



QUARTERLY REPORT September 30, 2016

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DEFINITIONS

In this document:

- “Company” means LOXAM S.A.S., and “we”, “us”, “our” and “our group” refer to LOXAM S.A.S. and its consolidated subsidiaries, unless the context requires otherwise;
- “Profit from ordinary operations” means operating profit plus certain items disclosed separately under “other 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) finance income and expense (excluding non cash expense or income), (iii) income taxes (excluding deferred taxes), (iv) increases in working capital requirement and (v) 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 quarterly report has been prepared in accordance with IFRS and is presented in million of euros. This financial information has not been reviewed by our statutory auditors.

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

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

Change in accounting policy

Loxam has adopted International Financial Reporting Standard “IFRS” as accounting standard for its 2015 full year financial statements. Loxam’s auditors have audited the 2015 accounts under IFRS standard. Loxam reports the Q3 2016 quarterly performance under IFRS and has provided a restated historical quarterly performance under IFRS for comparable purpose. Neither Q3 2016 figures nor Q3 2015 figures have been audited or reviewed by Loxam’s auditors.

The following discussion and analysis is based on, and should be read in conjunction with, our unaudited interim consolidated financial statements included elsewhere in this quarterly report and our audited annual consolidated financial statements included in our 2015 annual 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>	Nine months ended September 30,	
	2015	2016
Revenue	610.8	685.3
Other income	43.1	35.8
Purchases consumed.....	(64.5)	(75.6)
Personnel expenses.....	(164.4)	(182.3)
Other current expenses.....	(209.4)	(230.3)
Taxes and duties	(12.3)	(13.2)
Depreciation and amortization	(138.0)	(158.6)
Profit from ordinary operations.....	65.2	61.0
Other operating income and expense.....	-	0.0
Operating profit.....	65.2	61.1
Financial income and expense	(48.5)	(69.9)
Share of profit of associates.....	(0.1)	(0.1)
Income tax expense.....	(10.2)	2.6
Net profit.....	6.5	(6.4)
Non controlling interests.....	(0.4)	0.0
Net profit, group share	6.9	(6.4)

Consolidated balance sheet according to IFRS

<i>(in millions of euros)</i>	As of	
	December 31, 2015	September 30, 2016
Intangible assets and goodwill	983.0	983.1
Property, plant and equipment.....	560.1	551.1
Investments in associates	8.5	10.2
Financial assets	9.4	10.0
Financial derivatives.....	-	2.1
Deferred tax assets	8.6	8.9
Non-current assets	1,569.6	1,565.4
Inventories	18.4	20.6
Trade and other receivables.....	206.4	225.1
Other current assets	25.6	39.5
Cash and cash equivalents	158.2	211.8
Current assets	408.6	497.1
TOTAL ASSETS.....	1,978.2	2,062.5
Shareholders' equity	547.2	537.3
Provisions for employees benefits	15.0	15.7
Deferred tax liabilities	21.9	16.5
Borrowings and financial debt – long term portion	1,109.0	1 162.5
Financial derivatives.....	9.5	8.4
Non-current liabilities	1,155.5	1,203.2
Provisions.....	7.1	6.6
Borrowings and financial debt – current portion.....	73.7	106.9
Supplier and other payables	89.4	100.7
Other current liabilities.....	105.3	107.9
Current liabilities.....	275.5	322.1
TOTAL EQUITY AND LIABILITIES	1,978.2	2,062.5

Consolidated condensed cash-flow statement according to IFRS <i>(in millions of euros)</i>	Nine months ended	
	September 30,	
	2015	2016
Cash flow from operations	107.9	107.8
Cash flow from investing activities	(78.4)	(126.2)
Cash flow from financing activities.....	68.9	70.8
Change in cash and cash equivalents	98.4	52.4
Cash and cash equivalents at the end of the period ⁽¹⁾	241.1	211.6

Note : (1) Including bank overdraft and financial assets relating to cash management.

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

With a total pro forma revenue of €919.2 million for the 12-month period ended September 30, 2016, we are a leading European equipment rental group focused primarily on the construction and civil engineering sectors with 641 branches as of September 30, 2016 of which 497 were located in France. We are organized 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 September 30, 2016, our generalist network included 425 branches. The 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 September 30, 2016, our specialist network in France includes 72 branches. We rent specialist equipment in France under several specific brands, such as LOXAM Access, LOXAM Lev, LOXAM Module, LOXAM Power, LOXAM LahoTEC, LOXAM TP and LOXAM Event ;
- International division, which comprises our specialist and generalist equipment offerings in 11 countries outside of France (Denmark, Belgium, the Netherlands, Germany, Spain, the United Kingdom, Ireland, Switzerland, Luxembourg, Norway and Morocco) with a network of 144 branches as of September 30, 2016.

In addition to offering over 1,000 different types of generalist and specialist equipment and tools for rent, we also provide services such as transportation, refueling, damage waiver and retail consumable products to complement and support our rental business. As of September 30, 2016, our rental fleet exceeded 200,000 pieces of equipment (excluding accessories) with a gross book value of €1.8 billion.

Economic conditions over the first nine months of 2016

The French construction market is expected to recover in 2016 and grow by 2.5% according to the June 2016 report of Euroconstruct. The market growth should be led by building construction, especially in residential construction which should increase by more than 4% after several years of decline. Non residential construction should also follow the recovery path although at a lower rate of increase (+1.5%). Civil engineering should however still be declining (-0.8%) due to the ongoing spending cuts by local authorities. In this overall improving market environment, the French rental market is expected to grow in 2016.

In other European countries, construction markets are expected to continue their expansion in 2016.

The positive evolution of our end markets has been noticeable in the development of our rental revenue in all our divisions which we have grown organically since the beginning of 2016.

Investment in new equipment

Our gross capital expenditure in the third quarter of 2016 amounted to €36.9 million, of which €30.3 million was fleet Capex compared to €43.6 million, of which €38.2 million was fleet Capex, in the third quarter of 2015. For the nine months of 2016, our gross capital expenditure amounted to €159.8 million compared to €109.5 million a year ago.

Changes in our rental network

We operated 641 branches as of September 30, 2016, compared to 668 as of December 31, 2015. Over nine months in 2016, we opened 9 branches and merged or closed 36 branches as part of our network optimization work. The branch mergers were carried out mainly in France, as we consolidated the network following the Herc acquisition.

In the quarter ended September 30, 2016, we opened 2 branches in France, we merged or closed 10 branches in France and we merged 1 branch in the Netherlands.

Significant events of the nine-month period

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 to cut its interest expense. Loxam used approximately €70 million from its cash balance to finance the shortfall between the amount repaid and the amount raised as well as the redemption price of the reimbursed notes and the new issuance costs.

Post 3rd quarter events

At the end of October 2016, Loxam acquired Salmat Nord which operates a single branch in Dunkirk, Northern France, and provides the rental of general plant equipment mostly to industrial customers of the area. It is expected that Salmat will be merged with Loxam SAS by the end of the year.

On November 17th, LOXAM announced the initiation of exclusive discussions with the shareholders of Hune, which is one of the leading equipment rental players in Spain. Hune operates a network of 43 branches, of which 35 are located in Spain. The company is also present in Portugal and France, as well as, through joint-ventures, in Saudi Arabia and Colombia. In 2015, Hune consolidated revenue amounted to €67 million. The transaction is expected to close before year end 2016.

On November 17th, LOXAM announced the launch of an offer to buy-back up to a maximum of 11% of its shares from shareholders subject to the approval of its shareholders' general meeting. In all circumstances, the amount of buyback for 2016 will be less than €100 million. The majority shareholder group of LOXAM has already announced that it will not tender its shares to this offer.

Explanation of Key Line Items from the Income Statement

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

- **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 and non-fleet assets as well as 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** relates mainly to property taxes and local taxes (including the CET or *Contribution Economique Territoriale* paid in France).
- **Depreciation and amortization** principally includes depreciation of fixed assets (fleet and non-fleet). Most of the equipment in our fleet is depreciated on a straight-line five-year basis.
- **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 and bonds and hedging expenses. It also includes change in fair value of derivatives 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. From January 1st, 2016, the corporate tax rate in France stands at 34.43% of the profit before tax. 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 profit of associates** includes the result of companies accounted for by the equity method.

Results of operations

The table below sets out our consolidated income statement for the quarter and nine-month period ended September 30, 2016 and 2015 according to IFRS.

Consolidated Income Statement <i>(in millions of euros)</i>	Quarter ended September 30,		Nine months ended September 30,	
	2015	2016	2015	2016
Revenue	211.1	238.2	610.8	685.3
Other income ⁽¹⁾	16.2	11.9	43.1	35.8
Purchases consumed	(22.3)	(25.9)	(64.5)	(75.6)
Personnel expenses	(51.6)	(57.4)	(164.4)	(182.3)
Other current expenses	(71.3)	(78.1)	(209.4)	(230.3)
Taxes and duties.....	(3.6)	(4.0)	(12.3)	(13.2)
Depreciation and amortization	(45.7)	(52.7)	(138.0)	(158.6)
Profit from ordinary operations	32.8	32.0	65.2	61.0
Other operating income and expense	-	-	-	0.0
Operating income	32.8	32.0	65.2	61.1
Financial income and expense	(17.2)	(13.6)	(48.5)	(69.9)
Share of profit of associates	(0.0)	(0.1)	(0.1)	(0.1)
Income tax expense	(7.3)	(5.8)	(10.2)	2.6
Net profit	8.2	12.5	6.5	(6.4)
Non controlling interests	(0.2)	(0.1)	(0.4)	0.0
Net profit, group share	8.4	12.6	6.9	(6.4)

Note :

- (1) Other income include under IFRS net capital gains on fleet disposals amounting to €13.3 million and €9.1 million in Q3 2015 and Q3 2016, respectively, and in the nine months ended September 30 €34.5 million and €25.8 million in 2015 and 2016, respectively.

The following table sets out certain key figures in each of the Generalist France, Specialist France and International divisions for the quarter and nine months ended September 30, 2015 and 2016 in IFRS.

<i>(in millions of euros)</i>	Quarter ended September 30,		Nine months ended September 30,	
	2015	2016	2015	2016
Revenue ⁽¹⁾				
Generalist France	127.0	145.4	372.6	425.2
Specialist France	36.4	42.9	104.8	120.5
France.....	163.5	188.3	477.3	545.6
International	47.6	49.9	133.5	139.6
Total revenue.....	211.1	238.2	610.8	685.3
EBITDA				
Generalist France ⁽²⁾	51.0	54.4	133.5	141.9
Specialist France ⁽²⁾	13.5	14.6	35.8	37.8
France.....	64.5	69.0	169.3	179.7
International	13.2	14.5	32.2	35.8
Real Estate ⁽³⁾	0.8	1.2	1.7	4.1
Total EBITDA	78.5	84.7	203.2	219.6
<i>EBITDA margin</i>	<i>37.2 %</i>	<i>35.6 %</i>	<i>33.3 %</i>	<i>32.1 %</i>

Notes:

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

Quarter ended September 30, 2016 compared to quarter ended September 30, 2015***Revenue***

Revenue increased by 12.8% to €238.2 million in the third quarter of 2016 from €211.1 million in the third quarter of 2015. On a like-for-like basis and at constant exchange rate, revenue increased by 6.5%.

Revenue from our Generalist France division increased by 14.5% in the third quarter of 2016 to €145.4 million as compared to €127.0 million in the third quarter of 2015, mainly due to the contribution of Hertz Equipment branches during the quarter. Like-for-like, revenue from our Generalist France division increased by 5.3% thanks to the recovery of the French rental market since the beginning of the year as well as a positive contribution from the Hertz Equipement branches that merged into Loxam branches. Generalist France represented 61% of total revenue in the third quarter of 2016, compared to 60% in the third quarter of 2015.

Revenue from our Specialist France division increased by 17.8% to €42.9 million in the third quarter of 2016 as compared to €36.4 million in the third quarter of 2015 thanks to the contribution of the specialist branches acquired from Hertz in power generation and modular construction. Like-for-like, revenue at the Specialist France division grew by 14.4% in Q3 2016 thanks to the improving level of business and the contribution from the network expansion and to a lesser extent to one-off projects. The Specialist France division represented 18% of total revenue in the third quarter of 2016, compared to 17% in the third quarter of 2015.

International revenue increased by 4.8% to €49.9 million in the third quarter of 2016 compared to €47.6 million in the third quarter of 2015, thanks to the growth of construction markets in Europe as well as the contribution from the Spanish business of Hertz Equipment. Like-for-like and at constant exchange rate, International revenue increased by 3.6%. Our International division represented 21% of total revenue in the second quarter of 2016, compared to 23% in the second quarter of 2015.

Retail sales increased by 21.7% in Q3 2016 over Q3 2015 pushed by higher sales in France.

Other income

Other income decreased by €4.3 million to €11.9 million in the quarter ended September 30, 2016 from €16.2 million in the quarter ended September 30, 2015. The decrease is primarily due to lower gains on fleet disposals.

Purchases consumed

Purchases consumed increased by 16.6% to €25.9 million for the quarter ended September 30, 2016 compared to €22.3 million for the quarter ended September 30, 2015. Like-for-like, purchases consumed

increased by 8.7%. The increase in purchases consumed was the consequence of the higher retail sales in the quarter as they increased by 21.7%.

Personnel expenses

Personnel expenses increased by 11.2% to €57.4 million in the quarter ended September 30, 2016 from €51.6 million in the quarter ended September 30, 2015. Personnel expenses increased by 13.7% in France and 3.2% at the International division. Like for Like, personnel expenses have grown by +4.8% in France and +1.3% for the International division.

Other current expenses

Other current expenses increased by 9.4% to €78.1 million in the third quarter of 2016 from €71.3 million in the third quarter of 2015. Like-for-like, other current expenses increased by 3.8%, primarily owing to haulage cost and subrent of equipment, which are linked to the growth in revenue. Other operating costs have remained under control in Q3 2016 despite the increase in revenue on a like-for-like basis including a lower cost of bad debt.

Depreciation and amortization

Depreciation and amortization increased by 15.3% to €52.7 million in the quarter ended September 30, 2016, compared to €45.7 million in the quarter ended September 30, 2015. Like-for-like, depreciation and amortization increased by 9.2%. This increase was driven by higher capex spend in 2016 and the contribution from Hertz whose depreciation policy has been aligned with Loxam's.

Financial income and expense

Net financial expense decreased by €3.6 million to €13.6 million in the quarter ended September 30, 2016, compared to €17.2 million in the quarter ended September 30, 2015. This decrease is explained essentially by lower interest rates on subordinated notes.

Income tax

Our profit before tax amounted to €18.4 million in the quarter versus €15.6 million in Q3 2015.

Income tax was an expense of €5.8 million in the quarter ended September 30, 2016, compared to an expense of €7.3 million in the quarter ended September 30, 2015. This decrease is explained by a lower taxation thanks to the tax incentive for capex spent since the beginning of 2015 and the suppression of a temporary additional income tax of 10.7% on top of the standard 34.4% income tax rate.

Net income

As a result of the various factors described above, we recorded a net profit of €12.6 million in the quarter ended September 30, 2016 compared to a net profit of €8.4 million in the quarter ended September 30, 2015.

For the first nine months of 2016, we recorded a net loss of €6.4 million compared to a net profit of €6.9 million for the first nine months of 2015.

EBITDA

In IFRS, we define EBITDA as profit from ordinary operations plus depreciation and amortization of fixed assets.

The following table presents a reconciliation of EBITDA to profit from ordinary operations and net profit for the periods indicated.

<i>(in millions of euros)</i>	Quarter ended		Nine Months ended	
	September 30,		June 30,	
	2015	2016	2015	2016
EBITDA	78.5	84.7	203.2	219.6
Depreciation and amortization	(45.7)	(52.7)	(138.0)	(158.6)
Profit from ordinary operations	32.8	32.0	65.2	61.0
Other	-	-	-	0.0
Financial income and expense	(17.2)	(13.6)	(48.5)	(69.9)
Share of profit of associates.....	(0.0)	(0.1)	(0.1)	(0.1)
Income tax expense	(7.3)	(5.8)	(10.2)	2.6
Net profit	8.2	12.5	6.5	(6.4)

EBITDA amounted to €84.7 million in Q3 2016 increasing by 7.9% from €78.5 million in Q3 2015. The increase of the EBITDA is essentially due to the integration of Hertz Equipement which added €4.7 million of EBITDA in Q3 2016.

EBITDA from our Generalist France division amounted to €54.4 million in Q3 2016, compared to €51.0 million in Q3 2015. Our EBITDA margin for Generalist France was at 37.4% in Q3 2016 compared to 40.1% in Q3 2015.

EBITDA from our Specialist France division amounted to €14.6 million in Q3 2016, compared to €13.5 million in Q3 2015. Our EBITDA margin for Specialist France was 34.0% in Q3 2016 compared to 36.9% in Q3 2015.

EBITDA from our International division amounted to €14.5 million in Q3 2016, compared to €13.2 million in Q3 2015. Our EBITDA margin for International was 29.1% in Q3 2016 compared to 27.8% in Q3 2015.

Overall, the EBITDA margin in Q3 2016 stood at 35.6% versus an EBITDA margin of 37.2% in Q3 2015 because of lower capital gains on fleet disposals in Q3 2016. If we exclude the capital gains the EBITDA margin has increased from 31.6% in Q3 2015 to 32.2% in Q3 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 liquidity 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 September 30, 2016, the gross financial debt (excluding derivatives) amounted to €1,269.4 million, compared to €1,182.7 million as of December 31, 2015. Our net financial debt (excluding derivatives) as of September 30, 2016 amounted to €1,057.6 million, an increase of €33.1 million compared to December 31, 2015.

As of September 30, 2016, we had €900.8 million of outstanding bond debt, after deduction of €9.2 million of issuance costs to be amortized over the duration of the bonds using the effective interest rate method. Our bond debt was made of €250.0 million of senior secured notes due in May 2023 issued in May 2016, and €410.0 million of senior secured notes due in July 2021 and €250.0 million of senior subordinated notes due in July 2022 issued in July 2014. We also had €212.4 million outstanding debt under bilateral facilities from banks and finance leases in a total amount of €142.6 million. Cash and cash equivalents net of bank overdrafts on our balance sheet amounted to €211.6 million as of September 30, 2016.

We also have a 5-year €50 million revolving credit facility, which was entered into in connection with the issuance of the 2014 Notes and which we may use for general corporate purposes. As of September 30, 2016, this revolving credit facility was not drawn.

We expect to finance future capital expenditures through cash flow from operations, finance leases or bilateral credit facilities. In the nine-month period ended September 30, 2016, new bilateral credit facilities and finance leases were entered into for respectively €107.9 million and €77.2 million. Out of €77.2 million secured finance leases, €33.2 million were done through a sale and leaseback on some fleet belonging to Hertz Equipement.

Capital expenditures

In Q3 2016, gross capital expenditures increased to €36.9 million, compared to €43.6 million in Q3 2015. Fleet capital expenditure amounted to €30.3 million in Q3 2016, compared to €38.2 million in Q3 2015. During the nine-month period ended September 30 2016, gross capital expenditures increased to €159.8 million from €109.5 million over the same period in 2015. Out of the gross capital expenditures, fleet capex amounted to €143.8 million in 2016 versus €91.2 million in 2015.

Loxam benefits in France from a temporary tax incentive which started in Spring 2015 and will last until mid-April 2017. Equipment purchased during this period of time will be bear a fiscal depreciation charge (to calculate the income tax) representing 140% of the original purchase price.

In Q3 2016, the gross book value of disposed rental equipment was €39.4 million, compared to €47.9 million in Q3 2015.

During the nine-month period ended September 30, gross book value of disposed rental equipment in 2016 amounted to €112.6 million from €127.5 million in 2015.

Free Cash flow

We define free cash flow as EBITDA less net capital expenditures, financial income and expense (excluding non cash financial income and expense), taxes (excluding deferred taxes), capital gains on fleet disposals and certain other income and expenses and changes in working capital requirement. Free cash flow is presented before the payment of dividends to shareholders, capital increases and acquisitions.

Free cash flow amounted to €18.4 million for the quarter ended September 30, 2016 compared to €5.1 million for the quarter ended September 30, 2015. The positive free cash flow is explained by the higher EBITDA and lower capital expenditures. The working capital requirement increased by €14.7 million because of the lower level of debt owed to fixed asset suppliers (because of a lower capex spend in Q3), a more pronounced seasonal increase in our working capital requirement and a still high level of working capital requirement for income tax which is expected to decrease in Q4 2016..

Free cash flow amounted to €(20.2) million for nine-month period ended September 30, 2016 compared to €37.0 million for the corresponding period a year ago. Most of the negative free cash flow recorded was caused by the €16.5 million redemption price paid for the early redemption of the €300 million Senior Subordinated Notes issued in January 2013.

The following table presents a reconciliation of EBITDA to free cash flow for the first quarters of 2016 and 2015.

<i>(in millions of euros)</i>	Quarter		Nine months	
	ended September 30,		ended September 30,	
	2015	2016	2015	2016
EBITDA	78.5	84.7	203.2	219.6
Capital gains on fleet disposals	(13.3)	(9.1)	(34.5)	(25.8)
EBITDA before capital gains on fleet disposals	65.2	75.6	168.7	193.9
Proceeds from disposals of fixed assets.....	16.8	11.1	43.5	33.8
Gross capital expenditure	(43.6)	(36.9)	(109.5)	(159.8)
Financial income and expense ⁽¹⁾	(15.9)	(13.8)	(48.3)	(62.7)
Income taxes ⁽²⁾	(6.3)	(2.9)	(14.8)	(3.1)
Change in working capital requirement	(9.8)	(14.7)	(0.7)	(21.4)
Miscellaneous ⁽³⁾	(1.4)	(0.1)	(1.9)	(1.0)
Free cash flow ⁽⁴⁾	5.1	18.4	37.0	(20.2)
Acquisitions	(1.5)	-	(12.4)	(0.3)
Dividends.....	-	-	(4.9)	(4.9)
Other ⁽⁵⁾	(0.5)	(0.4)	(3.5)	(7.7)
Change in net debt	3.1	18.0	16.2	(33.1)

Notes:

- (1) Corresponds to financial income and expense immediately payable (i.e., excluding non-cash items) including €16.6 million of redemption price paid on the €300 million Senior Subordinated notes.

- (2) Corresponds to taxes immediately payable (i.e., excluding deferred taxes).
- (3) Primarily composed of deduction of capital gains on non-fleet disposals and other non-cash items excluding from EBITDA, mainly related to change in provisions.
- (4) Before payment of dividends, capital increases and acquisitions.
- (5) Primarily composed of amortization of issuance costs on the €300 million Senior Subordinated notes and of foreign currency exchange effects.

Net debt

We define net debt as gross debt less cash and cash equivalents (cash plus marketable investment securities).

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

<i>(in millions of euros)</i>	As of	
	December 31, 2015	September 30, 2016
2013 Senior Subordinated notes	300.0	-
2016 Senior Secured notes	-	250.0
2014 Senior Secured notes	410.0	410.0
2014 Senior Subordinated notes	250.0	250.0
Issuance costs related to notes	(15.2)	(9.2)
Bilateral credit facilities	125.5	212.4
Accrued interest on debt securities and loans	9.6	12.0
Lease liabilities.....	100.8	142.6
Other financial debt.....	1.8	1.5
Bank overdrafts.....	0.2	0.2
Loans and financial debt (gross debt).....	1,182.7	1,269.4
Cash	(71.8)	(146.6)
Marketable investment securities	(86.4)	(65.3)
Cash and cash equivalents	(158.2)	(211.8)
Net debt.....	1,024.5	1,057.6

Net debt increased by €33.1 million to €1,057.6 million as of September 30, 2016 from €1,024.5 million as of December 31, 2015 as a result of the negative free cash flow of €20.2 million recorded in the nine-month period ended September 30, 2016. The amortization of issuance costs of the notes is amounting to €8.9 million including the full amortization for the reimbursed €300 Senior Subordinated Notes issued in January 2013. At last a dividend for an amount of €4.9 million was paid in May 2016.

Debt maturity profile

The table below provides the maturity profile of our outstanding indebtedness, as of September 30, 2016.

<i>(in millions of euros)</i>	Total	2016	2017	2018	2019	2020	2021	2022	2023 and later
Bilateral credit facilities	212.4	7.0	45.2	46.2	45.5	41.8	21.0	3.6	2.0
Lease liabilities.....	142.6	13.9	45.0	38.3	24.9	15.6	4.4	0.5	0.0
Loans and financial debt owed to credit institutions	355.0	21.0	90.1	84.5	70.4	57.5	25.4	4.1	2.0
Other financial debt.....	1.5	1.2	0.3	0.0	0.0	0.0	0.0	0.0	0.0
2016 Senior Secured notes	247.1								247.1
2014 Senior Secured notes	406.2						406.2		
2014 Senior Subordinated notes	247.5							247.5	
Total debt ⁽¹⁾	1 257.3	22.2	90.4	84.5	70.4	57.5	431.6	251.6	249.2

Note :

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

Currency and interest rate derivatives

Prior to the refinancing of our financial debt in connection with the issuance of the 2014 Notes, we were exposed to market risks arising from fluctuations in interest rates in the ordinary course of our business. To manage these risks effectively, we entered into hedging transactions and used derivative financial instruments (interest rate swaps) to mitigate the adverse effects of interest rate risks.

These derivative financial instruments were kept after the entire refinancing of our bank debt in July 2014 and covered a notional amount of €82.4million at September 30, 2016 for a maximum term in July 2022. These derivatives are recognized in financial liabilities for an amount of €5.7 million at September 30, 2016.

As of September 30, 2016, 85% of our financial debt had a fixed interest rate.

The large majority of our revenue, expenses and obligations are denominated in euros. However, we are exposed to limited foreign exchange rate risk, primarily in respect of Sterling pounds, Danish krone, Swiss francs, Moroccan dirham, Norwegian krone. Our foreign exchange rate derivative financial instruments as of September 30, 2016 covered current liabilities denominated in British Pounds for GBP 15.3 million and in Danish krone for DKK 20.0 million.

Critical Accounting Policies and Estimates

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

Change in accounting policy

Loxam has adopted International Financial Reporting Standard “IFRS” as accounting standard in 2015 financial statements. Loxam has prepared restated quarterly financial statements for Q3 2015 to provide historical comparable data. Figures for the nine-month period ended September 30, 2016 have not been audited by Loxam’s auditors. Neither Q3 2016 figures nor Q3 2015 figures have been audited or reviewed by Loxam’s auditors.

APPENDIX :

LOXAM GROUP

UNAUDITED FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS AT SEPTEMBER 30, 2016**Statement of financial position**

ASSETS (€'000)	Notes	30.09.16	31.12.15
Intangible assets and goodwill	5	983,097	983,015
Property, plant and equipment	6	551,140	560,095
Investments in associates	7	10,205	8,465
Financial assets	8	9,987	9,425
Financial derivatives	14	2,067	-
Deferred tax assets	20	8,891	8,618
Non-current assets		1,565,387	1,569,617
Inventories	9	20,644	18,364
Trade and other receivables	10	225,112	206,361
Other current assets	11	27,344	21,767
Corporate income tax receivables	11	12,184	3,865
Cash and cash equivalents	12	211,837	158,211
Current assets		497,120	408,569
Total assets		2,062,507	1,978,185

LIABILITIES (€'000)	Notes	30.09.16	31.12.15
Share capital		258,223	258,223
Additional paid-in capital		1,882	1,882
Consolidated reserves		283,327	278,887
Net profit for the year		(6,384)	8,008
Shareholders' equity (Group share)		537,047	547,000
Non-controlling interests		212	204
Total equity	13	537,260	547,204
Provisions for employee benefits	16	15,748	15,044
Deferred tax liabilities	20	16,476	21,904
Borrowings and financial debt	15	1,162,538	1,109,036
Financial derivatives	14	8,405	9,532
Non-current liabilities		1,203,167	1,155,518
Provisions	17	6,592	7,064
Borrowings and financial debt	15	106,890	73,680
Trade and other payables	18	100,730	89,386
Other liabilities	18	107,860	105,254
Corporate income tax liabilities	18	8	80
Current liabilities		322,081	275,464
Total shareholders' equity and liabilities		2,062,507	1,978,185

Consolidated income statement and statement of comprehensive income

€'000	Notes	30.09.16	30.09.15	31.12.15
Revenue		685,278	610,783	838,288
Other income		35,823	43,131	57,433
Operating income		721,101	653,914	895,720
Purchases consumed		(75,631)	(64,538)	(91,988)
Personnel expenses	19	(182,317)	(164,438)	(224,557)
Other current expenses		(230,278)	(209,404)	(286,419)
Taxes and duties		(13,232)	(12,326)	(15,472)
Depreciation and amortisation		(158,608)	(138,018)	(187,327)
Profit from ordinary operations		61,035	65,191	89,957
Other operating income	20	17		50
Other operating expenses	20			-
Operating profit		61,051	65,191	90,008
Interest and financing-related expenses		(48,003)	(51,830)	(69,397)
Other financial expenses		(26,030)	(1,412)	(2,162)
Financial income		4,097	4,759	4,966
Financial income (expense)	21	(69,936)	(48,484)	(66,593)
Profit before tax		(8,884)	16,707	23,415
Share of profit of associates		(99)	(70)	(397)
Income tax expense	22	2,608	(10,154)	(15,286)
Net profit		(6,375)	6,482	7,732
Non-controlling interests		9	(396)	(276)
Net profit, Group share		(6,384)	6,879	8,008

	30.09.16	30.09.15	31.12.15
Net profit	(6,375)	6,482	7,732
Exchange gains or losses	1,327	(1,718)	(1,221)
Value adjustments linked to hedging derivatives			-
Tax			-
Items recycled to profit or loss	1,327	(1,718)	(1,221)
Remeasurement of liabilities for defined benefit retirement plans		1,835	2,419
Tax		(532)	(703)
Items not recycled to profit or loss	0	1,303	1,716
Other comprehensive income	1,327	(415)	495
Comprehensive income	(5,048)	6,067	8,227

Consolidated cash-flow statement

€'000	Notes	30.09.16	30.09.15	31.12.15
Net profit		(6,375)	6,482	7,732
Share of profit of associates	7	99	70	397
Income tax expense (including deferred tax)	22	(2,608)	10,154	15,286
Net finance costs	21	69,936	48,484	66,593
Depreciation and provisions, net of reversals		159,800	137,281	186,871
Capital gains on asset disposals		(27,974)	(35,659)	(47,565)
Cash flow from operations (before cost of financing and tax)		192,877	166,813	229,313
Income tax paid		(3,077)	(14,785)	(17,918)
Financial interest paid		(61,527)	(46,110)	(66,413)
Financial interest received		904	2,678	2,393
Change in working capital requirements		(21,381)	(686)	5,879
Cash flow from operating activities	A	107,796	107,910	153,254
Impact of changes in scope		(254)	(12,446)	(125,081)
Acquisitions of fixed assets		(159,826)	(109,498)	(150,756)
Disposals of fixed assets		33,848	43,528	58,580
Cash flow from investing activities	B	(126,232)	(78,416)	(217,257)
Dividends paid		(4,906)	(4,906)	(4,906)
Capital increase		0	0	-
Proceeds from loans and borrowings	15	432,196	105,047	125,882
Repayment of loans and borrowings	15	(356,478)	(31,195)	(43,240)
Cash flow from financing activities	C	70,812	68,946	77,736
Change in cash and cash equivalents	A+B+C	52,376	98,440	13,733
Cash and cash equivalents at beginning of period		158,043	144,253	144,253
Cash and cash equivalents at end of period		211,618	241,066	158,043
Impact of exchange rate fluctuations		(1,199)	1,627	(57)
Change in cash and cash equivalents		52,376	98,440	13,733
Other marketable securities		65,255	101,270	86,429
Cash at bank and on hand		146,582	139,956	71,782
Current bank borrowings		(219)	(160)	(168)
Cash and cash equivalents		211,618	241,066	158,043

Consolidated statement of changes in equity

€'000	Share capital	Additional paid-in capital	Consolidated reserves	Reserves to be recycled (OCI)	Shareholders' equity (Group share)	Non-controlling interests	Total equity
At 31 December 2014	258,223	1,882	285,628	(2,324)	543,408	476	543,884
Net profit for the period			8,008		8,008	(276)	7,732
Employee benefits				1,716	1,716		1,716
Exchange gains or losses				(1,226)	(1,226)	5	(1,221)
Comprehensive income			8,008	490	8,498	(271)	8,227
Dividends			(4,906)		(4,906)		(4,906)
At 31 December 2015	258,223	1,882	288,730	(1,834)	547,000	204	547,204
Net profit for the period			(6,384)		(6,384)	9	(6,375)
Employee benefits					0		0
Exchange gains or losses			18	1,310	1,328	(1)	1,327
Comprehensive income			(6,366)	1,310	(5,056)	8	(5,048)
Dividends			(4,896)		(4,896)		(4,896)
At 30 September 2016	258,223	1,882	277,468	(525)	537,047	212	537,260

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Note 1 – Overview

1.1. Presentation of the Group

Loxam is a French simplified joint-stock company (*société par actions simplifiée*) with a capital of €258,222,630, governed by all 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 60% of its business focused primarily on construction and civil engineering professionals. The Group operates mainly in Europe, as well as North Africa, and has a 25.7% stake in a rental company in Brazil.

1.2. Basis of preparation

The interim consolidated financial statements (the “interim financial statements”) for the nine-month period ended September 30, 2016 include Loxam company and its subsidiaries (overall named as “the Group”) and the share of group in associates and joint ventures.

These interim financial statements have been prepared by the Group in a voluntary and non-mandatory basis. It has been prepared in accordance with IAS 34 “Interim financial reporting” and should be read in addition to the latest annual consolidated financial statements of the Group for financial year 2015 (“the latest annual financial statements”). It do not include all the information mandatory for a complete financial report according to IFRS. However, it includes a selection of notes explaining significant events and major operations to understand the change in statement of financial position and the Group’s performance since the latest annual financial statements.

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

Highlights of the period ended September 30, 2016 :

On March 31, 2016, Loxam Alquiler merged with Hertz Alquiler de Maquinaria with an accounting and tax effect from January 1st, 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, to a total stake of 25.7% for a total consideration of €0.3 million.

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. The early repayment of the €300 million senior subordinated notes due in January 2020 generated "extraordinary" costs amounting to €24.0 million including €16.6 million of redemption price for the early redemption of the notes and €7.4 million for the amortization of remaining issuance costs.

On May 31, 2016, the company Safelift AB Sweden was definitively liquidated.

Note 3 - Accounting principles

3.1 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 31 December.

3.2 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.

3.3 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 major estimates used to apply accounting policies of the Group and other key sources of estimation uncertainty are the same as those existing in 2015 annual financial statements.

3.4 Business combinations

a) Business combinations

In accordance with IFRS 3R, 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 3.11.

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.

3.5 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 for the closing ended September 30, 2016 (euro vs. currency) :

1 EUR =	GBP	CHF	DKK	MAD	SEK	NOK	BRL
Closing date rate	0.86100	1.08760	7.45130	10.88800	9.62100	8.98650	3.62100
Average rate	0.80218	1.09366	7.44747	10.87683	9.37113	9.37840	3.96420
Opening date rate	0.73395	1.08350	7.46260	10.79350	9.18950	9.60300	4.31170

3.6 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.

3.7 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 3.15 Cash and cash equivalents and Note 3.16 Financial instruments.

3.8 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 3.4.

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.

3.9 Property, plant and equipment

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

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

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

▪ Buildings	10 to 20 years
▪ Building fixtures and fittings	5 to 20 years
▪ Plant and equipment	1 to 7 years
▪ Other property, plant and equipment	2 to 5 years

Property, plant and equipment are depreciated from the moment they are brought into service.

3.10 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 3.9- 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.

3.11 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 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.

3.12 Financial assets

Financial assets include:

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

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

Financial assets are initially recognised at their fair value.

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

3.13 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.

3.14 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.

3.15 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.

3.16 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 3.7. Since the hedging relationship is not documented, changes in fair value are recognised in profit or loss.

3.17 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.

3.18 Financial instruments - Equity warrants

a) Equity warrant features

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

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

The BSA 1 and BSA 2 equity warrants were issued freely and concomitantly. The BSA 1 and 2 equity warrants may be exercised until 31 December 2022.

As a result of the conditions for exercising the BSA1 and BSA2 equity warrants, and variable future target yields, they can be assimilated with derivative instruments to be measured at fair value in profit or loss under IAS 39.

b) Accounting treatment

In accordance with IAS 32, these equity warrants have been classified as derivatives and recorded as liabilities. They are measured at fair value through profit or loss, in accordance with IAS 39. This fair value corresponds to Category 3, in line with the definitions given in Note 3.7. The fair value of the BSA 1 and 2 warrants is determined by applying a model incorporating, on the one hand, transaction and market data to determine the value of Loxam's share (underlying for BSA 1 and 2 warrants), and on the other hand, market data for equity warrants with comparable maturities to estimate the discount reflecting the lock-up period to be taken into consideration.

3.19 Provisions for employee benefits

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

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

a) Defined contribution plans

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

b) Defined benefits plans

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

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

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

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

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

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

c) Other long-term benefits

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

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

3.20 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.

3.21 Borrowings and financial debt

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

3.22 Trade payables and related

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

3.23 Tax

Income tax includes both current and deferred tax.

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

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

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

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

In the event of deductible temporary differences and tax losses, deferred tax assets are recognized 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.

3.24 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.

3.25 Other income

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

3.26 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.

3.27 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.

3.28 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
SAS LOXAM	450776968	100%	100%	Parent
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	Brazil	25,7%	25,7%	equity
SCI AVENUE ARISTIDE BRIAND	384564472	100%	100%	full
SCI EST POSE	340583160	100%	100%	full
SAS LOXAM GRANDE ARMEE	572045953	100%	100%	full
EURL NORLEU	409981024	100%	100%	full
SCI TARTIFUME	328948013	100%	100%	full
SCI THABOR	332962125	100%	100%	full
LOXAMAM	799097944	100%	100%	full

Note 5 – Intangible assets and goodwill**Change in intangible assets in the period ended September 30, 2016 :**

€'000	Intangible assets	Goodwill	Total
Gross value at year-start	15,682	981,462	997,145
Changes in scope			0
Increase	1,309		1,309
Decrease / disposals	(491)		(491)
Contingent consideration			0
Reclassification	202		202
Exchange gains or losses	(1)	(8)	(8)
Gross value at end of period	16,702	981,455	998,157
Depreciation and amortisation at year-start	(14,130)	0	(14,130)
Changes in scope			0
Depreciation and amortisation for the year	(1,391)		(1,391)
Withdrawals / reversals on withdrawals	491		491
Reclassification	(29)		(29)
Exchange gains or losses	1		1
Depreciation and amortisation of the period	(15,059)	0	(15,059)
Net value at year-start	1,552	981,462	983,015
Net value at end of period	1,643	981,455	983,097

Change in intangible assets in 2015

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

Impact of changes in scope on goodwill:

No impact in the period ended September 30, 2016.

The impact of the changes in scope concerned the following companies at 31 December 2015:

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

Note 6 – Property, plant and equipment**Change in property, plant and equipment the period ended September 30, 2016 :**

€'000	Rental equipment	Other	Total
Gross value at beginning of year	1,766,238	252,468	2,018,706
Changes in scope	0	0	0
Acquisitions	143,766	13,853	157,619
Disposals	(112,612)	(15,041)	(127,653)
Reclassification	(2,871)	3,046	175
Exchange gains or losses	(7,201)	(250)	(7,451)
Gross value at end of period	1,787,320	254,077	2,041,397
Cumulative depreciation at beginning of year	(1,276,912)	(181,700)	(1,458,612)
Changes in scope	0	0	0
Depreciation for the year	(146,476)	(10,741)	(157,217)
Disposals	107,568	13,261	120,829
Reclassifications	2,194	(2,542)	(348)
Exchange gains or losses	4,954	136	5,090
Cumulative depreciation at end of period	(1,308,672)	(181,585)	(1,490,256)
Net value at beginning of year	489,326	70,768	560,095
Net value at end of period	478,648	72,492	551,140

Change in property, plant and equipment in 2015

€'000	Rental equipment	Other	Total
Gross value at beginning of year	1,637,720	204,341	1,842,061
Changes in scope	175,739	40,843	216,583
Acquisitions	123,642	23,350	146,992
Disposals	(173,366)	(17,751)	(191,117)
Reclassification	(2,228)	1,359	(870)
Exchange gains or losses	4,731	326	5,057
Gross value at end of year	1,766,238	252,468	2,018,706
Cumulative depreciation at beginning of year	(1,154,451)	(153,372)	(1,307,824)
Changes in scope	(112,218)	(30,572)	(142,790)
Depreciation for the year	(173,507)	(11,988)	(185,495)
Disposals	164,813	15,763	180,576
Reclassifications	1,711	(1,165)	546
Exchange gains or losses	(3,260)	(365)	(3,625)
Cumulative depreciation at end of year	(1,276,911)	(181,700)	(1,458,612)
Net value at beginning of year	483,268	50,969	534,237
Net value at end of year	489,326	70,768	560,095

Note 7 - Investments in associates

€'000	Associates	Associates
	30.09.16	31.12.15
Value at the beginning	8,465	-
Increase in capital of associates	-	-
Group share in earnings for the year	(99)	(397)
Dividends paid	(51)	(45)
Changes in scope	254	10,928
Exchange gains or losses	1,635	(2,020)
Value at the closing	10,205	8,465

Note 8 - Financial assets**Change of financial assets in 2016**

€'000	Loans and other borrowings	Other non-current financial assets	Total
Gross and net value at the beginning	9,424	1	9,425
Changes in scope			
Increase	898		898
Decrease	(318)		(318)
Exchange gains or losses	(17)		(17)
Gross and net value at the closing ⁽¹⁾	9,986	1	9,987

(1) No impairment was accounted as at 30.09.16

Change of financial assets in 2015

€'000	Loans and other borrowings	Other non-current financial assets	Total
Gross and net value at the beginning	6,018	1	6,019
Changes in scope	1,896		1,896
Increase	2,104		2,104
Decrease	(572)		(572)
Exchange gains or losses	(21)		(21)
Gross and net value at the closing ⁽¹⁾	9,424	1	9,425

(1) No impairment was accounted in 2015.

Note 9 - Inventories

€'000 - Net value	30.09.16	31.12.15
Trade	13,376	11,509
Parts and consumables	7,267	6,855
Total	20,644	18,364

Note 10 – Trade and other receivables

€'000	30.09.16	31.12.15
Gross value	249,732	232,154
Impairment	(24,620)	(25,793)
Total trade and other receivables	225,112	206,361

Note 11 – Income tax receivables and other current assets

€'000	30.09.16	31.12.15
Income tax receivables	12,184	3,865
Prepaid expenses	8,642	3,923
Other receivables	18,702	17,845
Other current assets	27,344	21,767
Total income tax receivables and other current assets	39,528	25,632

Note 12 – Cash and cash equivalents

€'000	30.09.16	31.12.15
Other marketable securities	65,255	86,429
Cash	146,582	71,782
Total	211,837	158,211

Other marketable securities consist in cash investment funds, interest bearing accounts and deposits.

Cash Investment funds are qualified by the French Stock Exchange regulator (AMF) as “short-term money market” instruments.

Interest bearing accounts and deposits satisfy the criteria for classification as cash equivalents under IAS 7 (cf. Note 3.15).

Note 13 – Shareholders' equity

The share capital amounts to €258,222,630, split into 25,822,263 shares with a par value of €10. It is fully paid up.

The 2016 dividend per share was €0.19. It was paid in May 2016.

Note 14 – Financial risk management - Financial instruments**Financial instruments relating to interest rate risk:**

As indicated in Note 3.16, the interest rate swaps entered into by the Group are classified as derivative financial instruments.

At 30 September 2016, these agreements relate to a notional amount of €82,400 K against the 3-month Euribor, with a maximum maturity date of July 2022.

At 30 September 2016, the fair value of these derivative instruments amounts to €5,661 K, compared to €6,613 K at 31 December 2015. The change in fair value between 31 December 2015 and 30 September 2016 is accounted as a financial income for an amount of €952 K.

The fair value at each date is determined on the basis of interest rate forecasts observed on the derivatives market. Interest Rate swaps are classified as Level 2 in accordance with the classification presented in Note 3.7.

Financial instruments relating to foreign exchange risk:

As indicated in Note 3.17, foreign currency put options entered into by the Group are classified as derivative financial instruments.

Loxam SAS had put options on the Pound Sterling for GBP 15,260 K at 30 September 2016 against GBP 16,535 K at 31 December 2015, and on the Danish Krone for DKK 20,000 K at 30 September 2016 against DKK 29,500 K at 31 December 2015.

The fair value of these derivative instruments represents an asset of €2,067 K at 30 September 2016, compared to a liability of €175 K at 31 December 2015. The change in fair value between 31 December 2015 and 30 September 2016 is accounted as a financial income for an amount of €2,242 K.

The fair value at each date is determined on the basis of interest rate forecasts observed on the currency market. Exchange rate hedging instruments are classified as Level 2 in accordance with the classification presented in Note 3.7.

Financial instruments relating to the equity warrants:

These financial instruments and their accounting treatment are presented in Note 3.18.

The fair value of these derivative instruments represents a liability of €2,744 K at 30 September 2016 similar to 31 December 2015, as impairment are made at year-end.

In 2015, the change in fair value was a cost of €221 K.

These main assumptions for the valuation of equity warrants are described in the financial statements as at 31 December 2015.

Change of fair value for financial instruments in 2016 :

€'000	Interest Rate swaps	Equity warrants	Exchange rate hedging	Financial instruments
Fair value level	Level 2	Level 3	Level 2	
Value at beginning	6,613	2,744	175	9,532
Changes in scope				0
Value adjustment	(952)	0	(2,242)	(3,194)
Other				0
Value at closing	5,661	2,744	(2,067)	6,338

Change of fair value for financial instruments in 2015 :

€'000	Interest Rate swaps	Equity warrants	Exchange rate hedging	Financial instruments
Fair value level	Level 2	Level 3	Level 2	
Value at beginning	9,153	2,523	156	11,832
Changes in scope				0
Value adjustment	(2,540)	221	19	(2,300)
Other				0
Value at closing	6,613	2,744	175	9,532

Liquidity risk information

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

Loxam's subsidiaries can secure local financing to fund their capital expenditures; in this case, these agreements are submitted for approval 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.

The Group issued a bond on May 3rd, 2016 in an amount of €250 million. This issuance related to senior secured obligations due in 2013 and at 3.5% fixed-rate. This bond issue enabled early repayment of senior subordinated obligations issued in 2013 in an amount of €300 million at 7.375% fixed-rate and due in 2020.

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	30.09.16	31.12.15
Bonds ⁽¹⁾	900,785	944,840
Bilateral loans	167,152	100,187
Lease debt	94,600	64,010
Non-current financial debt	1,162,538	1,109,036
Short-term bilateral loans	45,245	25,356
Short-term lease debt	48,010	36,789
Other financial debt	13,415	11,368
Current bank borrowings	219	168
Current financial debt	106,890	73,680
Financial debt	1,269,427	1,182,717

1) Net of bond issue costs.

Breakdown of financial debt by interest rate:

€'000	30.09.16	31.12.2015
Variable-rate debt	192,397	115,967
Fixed-rate debt	1,076,495	1,066,259
Bank overdrafts	219	168
Other	316	323
TOTAL	1,269,427	1,182,717

Breakdown of financial debt by maturity:

€'000	30.09.16	31.12.2015
< 1 year	106,624	73,378
1 to 5 years ⁽¹⁾	660,708	451,653
> 5 years	502,095	657,686
TOTAL	1,269,427	1,182,717

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

Change in borrowings and financial debt:**Changes in the period ended September 30, 2016**

€'000	30.09.16					Year-end
	Beginning of Year	Change in scope	Increase	Decrease	Other	
Bond issues	944,840		247,029	(300,000)	8,917	900,785
Bilateral loans	125,543		107,927	(21,047)	(26)	212,398
Lease debt	100,799		77,240	(35,431)	3	142,611
Other financial debt	11,536				2,098	13,634
TOTAL	1,182,717	-	432,196	(356,478)	10,992	1,269,427

Changes in 2015

€'000	31.12.15					Year-end
	Beginning of Year	Change in scope	Increase	Decrease	Other	
Bond issues	942,260				2,580	944,840
Bilateral loans	28,730		105,197	(8,334)	(50)	125,543
Lease debt	115,011		20,685	(34,906)	9	100,799
Other financial debt	10,405				1,131	11,536
TOTAL	1,096,406	-	125,882	(43,240)	3,669	1,182,717

Note 16 – Provisions for employees benefit

€'000	30.09.16	31.12.15
Net Defined Benefit Obligation	15,748	15,044
Reconciliation of the commitment and provisions		
Commitment	28,487	27,022
Plan assets	12,739	11,977
Net Defined Benefit Obligation at year-end	15,748	15,044
Movement in Defined Benefit Liability		
Net Defined Benefit Liability at beginning of year	15,044	15,085
Expense for the year	704	1,406
Recognition of actuarial gains or losses through OCI	-	(2,419)
Changes in scope	-	973
Other		
Net Defined Benefit Obligation at year-end	15,748	15,044
Breakdown of the expense for the year		
Current service cost	1,015	1,616
Benefits or contributions paid by the employer	(576)	(744)
Other	11	182
Interest cost	259	248
Exchange gains or losses	(5)	103
Expense for the year	704	1,406

Provisions for employee benefits include retirement benefits for €14,541 K and long-service awards (médailles du travail) for €1,207 K at 30 September 2016.

Provisions for employee benefits include retirement benefits for €13,880 K and long-service awards (médailles du travail) for €1,164 K at 31 December 2015.

Actuarial assumptions used as at 30 September 2016 are the same as those indicated in the annual financial statement at 31 December 2015.

Note 17 - Provisions**Change of provisions in 2016**

€'000	Provisions for contingencies	Provisions for charges	Total
Balance at the beginning	3,703	3,361	7,064
Changes in scope			0
Allocations	2,445	671	3,117
Reversals	(1,356)	(2,227)	(3,583)
Reclassifications	(5)	(0)	(5)
Balance at the closing	4,787	1,805	6,592

Change of provisions in 2015

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

Note 18 – Trade payables and other current liabilities

€'000	30.09.16	31.12.15
Trade payables	75,641	65,813
Payables to fixed asset suppliers	25,089	23,572
Trade payables and related	100,730	89,386
Corporate income tax liabilities	8	80
Tax and social security liabilities	92,924	87,350
Other liabilities	13,539	15,880
Accrued income	1,397	2,024
Other liabilities and accruals	107,860	105,254
Total current liabilities	208,599	194,720

Note 19 - Personnel expenses

€'000	30.09.16	30.09.15	31.12.15
Salaries	133,996	121,058	164,993
Payroll taxes	47,983	43,061	59,118
Employee profit-sharing	338	319	446
Total personnel expenses	182,317	164,438	224,557
Average headcount	5,004	4,583	4,659

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

In 2016, other operating income includes the result of liquidation of the Swedish subsidiary.

In 2015, other operating income includes the recognition in profit or loss of the goodwill generated by the acquisition of Hertz Spain.

Note 21 - Financial income (expense)

€'000	30.09.16	30.09.15	31.12.15
Interest and financing-related expenses	(48,003)	(51,830)	(69,397)
Income from cash and cash equivalents	464	887	1,183
Cost of financial net debt	(47,540)	(50,943)	(68,213)
Fair value adjustments for financial instruments	3,194	2,860	2,300
Financial costs related to early repayment of debt ⁽¹⁾	(24,023)		
Other financial expenses	(2,007)	(1,412)	(1,921)
Other financial income	440	1,011	1,242
Financial income (expense)	(69,936)	(48,484)	(66,593)

(1) of which €16,593 K of early redemption premium and €7,430 K of expense for the full amortization of remaining issuance costs

Note 22 - Corporate income tax**Analysis of tax expense**

€'000	30.09.16	30.09.15	31.12.15
Current tax	(3,077)	(14,785)	(17,918)
Deferred tax	5,685	4,631	2,633
Total	2,608	(10,154)	(15,286)

Reconciliation between actual tax and the theoretical tax expense

€'000	30.09.16	30.09.15	31.12.15
Consolidated income before tax and "CICE" French tax credit	(13,469)	12,540	17,775
Tax rate (parent)	34.43%	34.43%	34.43%
Theoretical tax expense	4,637	(4 317)	(6,120)
Difference in parent / subsidiary rates	(311)	(938)	(1,589)
Unused tax losses for the year	(637)	(399)	(1,383)
Use of previously unused losses	63	30	19
Permanent differences	(1,039)	(4,036)	(5,787)
French tax on dividends	(147)	(147)	(147)
Tax credits and other	42	(347)	(280)
Actual tax expense	2,608	(10,154)	(15,286)

Deferred tax assets and liabilities

€'000	30.09.16	31.12.15
Opening balance	(13,287)	(15,261)
Income (expense)	5,685	2,633
Change in scope	-	52
Recognised in equity	-	(703)
Other changes	17	(7)
Closing balance	(7,584)	(13,287)

Deferred tax assets primarily relate to temporary differences and the use of loss carry forwards. The unrecognised deferred tax assets relating to unused losses amount to €14.4 million at 31 December 2015 and have not changed significantly since this date.

The deferred tax liabilities relate to temporary differences, primarily linked to accelerated tax depreciation charges.

Note 23 – Operating lease commitments

There is no significant change in operating lease commitments compared with the information given in the financial statements as at December 31.

Note 24 - Off-balance sheet commitments

€'000	30.09.16	31.12.15
Guarantee given to banks for payment of real estate rentals	2,106	2,106
Pledging of business assets as collateral	360	360
Total commitments given	2,466	2,466
Bank guarantee received for payment of real estate rentals	7,308	7,308
Other bank guarantees received	450	450
Total commitments received	7,758	7,758

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

- Guarantee from the Loxam parent company on subsidiaries' borrowings for €7,913 K at 30 September.
- Pledge of Loxam Power and Loxam Module shares as well as the Loxam brand as a collateral for €410 million of secured senior bonds.
- With regard to the RCF loan, a transfer covered by the *Dailly Act* : 120% of the outstanding amount drawn on the RCF and pledge of the bank account as a collateral. The RCF was not drawn at 30 September 2016 nor during 2015 and 2016.

Note 25 – Related-party transactions

There is no significant change in related-party transactions compared with the information given in the financial statements as at December 31.

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