon Access Services SAS from the Lavendon Group.

## Note 3 – Accounting principles

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### 3.1 Declaration of compliance

The Loxam Group has prepared its consolidated financial statements at 31 December 2017, approved by the Chairman on [8 March 2018], in accordance with IFRS (International Financial Reporting Standards) as adopted by the European Union at 31 December 2017, with mandatory compliance at this date, with comparative information presented for 2016, 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](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, 2017 to December 31, 2017.

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, 2017:

<b>Standards, amendments or interpretations</b>	<b>Dates adopted by the European Union</b>	<b>Application dates: financial year starting on or after</b>
Amendments to IAS 7: Disclosure initiative	06.11.2017	01.01.2017
Amendments to IAS 12: Recognition of deferred tax assets for unrealised losses	06.11.2017	01.01.2017
Annual improvements for 2014-2016	Q4 2017	01.01.2017

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	Adoption in Europe	IASB application dates: financial year starting on or after
IFRS 15 – Revenue from ordinary activities from contracts with customers	22.09.2016	01.01.2018
Amendment to IFRS 15 – Clarification	31.10.2017	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
Amendments to IFRS 4 – For insurance contracts: “Apply IFRS 9 financial instruments with IFRS 4”	03.11.2017	01.01.2018
IFRS 16 – Leases contracts	31.10.2017	01.01.2019
Amendments to IAS 40 – Investment property	Q1 2018	01.01.2018
Annual improvements for 2014-2016	Q4 2017	01.01.2018
IFRIC 22 Interpretation – Foreign currency recognised transactions and advance consideration	Q1 2018	01.01.2018
Interprétation IFRIC 23 – Incertitude relative aux traitements fiscaux	2018	01.01.2019

Impact of the new standards on the 2017 financial statements:

**IFRS 15, Recognition of revenue:**

On September 22, 2016, the European Union published IFRS 15 standard “Revenue from Contracts with Customers” in the Official Journal. This standard will replace the IAS 11 and IAS 18 standards and the associated IFRIC and SIC interpretations. This standard offers a new recognition approach for revenue, described in five stages.

This standard will not have any significant impact on the Group’s income and financial situation.

The Group will apply IFRS 15 standard from January 1, 2018 using the simplified retrospective method: the 2018 financial statements will be prepared by applying IFRS 15 principles while the comparatives from 2017 will be retained according to the former framework.

**IFRS 9, Financial Instruments:**

On 22 November 2016, the European Union published IFRS 9 standard “Financial Instruments” in the Official Journal. The changes made by this standard include:

- a new approach to the classification and valuation of financial assets which reflects the management model as well as their contractual cash flows: loans and debt securities that are not considered “basic” in accordance with the standard (Solely Payments of Principal and Interest) will be measured at fair value through income, while the “basic” loans and debt securities will be measured at amortised cost or at fair value by shareholders’ equity; shareholders’ equity



instruments will be measured at fair value through income or, by irrevocable option, at fair value by Other Comprehensive Income;

- a single model client risk depreciation: IFRS 9 aims to move from the provision of incurred losses on trade receivables to a forward-looking provision model based on expected credit losses;
- a significantly reformed approach of hedge accounting allowing risk management to be better reflected, particularly in expanding the field of eligible hedging instruments. While awaiting a future standard on macro hedging, IFRS 9 makes it possible to maintain the current regulations (IAS 39) on hedge accounting to any hedging relations or macro-hedging relations only.

The impact of the application of this new standard on the Group accounts is being finalised but should only lead to a minor increase in the depreciation provision.

**IFRS 16, Leases:** This standard was not applied in advance.

On October 31, 2017, the European Union published IFRS 16 standard “Leases” in the Official Journal, which will replace the IAS 17 standard and the associated IFRIC and SIC interpretations and will remove the distinction previously made between simple leases and finance leases for the lessee. According to IFRS 16, a lessee employs a right-of-use asset and a financial debt representing the rental obligation. Right-of-use assets are amortised and the rental obligation is initially valued at the present value of lease payments during the lease, at the interest rate implicit in the lease if the rate can be readily determined, or the incremental borrowing rates. However, this standard is very close to the existing standard for the treatment of leases by the lessor.

The Group is currently recording its leases falling within the scope of IFRS 16 as per the legacy IAS 17 standards and is studying their valuation in accordance with the principles of the new standard. It is expected that property leases will represent the Group’s main obligations and will represent most of the contracts to be impacted.

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:

<b>Standards, amendments or interpretations</b>	<b>Dates adopted by the European Union</b>	<b>Application dates: financial year starting on or after</b>
IFRS 14 – Regulatory deferral accounts	not adopted	01.01.2016
Amendments to IFRS 2 – Classification and measurement of transactions which payment is based on shares	not adopted	01.01.2018
Amendments to IFRS 10 and IAS 28 - Sale or contribution of assets between an investor and its associate or joint venture	postponed	postponed
IFRS 17 – Insurance Contracts	not adopted	01.01.2021
Amendments to IFRS 9 - Prepayment Features with Negative Compensation	not adopted	01.01.2019
(Amendments to IAS 28) Long-term Interests in Associates and Joint Ventures	not adopted	01.01.2019
Annual improvements for 2015-2017	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, with the exception of Swan Plant Hire Ltd and Lir Holdings Ltd, for which the financial year-end is 30 September.

### **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**

The consolidated financial statements at 31 December 2017 included:

- 11 months of operations for the Hune and Lavendon Groups
- 4 months of operations for the Cramo's Danish branches
- 2 months of operations for Loxam Access SRL
- 1 month of operations for Swan

Degraus was consolidated using the equity method until 31 December 2017, and was then fully consolidated as at 31 December 2017 (see Note 7).

This change in consolidation method is reflected by the recognition of:

- the income of 2017 at 25.71% as a share of profit of associates, and
- the balance sheet at 31 December 2017.

### **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).

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 2017 (euro vs. currency):

1 EUR =	GBP	CHF	DKK	MAD	NOK	BRL
Closing date rate	0,8881	1,1703	7,4442	11,2218	9,8432	3,9785
Average rate	0,8763	1,1115	7,4383	10,8401	9,3285	3,6036
Opening date rate	0,85618	1,07390	7,43440	10,65860	9,08630	3,43050
(*) 1 EUR =	AED	SAR	QAR	BHD	OMR	COP
Closing date rate	4,4095	4,5018	4,3978	0,4526	0,4622	3 586,4100
Average rate	4,1467	4,2325	4,0968	0,4237	0,4338	3 295,8142
Opening date rate	3,87813	4,04400	3,84466	0,39804	0,40645	3 075,0000

(\*) These currencies are now used following the integration of the Lavendon and Hune groups during the period:

- AED: United Arab Emirates Dirham
- SAR: Saudi Riyal
- QAR: Qatari Riyal
- BHD: Bahraini Dinar
- OMR: Omani Riyal
- COP: Colombian Peso

### 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), Note 3.19 (Derivative financial instruments – relating to the interest rate risk ), and Note 3.20 (Derivative financial instruments – relating to the foreign exchange risk).

### **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.

#### a) Brands and client relationships

The application of IFRS 3 may lead to the allocation of an acquisition price to identified intangible assets such as trademarks and client relationships. Trademarks and client relationships are amortized over their expected economic useful life.

#### 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 50 years |
| - Building fixtures and fittings      | 5 to 20 years  |
| - Tools                               | 3 to 5 years   |
| - Fleet equipment                     | 3 to 15 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 recognized 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.

This option which matured in March 2017, was reversed to income.

### **3.21 Net investment hedge (NIH)**

Net investment hedging is a hedge against foreign exchange changes in a net investment in a foreign operation as designated by the parent company. The “efficient” part of the net investment hedge is recorded as adjustments to equity reserves . These adjustments are reversed into profit or loss upon termination of the net investment hedge. The termination of hedge accounting may result from:

- the disappearance of the hedged item: the amounts recorded in the shareholders’ equity are taken to profit or loss;
- the voluntary termination of the net investment hedging: the corresponding balances recorded in the equity reserves are taken to profit or loss on a straight-line basis based on the residual life of the underlying item.

The Lavendon Group controls entities whose functional currency is the euro (Lavendon Access Services SAS in France, Gardemann GmbH in Germany), Dk Rental NV in Belgium) and the dollar (Rapid Access WLL in Bahrain); these companies are classified as “foreign operations” in accordance with IAS 21.

The Lavendon Group hedges its net investment in these companies with a debt in euros and dollars and designates this hedging relationship as a “net investment hedge” (NIH).

As a result of the Lavendon Group acquisition, debts in euros and dollars were taken over by the Loxam Group and an intercompany euro and dollar financing was set up between Loxam and Lavendon.

In accordance with IFRIC 16 section 12, a foreign exchange risk may be hedged as part of a net investment hedge when the functional currency of a foreign operation is different from the functional currency of one of the parent entities of this foreign operation.

Accordingly, from the date of acquisition of the Lavendon Group, the Loxam Group decided to maintain the net investment hedge in the Lavendon sub-group for its foreign operations: Lavendon Access Services SAS, Gardemann GmbH, Dk Rental NV and Rapid Access WLL. The intercompany loans present similar characteristics to those of the external loans.

The impacts of the net investment hedge are presented in Note 14.

### **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 jubilee awards. 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 amortized 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 realized 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	% of control	% of interest	Consolidation method
<b>SAS LOXAM</b>	<b>450776968</b>	<b>100%</b>	<b>100%</b>	<b>Parents</b>
SAS LOXAM MODULE	433911948	100%	100%	Full
SAS LOXAM POWER	366500585	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	Norway	100%	100%	Full
DEGRAUS (a)	Brazil	100%	50.1%	Full
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
HUNE RENTAL S.L.	Spain	100%	100%	Full
HUNE ALUGUER LDA	Portugal	100%	100%	Full
HUNE LOCATION FRANCE SAS	537790537	100%	100%	Full
GRUAS Y EQUIPO HUNE	Colombia	100%	50%	Full
HUNE SPECIALIZED INTERNATIONAL COMPANY	Saudi Arabia	100%	49%	Full
LAVENDON HOLDINGS LTD	United Kingdom	100%	100%	Full
ZOOM HOLDINGS LTD	United Kingdom	100%	100%	Full
ACCESS SOLUTIONS LTD	United Kingdom	100%	100%	Full
LAVENDON ACCESS SERVICES LTD	United Kingdom	100%	100%	Full
ZOOM LTD	United Kingdom	100%	100%	Full
NATIONWIDE PLATFORMS LTD	United Kingdom	100%	100%	Full
LOGICAL COMMERCE LTD	United Kingdom	100%	100%	Full
PANTHER PLATFORM RENTALS LTD	United Kingdom	100%	100%	Full
AMP ACCESS LTD	United Kingdom	100%	100%	Full
BLUE SKY TOPCO LTD	United Kingdom	100%	100%	Full
BLUE SKY SOLUTIONS LTD	United Kingdom	100%	100%	Full
RAPID JERSEY (N°2) LTD	United Kingdom	100%	100%	Full

ZOOM STERLING LTD	Jersey	100%	100%	Full
ZOOM EURO LTD	Jersey	100%	100%	Full
ZOOM DOLLAR LTD	Jersey	100%	100%	Full
LAVENDON ACCESS SERVICES SAS	France	100%	100%	Full
LAVENDON HOLDINGS GMBH (b)	Germany	100%	100%	Full
GARDEMANN ARBEITSBUHNEN GMBH (b)	Germany	100%	100%	Full
DK RENTAL NV	Belgium	100%	100%	Full
RAPID ACCESS BV	Netherlands	100%	100%	Full
RAPID ACCESS LLC (c)	United Arab Emirates	100%	49%	Full
RAPID ACCESS WLL (d)	Bahrain	100%	49%	Full
RAPID ACCESS LTD (e)	Saudi Arabia	100%	52%	Full
RAPID ACCESS LLC (f)	Oman	100%	34%	Full
RAPID ACCESS MIDDLE EAST LLC	United Arab Emirates	100%	100%	Full
LOXAM ACCESS SRL	Italia	100%	80%	Full
SWAN PLANT HIRE	Ireland	100%	100%	Full

(a) Change to consolidation method of Degraus as at 31 December 2017: the income is recognized proportionally to the ownership share over 12 months in 2017, and the balance sheet is fully consolidated as at 31 December 2017.

(b) Sale of Gardemann as at 29 June 2017. The consolidated income statement as at 31 December 2017 incorporates the contributions of Gardemann from 1 February 2017 to 29 June 2017.

(c) Rapid Access BV has a 49% interest in the shares of Rapid Access LLC (UAE). The Company has a right to give directions with respect to the operating and financial policies of Rapid Access LLC (UAE) and is considered to have control and has such treats Rapid Access LLC (UAE) as a wholly owned subsidiary for the group's accounting purposes.

(d) Lavendon Access Services LTD has a 49% interest in the shares of Rapid Access WLL. The Company has a right to give directions with respect to the operating and financial policies of Rapid Access WLL and is considered to have control and has such treats Rapid Access WLL as a wholly owned subsidiary for the group's accounting purposes.

(e) Rapid Access WLL and Lavendon Access Services LTD, jointly owned 100% interest in the shares of Rapid Saudi Arabia LTD. The Company has a right to give directions with respect to the operating and financial policies of Rapid Saudi Arabia LTD and is considered to have control and has such treats Rapid Saudi Arabia LTD as a wholly owned subsidiary for the group's accounting purposes.

(f) Rapid Access WLL has a 70% interest in the shares of Rapid Access LLC (Oman). The Company has a right to give directions with respect to the operating and financial policies of Rapid Access LLC (Oman) and is considered to have control and has such treats Rapid Access LLC (Oman) as a wholly owned subsidiary for the group's accounting purposes.

## Note 5 – Intangible assets and goodwill

### Changes in intangible assets and goodwill in 2017

€'000	Intangible assets	Goodwill	Total
<b>Gross value at year-start</b>	<b>16,906</b>	<b>982,517</b>	<b>999,423</b>
Changes in scope	132,211	300,743	432,954
Increase	4,049		4,049
Decrease / disposals	(3,311)		(3,311)
Reclassification	580		580
Exchange gains or losses	(4,123)	(9,772)	(13,895)
<b>Gross value at year-end</b>	<b>146,312</b>	<b>1,273,489</b>	<b>1,419,801</b>
<b>Depreciation and amortisation at year-start</b>	<b>(15,447)</b>	<b>(15,000)</b>	<b>(30,447)</b>
Changes in scope	(40,656)		(40,656)
Depreciation and amortisation for the year	(13,471)		(13,471)
Withdrawals / reversals on withdrawals (a)	3,311	(5,934)	(2,623)
Reclassification	23		23
Exchange gains or losses	1,182	80	1,263
<b>Depreciation and amortisation at year-end</b>	<b>(65,057)</b>	<b>(20,855)</b>	<b>(85,912)</b>
<b>Net value at year-start</b>	<b>1,459</b>	<b>967,517</b>	<b>968,976</b>
<b>Net value at year-end</b>	<b>81,255</b>	<b>1,252,634</b>	<b>1,333,889</b>

(a) Impairment of goodwill linked to the sale of Gardemann: -€5,934k

### Changes in intangible assets and goodwill in 2016

€'000	Intangible assets	Goodwill	Total
<b>Gross value at year-start</b>	<b>15,682</b>	<b>981,462</b>	<b>997,145</b>
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
<b>Gross value at year-end</b>	<b>16,906</b>	<b>982,517</b>	<b>999,423</b>
<b>Depreciation and amortisation at year-start</b>	<b>(14,130)</b>	<b>0</b>	<b>(14,130)</b>
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
<b>Depreciation and amortisation at year-end</b>	<b>(15,447)</b>	<b>(15,000)</b>	<b>(30,447)</b>
<b>Net value at year-start</b>	<b>1,552</b>	<b>981,462</b>	<b>983,015</b>
<b>Net value at year-end</b>	<b>1,459</b>	<b>967,517</b>	<b>968,976</b>



### Impact of changes in scope on goodwill:

The entity below has been impacted by the change of scope at December 31, 2017:

€'000	Total
Lavendon Groupe	256,239
Hune Rental	30,145
Nacanco	13,175
Swann	1,185
<b>Total changes in scope</b>	<b>300,743</b>

The entities below have been impacted by the change of scope at December 31, 2016:

€'000	Total
Salmat Nord	744
<b>FY 2016</b>	<b>744</b>

### 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	31.12.16	31.12.17
France	820,486	820 486
International	147,031	432 148
<b>FY 2016</b>	<b>967,517</b>	<b>1 252 634</b>

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

The last test was performed in December 2017. 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.

No impairments were recorded as a result of this test since the recoverable value exceeded the book value for each CGU.

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

	31.12.16		31.12.17	
	Perpetuity growth rate	Discount rate	Perpetuity growth rate	Discount rate
%				
France	1.50%	6.82%	1.5%	6.97%
International	1.5% to 3.0%	6.1% to 7.5%	1.5% to 5%	6.2% to 11.6%

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:

	31.12.2016		31.12.2017	
	Perpetuity growth rate	Discount rate	Perpetuity growth rate	Discount rate
%				
France	-1.4%	8.8%	-3.4%	10.4%
International	-5.4%	10.9%	-3.8%	10.6%

## Note 6 – Property, plant and equipment

### Change in property, plant and equipment in 2017

€'000	Rental equipment	Other	Total
<b>Gross value at beginning of year</b>	<b>1,783,068</b>	<b>257,195</b>	<b>2,040,264</b>
Changes in scope	980,862	48,673	1,029,535
Acquisitions <sup>(a)</sup>	420,584	30,642	451,227
Disposals	(245,924)	(17,780)	(263,704)
Reclassification	(778)	500	(278)
Exchange gains or losses	(39,073)	(2,131)	(41,204)
<b>Gross value at end of year</b>	<b>2,898,740</b>	<b>317,100</b>	<b>3,215,840</b>
<b>Cumulative depreciation at beginning of year</b>	<b>(1,230,346)</b>	<b>(179,874)</b>	<b>(1,410,220)</b>
Changes in scope	(580,631)	(35,653)	(616,284)
Depreciation for the year	(208,164)	(19,716)	(227,880)
Disposals	233,776	16,035	249,811
Reclassifications	577	(901)	(323)
Exchange gains or losses	20,326	1,328	21,654
<b>Cumulative depreciation at end of year</b>	<b>(1,764,462)</b>	<b>(218,781)</b>	<b>(1,983,242)</b>
<b>Net value at beginning of year</b>	<b>552,722</b>	<b>77,322</b>	<b>630,044</b>
<b>Net value at end of year</b>	<b>1,134,278</b>	<b>98,319</b>	<b>1,232,597</b>

(a) including the acquisition of the rental equipment of the Cramo Group's Danish operations for €21.0 m.

### Change in property, plant and equipment in 2016

€'000	Rental equipment (a)	Other (a)	Total
<b>Gross value at beginning of year</b>	<b>1,766,238</b>	<b>252,468</b>	<b>2,018,706</b>
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)
<b>Gross value at end of year</b>	<b>1,783,068</b>	<b>257,195</b>	<b>2,040,264</b>
<b>Cumulative depreciation at beginning of year</b>	<b>(1,274,090)</b>	<b>(184,522)</b>	<b>(1,458,612)</b>
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
<b>Cumulative depreciation at end of year</b>	<b>(1,230,346)</b>	<b>(179,874)</b>	<b>(1,410,219)</b>
<b>Net value at beginning of year</b>	<b>492,149</b>	<b>67,946</b>	<b>560,095</b>
<b>Net value at end of year</b>	<b>552,722</b>	<b>77,322</b>	<b>630,044</b>

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

## Note 7 – Investments in associates

Gross and net values

€'000	Associates	Associates
	31.12.16	31.12.17
<b>Value at beginning of year</b>	<b>8,465</b>	<b>9,738</b>
Increase in capital of associates		
Group share in earnings for the year	(1,002)	(1,306)
Dividends paid	(70)	
Changes in scope	254	(8,432)
Exchange gains or losses	2,090	-
<b>Value at end of year</b>	<b>9,738</b>	<b>0</b>

In October and December 2017, Loxam Group increased its stake in Degraus by 24.4%, bringing its total ownership stake to 50.1% as at 31 December 2017. This controlling interest in the company resulted in a change in the consolidation method (full consolidation from 31 December 2017).

This is reflected in the accounts by:

- The booking of the income proportionate to the 25.71% stake (initial) in 2017,
- The booking as at 31 December 2017 of the balance sheet balances,
- The valuation at its fair value of the stake in Degraus on the acquisition date representing a net impact on the financial result of -€2.9 million.

## Note 8 – Financial assets

Financial assets movements in 2017

€'000	Loans and other borrowings	Other non-current financial assets	Total
<b>Gross and net value at beginning of year</b>	<b>9,907</b>	<b>12</b>	<b>9,919</b>
Changes in scope	4,692		4,692
Increase (a)	1,887		1,887
Decrease	(863)		(863)
Exchange gains or losses	(8)		(8)
<b>Gross and net value at end of year</b>	<b>15,614</b>	<b>12</b>	<b>15,626</b>

(a) Including the deposits from Cramo's Danish operations for €0.5 million.

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

## Financial assets movements in 2016

€'000	Loans and other borrowings	Other non-current financial assets	Total
<b>Gross and net value at beginning of year</b>	<b>9,424</b>	<b>1</b>	<b>9,425</b>
Changes in scope	1	11	12
Increase	1,142		1,142
Decrease	(646)		(646)
Exchange gains or losses	(13)		(13)
<b>Gross and net value at end of year</b>	<b>9,907</b>	<b>12</b>	<b>9,919</b>

## Note 9 – Inventories

€'000 - Net value	31.12.16	31.12.17
Trade	12,705	12,534
Parts and consumables	5,976	16,781
<b>Total</b>	<b>18,681</b>	<b>29,315</b>

## Note 10 – Trade and other receivables

€'000	31.12.16	31.12.17
Gross value	248,962	436,264
Impairment	(24,326)	(65,422)
<b>Total trade and other receivables</b>	<b>224,636</b>	<b>370,842</b>
Not past due	68%	60%
Past Due < 30 days	20%	22%
Past Due 30 to 60 days	6%	8%
Past Due > 60 days	6%	10%

## Note 11 – Income tax receivables and other current assets

€'000	31.12.16	31.12.17
Income tax receivables	6,589	19,380
Prepaid expenses	6,923	14,988
Other receivables	19,214	49,712
Other current assets	26,137	64,701
<b>Total income tax receivables and other current assets</b>	<b>32,726</b>	<b>84,081</b>

## Note 12 – Cash management assets, cash and cash equivalents

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€'000	31.12.16	31.12.17
Other marketable securities	65,262	89
Cash	90,595	117,455
<b>Total</b>	<b>155,857</b>	<b>117,544</b>

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

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The share capital amounts to €229,818,150, split into 22,981,815 shares with a par value of €10. It is fully paid up.

In January 2017, Loxam completed its share buy-back programme and bought 258,222 shares. All of 258,222 shares were cancelled.

The dividend paid per share amounted to €0.21 in 2017 vs €0.19 in 2016.

## Note 14 – Financial risk management - Financial instruments

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### 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 2016 and 2017.

At December 31, 2017, these agreements relate to a notional amount of €81,900 k against the 3 month Euribor, with next maturity date in September 2018 and a maximum maturity date of July 2022).

At December 31, 2017, the fair value of these derivative instruments amounts to €2,855 k, compared to €4,854 k at December 31, 2016. Fair value adjustments are accounted for in financial incomes for an amount of €1,999 k in 2017, €1,759k in financial expenses for 2016.

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

Loxam SAS held put options on the Pound Sterling for GBP 100,000 k at December 31, 2017 against GBP 14,845 k at December 31, 2016, on the Danish Krone for DKK 15,000 k at December 31, 2017,

against DKK 20,000 K at December 31, 2016 and on the US Dollar for USD 16,000 K at December 31, 2017.

The fair value of these financial instruments is € 1,181 k at December 31, 2017, compared to an asset of €24 k at December 31, 2016. The change in fair value between December 31, 2016 and December 31, 2017 is accounted as a financial income for an amount of €1,157 k.

In 2016, in the context of the Lavendon acquisition, financial hedging instruments relating to 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 as at 31 December 2016. The fair value adjustment was recorded as a financial expense for an amount of -€741k in 2017.

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.

#### Change in the valuation of financial instruments in 2017:

€'000	Interest Rate swaps	Exchange rate hedging	GBP Option	Financial instruments
Fair value level	Level 2	Level 2	Level 2	
<b>Value at beginning of period</b>	<b>4,854</b>	<b>(24)</b>	<b>(741)</b>	<b>4,089</b>
Changes in scope				0
Acquisition				0
Value adjustment	(1,999)	(1,157)	741	(2,415)
<b>Value at end of period</b>	<b>2,855</b>	<b>1,181</b>	<b>0</b>	<b>1,674</b>
<b>Derivatives instruments included in the assets</b>				<b>1,181</b>
<b>Derivatives instruments included in the liabilities</b>				<b>2,855</b>

#### 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	
<b>Value at beginning of year</b>	<b>6,613</b>	<b>2,744</b>	<b>175</b>	<b>0</b>	<b>9,532</b>
Changes in scope					0
Acquisition				(7,490)	(7,490)
Value adjustment	(1,759)	(2,744)	(200)	6,749	2,047
<b>Value at end of year</b>	<b>4,854</b>	<b>0</b>	<b>(24)</b>	<b>(741)</b>	<b>4,089</b>
<b>Derivatives instruments included in the assets</b>					<b>765</b>
<b>Derivatives instruments in the liabilities</b>					<b>4,854</b>

### **Net investment hedge**

As indicated in Note 3.21, from the date of acquisition of the Lavendon Group, the Loxam Group decided to maintain the net investment hedge applied in the Lavendon “foreign operations” sub-group.

All profits or losses related to the hedging instrument are directly recorded into equity reserves. The reserves are reversed into profit or loss upon termination of the net investment hedge. The termination of hedge accounting may result from:

- the disappearance of the hedged item: the amounts recorded in the shareholders’ equity are taken to profit or loss;
- the voluntary termination of the net investment hedging: the corresponding balances recorded in the equity reserves are taken to profit or loss on a straight-line basis based on the residual life of the underlying item.

The sale of Gardemann led to the disappearance of the hedged item; the amounts recorded in the equity reserves were recycled into losses for -€1,320k; this reduced the capital gains on the disposal of Gardemann.

The amount recorded in OCI as net investment hedge amounted to -€842k as at 31 December 2017.

### **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	31.12.16	31.12.17
Bond (a)	901,969	1,631,419
Bilateral loans	191,638	256,027
Lease debt	95,589	150,043
<b>Non-current financial debt</b>	<b>1,189,195</b>	<b>2,037,490</b>
Short-term bilateral loans	53,041	108,584
Short-term lease debt	48,148	68,610
Other financial debt	6,073	23,064
Current bank borrowings	180	961
<b>Current financial debt</b>	<b>107,442</b>	<b>201,218</b>
<b>Financial debt</b>	<b>1,296,637</b>	<b>2,238,708</b>

(a) net of bond issue costs.

### Breakdown of financial debt by interest rate

€'000	31.12.16	31.12.17
Variable-rate debt	227,780	349,049
Fixed-rate debt	1,068,382	1,888,402
Bank overdrafts	180	961
Other	295	296
<b>Total</b>	<b>1,296,637</b>	<b>2,238,708</b>

### Breakdown of financial debt by maturity

€'000	31.12.16	31.12.17
< 1 year	107,442	201,218
1 to 5 years (a)	687,411	1,242,959
> 5 years	501,785	794,531
<b>TOTAL</b>	<b>1,296,637</b>	<b>2,238,708</b>

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

## Change in borrowings and financial debt

### Changes in 2017

€'000	Beginning of period	Change in scope	Increase	Decrease	Other	End of period
Bond issues	901,969		834,781	(110,700)	5,370	1,631,419
Bridge loan			779,280	(779,280)		0
Bilateral loans	244,679	2,228	174,503	(56,559)	(300)	364,611
Lease debt	143,737	19,211	130,386	(74,500)	(181)	218,653
Other financial debt	6,252	3,422		(1)	14,351	24,024
<b>TOTAL</b>	<b>1,296,637</b>	<b>24,921</b>	<b>1,918,950</b>	<b>(1,021,040)</b>	<b>19,239</b>	<b>2,238,708</b>

### Changes in 2016

€'000	Beginning of year	Change in scope	Increase	Decrease	Other	Year-end
Bond issues	944,840		247,029	(300,000)	10,100	901,969
Bilateral loans	125,543		147,178	(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
<b>TOTAL</b>	<b>1,182,717</b>	<b>1,509</b>	<b>485,483</b>	<b>(377,989)</b>	<b>4,916</b>	<b>1,296,637</b>

## Note 16 – Employee benefits

€'000	31.12.16	31.12.17
Net Defined Benefit Obligation	18,716	16,608

### Reconciliation of the commitment and the provision

Commitment	31,012	28,904
Plan assets	(12,296)	(12,296)
Amount paid in advance		
<b>Net Defined Benefit Obligation at year-end</b>	<b>18,716</b>	<b>16,608</b>

### Movement in Defined Benefit Liability

<b>Net Defined Benefit Liability at beginning of year</b>	<b>15,044</b>	<b>18,716</b>
Expense for the financial year	380	6
Recognition of actuarial gains or losses through OCI	3,291	(3,568)
Changes in scope		1,454
<b>Net Defined Benefit Obligation at year-end</b>	<b>18,716</b>	<b>16,608</b>

### Breakdown of the expense for the financial year

Current service cost	1,268	779
Benefits or contributions paid by the employer	(799)	(1,025)
Other	(442)	52
Interest cost	341	312
Exchange gains or losses	12	(111)
<b>Expense for the year</b>	<b>380</b>	<b>6</b>

The provisions for employee benefits concern retirement benefits for €14,291 K at 31 December 2017 vs €17,897K at 31 December 2016, and jubilee awards for €2,317k at 31 December 2017 vs €818K at 31 December 2016.

Actuarial assumptions used	31.12.16		31.12.17	
	France	International	France	International
Discount rate (a)	1.50	0.60 to 2	1.75	0.6 to 2.25
Salary increase rate	1.50	1.75 to 2	1.50	0.00 to 4.6
Inflation rate	1.75	0.6 to 1.75	1.75	0.60 to 1.75
Mortality table	INSEE TH TF 07-09	Depending on the country	THTF 00-02	Depending on the country
Retirement age	65	62 to 67	65	62 to 70

(a) Discount rate retained at 31/12/2017: Mercer Pension Yield Curve Eurozone.

<b>Schedule of future payments over four years</b>	<b>31.12.16</b>	<b>31.12.17</b>
Less than 1 year	435	494
More than 5 years	8,692	9,726

<b>Sensitivity Analysis - Changes in the defined benefit obligation as %</b>	<b>31.12.16</b>	<b>31.12.17</b>
Discount rate +0.5%	-9%	-9%
Discount rate -0.5%	11%	11%

## Note 17 – Provisions

### Change in provisions in 2017:

€'000	Provisions for contingencies	Provisions for charges	Total
<b>Balance at beginning of year</b>	<b>3,909</b>	<b>1,039</b>	<b>4,948</b>
Changes in scope	3,072	3,286	6,358
Allocations	1,921	1,006	2,926
Reversals	(2,025)	(942)	(2,967)
Reclassifications	(19)	(1)	(20)
<b>Balance at end of year</b>	<b>6,857</b>	<b>4,388</b>	<b>11,245</b>

### Change in provisions in 2016:

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

## Note 18 – Trade payables and other current liabilities

€'000	31.12.16	31.12.17
Trade payables	82,928	120,615
Payables to fixed asset suppliers	40,201	67,566
<b>Trade payables and related</b>	<b>123,129</b>	<b>188,181</b>
<b>Corporate income tax liabilities</b>	<b>683</b>	<b>7,958</b>
Tax and social security liabilities	89,485	111,149
Other liabilities	12,928	22,412
Accrued income	1,525	1,839
<b>Other liabilities and accruals</b>	<b>103,938</b>	<b>135,400</b>
<b>Total current liabilities</b>	<b>227,750</b>	<b>331,540</b>

## Note 19 – Personnel expenses

€'000	31.12.16	31.12.17
Salaries	179,723	277,573
Payroll taxes	63,922	81,927
Employee profit-sharing	717	611
<b>Total personnel expenses</b>	<b>244,362</b>	<b>360,111</b>
Average headcount	5,004	7,900

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

Other operating income and expenses amounted to -€4,461k as at 31 December 2017, and related to:

- ✓ Capital gains on the sale of Gardemann,
- ✓ the impairment of goodwill and intangible assets linked to the sale of Gardemann,
- ✓ non-recurring fees related to the acquisitions.

## Note 21 – Financial income (expense)

€'000	31.12.16	31.12.17
Interest and financing-related expenses	(63,130)	(93,292)
Income from cash and cash equivalents	541	4
<b>Net finance costs</b>	<b>(62,589)</b>	<b>(93,288)</b>
Other financial income and expenses - non cash items	(2,047)	(2,246)
Financial costs related to early repayment (a)	(24,023)	(20,075)
Other financial expenses	(1,076)	(2,539)
Other financial income	1,587	1,434
<b>Financial income (expense)</b>	<b>(88,148)</b>	<b>(116,714)</b>

(a) in 2017 primarily relates to:

- the costs of implementing the bridge,
- the early redemption fees and the accelerated amortisation of the loan issuance fees linked to the high yield repayment of €110.7 million,
- the revaluation of the stake in Degraus,

Non-recurring financial costs in 2016 related to the early redemption fees and the accelerated amortisation of the loan issuance fees on the €300 million high yield, reimbursed in May 2016.

## Note 22 – Corporate income tax

### Analysis of tax expense

€'000	31.12.16	31.12.17
Current tax	(12,710)	(9,323)
Deferred tax	(4,939)	(9,537)
<b>Total</b>	<b>(17,649)</b>	<b>(18,860)</b>

Differences in tax rates were used for the calculation of deferred taxes on accelerated amortisations (28%) and employee benefits (25.85%).

### Reconciliation between actual tax and theoretical tax expense

€'000	31.12.16	31.12.17
Consolidated income before tax and "CICE" French tax credit	47,228	97,591
Tax rate (parent)	34.43%	34,43%
<b>Theoretical tax expense</b>	<b>(16,260)</b>	<b>(33,601)</b>
Difference in parent / subsidiary rates	4,948	11,637
Unused tax losses for the year	(525)	(2,334)
Use of previously unused losses	391	3,017
Permanent differences	(5,606)	2,134
French tax on dividends	(147)	(148)
Tax credits and other	(450)	434
<b>Actual tax expense</b>	<b>(17,649)</b>	<b>(18,860)</b>

### Deferred tax assets and liabilities

€'000	31.12.16	31.12.17
<b>Opening balance</b>	<b>(13,287)</b>	<b>(17,606)</b>
Income (expense)	(4,939)	(9,537)
Change in scope	(237)	(12,480)
Own funds allocation	857	(860)
Other changes	1	51
<b>Closing balance</b>	<b>(17,606)</b>	<b>(40,432)</b>

Deferred tax assets primarily relate to temporary differences and the use of loss carry forwards. The deferred tax liabilities relate to temporary differences, primarily linked to accelerated tax depreciation charges.

### Note 23 – Operating lease commitments

€'000	31.12.16	31.12.17
Future minimum lease payments by maturity:		
Less than 1 year	51,191	70,534
1 to 5 years	104,766	128,361
Over 5 years	10,346	15,007
<b>Total future minimum lease payments (undiscounted)</b>	<b>166,303</b>	<b>213,902</b>

### Note 24 – Off-balance sheet commitments

€'000	31.12.16	31.12.17
Guarantee given to banks for payment of real estate rentals	2,106	2,106
Pledging of business assets as collateral	360	360
<b>Total commitments given</b>	<b>2,466</b>	<b>2,466</b>
Bank guarantee received for payment of real estate rentals	7,308	7,308
Other bank guarantees received	450	450
<b>Total commitments received</b>	<b>7,758</b>	<b>7,758</b>

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 €14,805K at December 30, 2017.
- Pledge of Loxam Power, Loxam Module and Lavendon Group Ltd shares as well as the Loxam brand as a collateral to guarantee €1,149.3 million of secured senior bonds.
- € 75 million RCF: transfer under the Dailly Act : 120% of the outstanding amount drawn on the revolving loan and pledging of a bank account as collateral to guarantee the revolving loan.

The revolving loan was not draw down on the period.

## Note 25 – Related-party transactions

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

€'000	31.12.16	31.12.17
Executive Committee compensation	2,754	2,994
Executive Committee benefits in kind	34	34
Attendance fees paid to directors	40	40
<b>Total amount of compensation and benefits paid to executives and directors</b>	<b>2,828</b>	<b>3,068</b>

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 €1.9 million in 2017 compared to €1.1 million in 2016.

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

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€'000	Constantin/Deloitte	KPMG	Other
Accounts certification	170	185	0
Other subsidiaries	937	129	235
Other services	565	200	115
<b>Overall fees amount paid to statutory Auditors</b>	<b>1,672</b>	<b>514</b>	<b>350</b>



## Note 27 – Impacts of changes in scope on the financial statements

<b>ASSETS - €'000</b>	<b>31.12.16</b>	Loxam Historique	Degraus	Swan	Loxam Access SRL	Groupe Hune	Groupe Lavendon	<b>31.12.17</b>
Goodwill	967,517	967,472		1,185	13,175	30,145	240,658	1,252,634
trademarks and customers relationships						8,012	64,341	72,353
Intangible assets	1,459	2,227	459		231	43	5,941	8,902
Property, plant and equipment	630,044	768,099	22,877	2,416	20,627	56,440	362,138	1,232,597
Investments in associates	9,738							0
Financial assets	10,685	10,890	2,467		40	2,229		15,626
Neutralisation of securities		624,449	(13,247)	(4,250)	(10,010)	(52,109)	(544,833)	0
Financial derivatives		1,181						0
Deferred tax assets	7,790	6,047				15,584		21,632
<b>NON-CURRENT ASSETS</b>	<b>1,627,233</b>	<b>2,380,366</b>	<b>12,556</b>	<b>(649)</b>	<b>24,063</b>	<b>60,345</b>	<b>128,245</b>	<b>2,604,925</b>
Inventories	18,681	18,519	346	617	460	1,045	8,328	29,315
Trade and other receivables	224,636	239,038	1,876	1,850	8,478	31,279	88,322	370,842
Other current assets	26,137	51,399	1,167	191	182	7,803	23,339	84,081
Cash and cash equivalents	155,857	84,867	86	371	3,709	4,884	23,628	117,544
Liaison/intercompany account	0	268,083	(248)		(24,996)	(53,518)	(189,321)	0
<b>CURRENT ASSETS</b>	<b>425,310</b>	<b>661,905</b>	<b>3,227</b>	<b>3,029</b>	<b>(12,167)</b>	<b>(8,506)</b>	<b>(45,705)</b>	<b>601,782</b>
<b>TOTAL ASSETS</b>	<b>2,052,543</b>	<b>3,042,271</b>	<b>15,783</b>	<b>2,379</b>	<b>11,896</b>	<b>51,838</b>	<b>82,540</b>	<b>3,206,707</b>

<b>LIABILITIES - €'000</b>	<b>31.12.16</b>	Loxam Historique	Degraus	Swan	Loxam Access SRL	Groupe Hune	Groupe Lavendon	<b>31.12.17</b>
Share capital	445,595	229,818						229,818
Consolidated reserves		268,978	(4,090)			(984)	(50,070)	213,834
Net profit of Group	34,298	35,930	(2,937)	(106)	(143)	10,800	41,099	84,644
Reserves outside of Group	851	892	6,196		(791)	9,464		15,760
Net profit outside of Group	87	96			(36)	(430)		(369)
<b>SHAREHOLDERS' EQUITY</b>	<b>480,832</b>	<b>535,715</b>	<b>(831)</b>	<b>(106)</b>	<b>(970)</b>	<b>18,850</b>	<b>(8,971)</b>	<b>535,715</b>
Employee benefits	18,716	15,154			1,454			16,608
Deferred tax liabilities	25,396	37,106					24,958	62,064
Borrowings and financial debts – Long Term portion	1,189,195	2,014,140	3,102	746	2,728	12,774	3,999	2,037,490
Financial derivatives	4,854	2,855						2,855
<b>NON-CURRENT LIABILITIES</b>	<b>1,238,161</b>	<b>2,069,255</b>	<b>3,102</b>	<b>746</b>	<b>4,182</b>	<b>12,774</b>	<b>28,957</b>	<b>2,119,017</b>
Provisions	4,948	4,966	4,650			1,629		11,245
Borrowings and financial debts – current portion	107,442	190,480	5,194		2,030	3,514		201,218
Trade payables	123,129	134,046	1,436	1,308	4,567	10,586	36,239	188,181
Tax and social security liabilities	104,621	107,808	2,232	431	2,087	4,486	26,316	143,358
<b>CURRENT LIABILITIES</b>	<b>340,139</b>	<b>437,300</b>	<b>13,512</b>	<b>1,738</b>	<b>8,683</b>	<b>20,214</b>	<b>62,555</b>	<b>544,003</b>
<b>TOTAL LIABILITIES</b>	<b>2,059,132</b>	<b>3,042,271</b>	<b>15,783</b>	<b>2,379</b>	<b>11,896</b>	<b>51,838</b>	<b>82,540</b>	<b>206,707</b>

<b>INCOME STATEMENT €'000</b>	<b>31.12.16</b>	Loxam Historique	Degraus	Swan	Loxam Access SRL	Groupe Hune	Groupe Lavendon	<b>31.12.2017</b>
No. of consolidation months		12 months	0 month	1 month	2 months	11 months	11 months	
Revenue	<b>926,782</b>	1,011,332		410	4,527	68,873	282,557	<b>1,367,698</b>
Other income	<b>56,265</b>	54,138		(2)	11	1,997	6,468	<b>62,611</b>
<b>Operating income</b>	<b>983,047</b>	<b>1,065,470</b>		<b>407</b>	<b>4,538</b>	<b>70,869</b>	<b>289,024</b>	<b>1,430,309</b>
Purchases consumed	<b>(105,482)</b>	(115,885)		(217)	(395)	(6,726)	(21,221)	<b>(144,444)</b>
Personnel expenses	<b>(244,362)</b>	(261,719)		(168)	(1,179)	(18,633)	(78,413)	<b>(360,111)</b>
Other current expenses	<b>(311,737)</b>	(339,680)		(65)	(1,818)	(23,724)	(77,980)	<b>(443,267)</b>
Taxes and duties	<b>(16,637)</b>	(17,074)		(1)	(16)	(111)	(1,287)	<b>(18,488)</b>
Depreciation and amortisation – Property, plant & equipment	<b>(143,705)</b>	(165,713)		(61)	(1,089)	(5,411)	(55,606)	<b>(227,880)</b>
Depreciation and amortisation – Intangible assets		(1,772)			(33)	(1,257)	(7,441)	<b>(10,503)</b>
<b>Current operating expenses</b>	<b>(821,923)</b>	<b>(901,843)</b>		<b>(512)</b>	<b>(4,529)</b>	<b>(55,862)</b>	<b>(241,948)</b>	<b>(1,204,694)</b>
<b>Profit from ordinary operations</b>	<b>161,124</b>	<b>163,627</b>		<b>(105)</b>	<b>9</b>	<b>15,007</b>	<b>47,076</b>	<b>225,616</b>
Other operating income and expenses	<b>(19,939)</b>	(9,605)					5,144	<b>(4,461)</b>
<b>Operating profit</b>	<b>141,185</b>	<b>154,022</b>	<b>0</b>	<b>(105)</b>	<b>9</b>	<b>15,007</b>	<b>52,221</b>	<b>221,155</b>
<b>Financial income (expense)</b>	<b>(88,148)</b>	<b>(103,431)</b>	<b>(2,937)</b>	<b>(1)</b>	<b>(188)</b>	<b>(2,719)</b>	<b>(7,438)</b>	<b>(116,714)</b>
<b>Profit before tax</b>	<b>53,037</b>	<b>50,592</b>	<b>(2,937)</b>	<b>(106)</b>	<b>(179)</b>	<b>12,288</b>	<b>44,783</b>	<b>104,441</b>
Share of profit of associates	<b>(1,002)</b>	(1,306)						<b>(1,306)</b>
Income tax expense	<b>(17,649)</b>	(13,258)				(1,918)	(3,684)	<b>(18,860)</b>
<b>Net profit</b>	<b>34,386</b>	<b>36,027</b>	<b>(2,937)</b>	<b>(106)</b>	<b>(179)</b>	<b>10,370</b>	<b>41,099</b>	<b>84,275</b>
Non-controlling interests	<b>87</b>	96			(36)	(430)		<b>(369)</b>
<b>Net profit, Group share</b>	<b>34,298</b>	<b>35,930</b>	<b>(2,937)</b>	<b>(106)</b>	<b>(143)</b>	<b>10,800</b>	<b>41,099</b>	<b>84,644</b>

## Note 28 – Pro-forma

Assumptions made:

- Consolidation of Lavendon Group (excluding Gardemann) and Hune Group, of the companies Loxam Access SRL, Swan Plant Hire and Degraus, and of Cramo's Danish operations, all from 1 January 2017 (12 months of operations),
- Set up of financing of €850 million from 1 January 2017,
- Repayment of €110.7 million of the €410 million senior secured notes at 1 January 2017,
- Homogenisation of accounting methods in accordance with the Group rules (depreciation rules of fleet and and intangible assets),
- Neutralisation of non-recurring items.

€'000	31.12.17 Pro Forma
Revenue	1,434,724
Other income	63,066
<b>Operating income</b>	<b>1,497,789</b>
Purchases consumed	(153,663)
Personnel expenses	(375,828)
Other current expenses	(470,213)
Taxes and duties	(19,091)
Depreciation and amortisation – Property, plant & equipment	(242,079)
Depreciation and amortisation – Intangible assets	(12,354)
<b>Profit from ordinary operations</b>	<b>224,561</b>
Other operating income and expenses	(9,605)
<b>Operating profit</b>	<b>214,956</b>
Interest and financing-related expenses	(95,492)
Other financial expenses	(26,376)
Other financial income	3,813
intercompany account	0
<b>Financial income (expense)</b>	<b>(118,055)</b>
<b>Profit before tax</b>	<b>96,901</b>