



INVESTOR REPORT December 31, 2019

TABLE OF CONTENTS

DEFINITIONS	3
NOTICE	4
CONSOLIDATED FINANCIAL STATEMENTS SUMMARY.....	9
RISK FACTORS.....	12
INDUSTRY.....	25
BUSINESS	29
MANAGEMENT - GOVERNANCE	44
MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.	48
APPENDIX FINANCIAL STATEMENTS.....	68

DEFINITIONS

In this document:

- “Company” means LOXAM SAS, and “we”, “us”, “our” and “our group” refer to LOXAM SAS 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);
- “At constant perimeter” 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 has been prepared in accordance with IFRS and is presented in millions 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 has been prepared in accordance with IFRS and has not been subject to an audit by our statutory auditors. The notes to the financial statements presented from page 68 to page 117 are unaudited at the date of this report.

In this document, we use certain non-IFRS 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-IFRS measures may not be comparable to other similarly titled measures of other companies and may have limitations as analytical tools. Non-IFRS 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

- **IFRS 16 - Leases:** this standard is applied by the Group since January 1, 2019 and replaces the IAS 17 and the associated IFRIC and SIC interpretations.

It removes the distinction previously made between simple leases and financial leases. According to IFRS 16, a lessee employs a right-of-use asset and a lease liability representing the rental obligation.

At the transition date, the Group chose to apply the modified method which consists in keeping the analyses performed for the identification of leases and to apply IFRS 16 only to contracts previously classified as leases. Contracts that were not identified as leases in accordance with IAS 17 and IFRIC 4 have not been re-analysed. As a result, the definition of a lease as defined by IFRS 16 only applies to contracts entered into or modified as from January 1st, 2019.

Leases previously classified as financial leases under IAS 17 have not been analysed at the transition date and have not been restated. The corresponding leased assets are accounted for as “Tangible assets” in accordance with prior year classification.

The Group has identified its lease contracts previously classified as operating leases within the scope of IFRS 16 and applied the following exemptions and transition options provided by the standard:

- Exemption for contracts with a duration of less than one year (at the date of transition, exemption of old lease contracts with a remaining term of less than 12 months);
- Exemption for lease contracts of low-value assets (USD 5,000);

- Use of the modified retrospective method at the transition date, recording the transition impacts in the opening balance sheet without restating previous comparative data;
- The rental obligation and the right-of-use are initially measured at the discounted value of rental payments over the remaining lease term at transition date, using the incremental borrowing rate for Loxam and its subsidiaries (taking into account the borrowing conditions and the credit risk specific to each entity and reflecting the duration of lease contracts);
- The right-of-use assets are amortized on a straight-line basis over the lease term, which corresponds to the non-cancellable period of each contract (taking into consideration the position of the ANC-Autorité des Normes Comptables from February 2018).

The lease contracts restated in accordance with IFRS 16 mainly relate to real estate and, to a lesser extent, heavy and light transport vehicles.

The implementation of the standard as of January 1, 2019 has led to the cancellation of lease expenses (in "Other current expenses") for lease contracts listed in the scope of the new standard, the amortization of the right-of-use and the recognition of financial expenses (interest cost of the lease liability).

As part of the acquisition of Ramirent Group, the right-of-use of the leased assets and the lease liability were valued at the acquisition date as new leases. Similarly, the discount rates used by Ramirent as part of their application of IFRS 16 since January 1, 2019, have been replaced by the incremental borrowing rate at the date of acquisition by Loxam under the new borrowing terms of Ramirent and its subsidiaries.

The Group presents the right-of-use within "Property, plant and equipment" on the same line as the underlying assets of same nature of which it has full ownership (Note 6).

The Group presents the lease liabilities within "Borrowings and financial debts" in the statement of financial position.

Following the publication in December 2019 of the final decision of the IFRS IC related to the determination of certain lease contracts duration as well as the amortization period for fixtures and installations inseparable from the leased asset, the Group has not modified the methods and assumptions used and will proceed with the analysis of potential impacts in 2020.

• **IFRIC 23 - Uncertainty over income tax treatments:** on 7 June 2017, the International Accounting Standards Board issued IFRIC 23 Interpretation, adopted by the European Union on October 23, 2018, and applicable beginning January 1, 2019. The Interpretation clarifies application of recognition and measurement requirements in IAS 12 Income Taxes when there is uncertainty over income tax treatments. The Interpretation specifically addresses the following:

- Considering each uncertain tax treatments separately or together:

The interpretation recommends that an entity should define whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments in order to determine taxable profit (tax loss), tax bases, tax loss carry-forwards, unused tax credits and tax rates. The approach that better predicts the resolution of the uncertainty should be followed.

- Examination by taxation authorities:

In assessing whether and how an uncertain tax treatment affects the determination of taxable profit (tax loss), tax bases, tax loss carry-forwards, unused tax credits and tax rates, an entity should assume that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations.

- Determining taxable profit (tax loss), tax bases, tax loss carry-forwards, unused tax credits and tax rates:

The interpretation recommends that an entity must consider the probability that a taxation authority will accept an uncertain tax treatment.

If the entity concludes it is probable that the taxation authority will accept an uncertain tax treatment, the entity must determine taxable profit (tax loss), tax bases, tax loss carry-forwards, unused tax credits and tax rates consistently with the tax treatment used or planned to be used in the entity's income tax filings.

If the entity concludes that the tax administration is unlikely to accept an uncertain tax treatment, the entity must reflect the effect of uncertainty in determining taxable profit (tax loss), tax bases, tax loss carry-forwards, unused tax credits and tax rates, following the method the entity expects to better predict the resolution of the uncertainty: either the most likely amount method, or the expected value method.

- Considering changes in facts and circumstances:

An entity should reassess any judgements and estimates made if the facts and circumstances change could modify the entity's conclusions about the acceptance of a tax treatment or its estimates about the effects of uncertainty, or both.

The application of this interpretation as of January 1, 2019 has no impact on the Group's consolidated financial statements.

Comparability of the financial statements

Considering the acquisitions of companies and business completed in 2019, Loxam's consolidated financial statements for 2019 include:

- 12 months of activity of UK Platforms, acquired on January 14, 2019 and merged into Nationwide Platforms on October 31, 2019;
- 5 months of activity of Ramirent, acquired on July 24, 2019 and consolidated as of August 1, 2019.

Loxam's consolidated financial statements for 2018 took into account:

- 4 months of activity of NVA, acquired in June 2018 and merged into Loxam SAS on September 1, 2018;
- 6 months of activity of Nove, acquired on June 21, 2018 and merged into Loxam Access SRL on December 21, 2018.

The information provided at constant perimeter for both the full year 2019 and the quarter ended December 31, 2019 is compared to the information in 2018 taking into account the elimination of financial information of UK Platforms and Ramirent.

The impact of the acquisition of the Ramirent group in 2019 is presented in Note 28 to our IFRS consolidated financial statements for the year ended December 31, 2019 and enables a comparison of 2018 and 2019 financial statements for the historical Loxam scope.

In addition, in order to provide a comparable basis for future years, a "pro forma" analysis of the main items of the income statement as of December 31, 2019 is presented in Note 29 to our IFRS consolidated financial statements for the year ended December 31, 2019, taking into account 12 months of activity of the Ramirent group. The 2018 comparative period has not been restated.

The purchase price allocation of Ramirent reflected in the financial statements at the end of 2019 is preliminary. The valuation of intangible assets and goodwill is therefore not final. The calculated depreciation charge of the related intangible assets booked in Q4 2019 took into account 5 months of depreciation.

Depreciation rules on fixed assets at Ramirent are still under analysis and were not modified in 2019.

This document contains forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995 and the securities laws of other jurisdictions. In some cases, these forward-looking statements can be identified by the use of forward-looking terminology, including the words “believes”, “estimates”, “aims”, “targets”, “anticipates”, “expects”, “intends”, “plans”, “continues”, “ongoing”, “potential”, “product”, “projects”, “guidance”, “seeks”, “may”, “will”, “could”, “would”, “should” or, in each case, their negative, or other variations or comparable terminology or by discussions of strategies, plans, objectives, targets, goals, future events or intentions. These forward-looking statements include matters that are not historical facts. They appear in a number of places throughout this document and include statements regarding our intentions, beliefs or current expectations concerning, among other things, our results of operations, financial condition, liquidity, prospects, competition in areas of our business, outlook and growth prospects, strategies and the industry in which we operate. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. We caution you that forward-looking statements are not guarantees of future performance and that our actual results of operations, financial condition and liquidity and the development of the industry in which we operate may differ materially from those made in or suggested by the forward-looking statements contained in this document. In addition, even if our results of operations, financial condition and liquidity, and the development of the industry in which we operate are consistent with the forward-looking statements contained in this document, those results or developments may not be indicative of results or developments in subsequent periods.

Any forward-looking statements in this document are based on plans, estimates and projections as they are currently available to our management. We undertake no obligation, and do not expect, to publicly update or publicly revise any forward-looking statement, whether as a result of new information, future events or otherwise and any opinion expressed in this document is subject to change without notice. Although we believe that the expectations reflected in such forward-looking statements are reasonable, we can give no assurance that such expectations will prove to be correct. The Company, as well as its affiliates, directors, advisors, employees and representatives, expressly disclaim any liability whatsoever for such forward-looking statements. All subsequent written and oral forward-looking statements attributable to us or to persons acting on our behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this document.

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,	
	2018	2019
	Pre – IFRS 16	Post - IFRS 16
Revenue	1,482.6	1,871.4
Other income	56.7	59.5
Purchases consumed.....	(162.8)	(193.4)
Personnel expenses.....	(381.3)	(467.5)
Other current expenses.....	(475.3)	(556.7)
Taxes and duties	(19.3)	(19.6)
Depreciation and amortization – Property, plant and equipment	(275.7)	(428.3)
Depreciation and amortization – Intangibles assets	(12.1)	(26.6)
Profit from ordinary operations	212.9	238.9
Other operating income and expense.....	0.2	(28.1)
Operating profit	213.2	210.8
Financial income and expense	(102.1)	(153.8)
Share of profit of associates.....	-	0.9
Income tax expense	(20.6)	(9.7)
Net profit	90.4	48.2
Non-controlling interests	(5.2)	(1.2)
Net profit, group share	95.7	49.4

Consolidated balance sheet under IFRS
(in millions of euros)

	As of	
	December 31, 2018	December 31, 2019
Intangible assets and goodwill.....	1,327.3	2,353.6
Property, plant and equipment.....	1,354.7	2,362.5
Financial assets	14.4	9.8
Financial derivatives	-	21.4
Deferred tax assets	18.4	18.5
Non-current assets	2,714.8	4,765.7
Inventories	30.8	49.3
Trade and other receivables	388.5	496.6
Other current assets	68.5	75.0
Cash and cash equivalents	143.8	230.1
Current assets	631.5	851.0
TOTAL ASSETS	3,346.3	5,616.7
Shareholders' equity	630.5	698.0
Provisions for employees benefits.....	11.1	44.2
Deferred tax liabilities.....	70.4	191.0
Borrowings and financial debt – long term portion.....	2,063.0	3,771.6
Financial derivatives	2.3	7.6
Non-current liabilities.....	2,146.9	4,014.4
Provisions.....	11.1	19.5
Borrowings and financial debt – current portion	216.5	474.2
Supplier and other payables	202.2	205.3
Other current liabilities.....	139.2	205.4
Current liabilities	569.0	904.3
TOTAL EQUITY AND LIABILITIES.....	3,346.3	5,616.7

	Year Ended December 31,		
	2018	2019	2019
	Pre – IFRS 16	Post IFRS 16	Excluding IFRS 16 impact
	(in millions of euros)		
Cash flow from operations	361.9	454.5	379.2
Cash flow from investing activities	(366.9)	(1,445.3)	(1,362.5)
Cash flow from financing activities.....	28.5	1,077.3	1,069.8
Change in cash and cash equivalents	23.5	86.5	86.5
Cash and cash equivalents at the end of the period ⁽¹⁾	141.4	229.0	229.0

Note: (1) Including bank overdrafts.

RISK FACTORS

Risks Related to Our Industry

Demand for our equipment fluctuates due to the cyclical nature of the industries in which we operate and according to general economic conditions.

Our equipment is principally used in connection with construction and civil engineering activities, in addition to industrial activities. These sectors in the markets where we operate are cyclical industries with activity levels that tend to increase during periods of economic growth and decline during economic downturns. The demand for our products is strongly correlated to conditions in the general economy and in the construction, engineering and industrial sectors. Consequently, a downturn in construction, civil engineering or industrial activities, or the economy in general, generally leads to decreased demand for our equipment. Downturns also intensify price competition as equipment rental providers seek to increase utilization of idle equipment.

Construction and civil engineering activities, which account for a majority of our revenue, may be impacted, either temporarily or over the long-term, by changes in:

- government infrastructure spending;
- construction spending levels by either public or private customers;
- the credit markets affecting our customers' ability to undertake new construction projects;
- the cost of construction materials; or
- weather conditions affecting a particular region.

Changes in these or other factors caused by deterioration in the construction and civil engineering sectors could have a material adverse effect on our financial position, results of operations and cash flows in the future. For example, the economic downturn in 2009 led to a decline in demand for our equipment. Additionally, we are exposed to the Middle East market, which is more volatile than the markets in which we have traditionally operated. If in any of our markets the economic conditions deteriorate or a return to economic growth is further delayed, our business, financial position, results of operations and cash flows could be adversely affected.

Unfavorable conditions or disruptions in the capital and credit markets may adversely affect business conditions and the availability of credit.

Disruptions in the global capital and credit markets as a result of an economic downturn, economic uncertainty, regulatory changes, financial institution failures or other factors could adversely affect our ability to access liquidity to invest in our equipment fleet. Unfavorable market conditions may depress construction markets by making it difficult for our customers to obtain financing for their projects and credit on reasonable terms, which may cause more of our customers to be unable to meet their payment obligations to us, increasing losses on bad debt. Delinquencies and credit losses generally can be expected to increase during economic slowdowns or recessions. See “—Risks Related to our Business—If we are unable to collect amounts due from customers, our operating results would be adversely affected.” Moreover, our suppliers may be adversely impacted by unfavorable capital and credit markets, causing disruption or delay of product availability. These events could negatively impact our business, financial position, results of operations and cash flows.

In particular, the recent withdrawal of the United Kingdom (one of our largest markets outside of France in terms of 2019 revenue) from the European Union (“Brexit”) on February 1, 2020, may also lead to significant uncertainty, volatility and disruptions in European economies and the capital and credit markets. Among other potential consequences of the recent Brexit, market volatility and changes in exchange rates between the British Pound and the euro could adversely affect our business, financial position, results of operations and cash flows.

In addition, if the financial institutions that have extended credit commitments to us are adversely affected by the conditions of the capital and credit markets, they may be unable to fund borrowings under those credit commitments, which could have an adverse impact on our financial condition and our ability to borrow funds, if needed, for capital expenditures, working capital, acquisitions, and other corporate purposes.

The equipment rental industry is highly competitive, which puts downward pressure on prices.

The equipment rental industry is highly competitive. Many of the markets in which we operate are served by numerous competitors, ranging from national and multi-regional equipment rental companies to small, independent businesses with a limited number of locations. We may encounter increased competition from existing competitors or new market entrants in the future.

In France, we face competition principally from national rental companies as well as from regional and local entities. In our international markets, we similarly face competition from well-established local and national competitors. Some of our competitors outside of France have greater financial, marketing and other resources than we do. We aim to develop a strategy in international markets that reflects our competitive position and financial assets, including focusing our efforts on local customers in markets where we are not a market leader, but such efforts may be unsuccessful. Our competitors may be more specialized or may have greater name recognition in some markets. We also face competition from smaller competitors operating at regional or local levels, many of whom benefit from a strong market presence and local relationships. Over time, our competitors, whether global, national, regional or local, could consolidate their businesses, and the diversified service offerings or increased synergies of these consolidated businesses could increase competition in the sectors in which we operate. Additionally, our customers might choose to use the services of our competitors rather than ours. Given that our top 10 clients at the Group level represented less than 10% of our revenue in 2019, our results might be negatively affected if we lose any of our top 10 clients to our competitors. These or other changes to the competitive landscape of our industry could result in a loss of market share, decreased revenue and a decline in profitability.

From time to time, we or our competitors may attempt to compete aggressively by lowering rental rates or prices. To the extent we lower rental rates or increase our fleet in order to retain or increase market share, our operating margins would be adversely affected. In addition, we may not be able to match a competitors' price reductions or fleet investment, which could cause our customers to reduce their level of business with us. Termination of contractual arrangements by our customers may result in decreased market share and revenue.

The cost of equipment purchases for use in our rental fleet may increase.

The cost of new equipment that we purchase for our rental fleet may increase as a result of increased raw material costs, including increases in the cost of steel, which is a primary material used in most of our equipment. These increases could materially affect our financial condition or results of operations in future periods if we are not able to pass such cost increases through to our customers. In addition, changes in customer demand due to changed technology, safety or environmental concerns, regulations, or other factors could cause certain of our existing equipment to become obsolete and require us to purchase new equipment, which would increase our costs.

Risks Related to Our Business

Our business could be hurt if we are unable to obtain additional capital as required.

We use cash generated from our operations, together with borrowings under our credit facilities and bond issuances, to fund our capital requirements. This cash may be insufficient and we may require

additional financing to obtain capital for, among other purposes, purchasing equipment, completing acquisitions, establishing new locations and refinancing existing indebtedness. In the past we mainly relied on borrowings under our bilateral credit facilities to fund our capital expenditures. See *“Management’s Discussion and Analysis of Financial Condition and Results of Operations—Capital Expenditures.”* In the future we may need to rely on different sources of financing for our capital expenditures. Our level of capital expenditures significantly affects the age and size of our equipment fleet, and if we are required to reduce these expenditures for any reason, the reduced availability of equipment or the age of our rental fleet may cause us competitive harm and increase our maintenance costs. Any additional indebtedness that we incur will make us more vulnerable to economic downturns and limit our ability to withstand competitive pressures. If we are unable to obtain sufficient financing in the future, our business could be adversely affected.

Our revenue and operating results fluctuate.

Our revenue and operating results have historically varied from period to period. A decline in general economic conditions and/or activity in the industries in which we operate could result in an overall decline in cash flows and profitability and make it more difficult for us to make payments on our indebtedness and grow our business. We expect our results to continue to fluctuate in the future due to a number of factors, including:

- general economic conditions in the markets where we operate;
- the cyclical nature of our customers’ business, particularly our construction customers;
- seasonal sales and rental patterns of our construction customers, with sales and rental activity decreasing in the winter months;
- severe weather temporarily affecting the regions where we operate;
- changes in private sector demand for plants and facilities or changes in government spending for infrastructure projects;
- our relatively high level of fixed costs, which causes revenue declines to significantly affect cash flow and profitability;
- the effectiveness of integrating acquired businesses and new start-up locations; and
- timing of acquisitions and new location openings and related costs.

In addition, we may lose sales and incur various costs when integrating newly acquired businesses or opening new start-up locations, and the profitability of a new location is lower in the initial months of operation.

We may be unable to forecast trends accurately.

Our decisions about investments in new equipment are based in significant part on our views of future demand. 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). However, economic volatility or uncertainty makes it difficult for us to forecast trends and set appropriate investment levels, which may have an adverse impact on our business and financial condition. If anticipated growth does not occur, we may not earn the level of returns that we hope to achieve on investments made during the bottom of the cycle. More generally, uncertainty regarding future product demand in the markets in which we operate could cause us to maintain excess equipment inventory and increase our capital expenditures beyond what is efficient. Alternatively, this forecasting difficulty could cause a shortage of equipment for rental that could result in an inability to satisfy demand for our products and a loss of market share.

We may not be able to execute our growth strategy by identifying or completing transactions with attractive acquisition candidates, and future acquisitions may result in significant transaction expenses and integration risks.

We have historically expanded our business through organic and external growth. While we have generally focused on small to mid-sized acquisition targets, we have recently undertaken more significant, strategic and transformational combinations, such as the Lavendon acquisition and the completion of the Ramirent acquisition, that may produce pronounced transactional expenses and integration risks. The management of our operations has become increasingly complex over the past three years as we have undertaken a significant number of acquisitions and have expanded our business into geographic markets in which we have not previously operated.

We cannot assure you that we will be able to identify attractive acquisition candidates or complete the acquisition of any identified candidates at favorable prices and upon advantageous terms. We expect to face competition for acquisition candidates, which may limit the number of acquisition opportunities and lead to higher acquisition costs. We may not have the financial resources necessary to consummate any acquisitions or the ability to obtain the necessary funds on satisfactory terms. Furthermore, general economic conditions or unfavorable global capital and credit markets could affect the timing and extent to which we successfully acquire new businesses.

Risks associated with our acquisition strategy, which could materially adversely affect our business, results of operations and financial condition, include the following:

- we may lose sales and incur substantial costs, delays or other operational or financial problems in integrating acquired businesses and integration may be more costly and take longer than expected;
- we may not achieve financial and operational synergies on a timely basis or without significant costs, if at all;
- acquisitions may divert management's attention from the operation of the existing business;
- the assumptions underlying the business plans supporting the valuations of the acquisitions and expected synergies may prove inaccurate, in particular with respect to the future performance of the acquired businesses;
- we may be forced to divest or reduce the scope of certain businesses so as to obtain the necessary regulatory authorizations, in particular with respect to anti-trust authorizations;
- we may need to write down goodwill and certain other intangible assets from our balance sheet if our initial estimates of the value of an acquired business are higher than actual results;
- we may be further exposed to risks of fluctuations in currency exchange rates;
- we may not be able to retain key personnel or customer contracts of acquired businesses;
- we may operate an acquired company as a joint venture with partners with whom we lack a longstanding relationship; and
- we may encounter unanticipated events, circumstances or liabilities related to the acquired businesses, their integration and the growth of our business, particularly in geographic areas in which we have not previously operated.

In the short-term, the disruptive effects of an acquisition can result in, among other things, lower employee productivity and increased advantages for our competitors, which may cause a decline in revenue from the acquired businesses. We have historically integrated acquired businesses into the Group gradually to preserve client relationships, and this integration period tends to be longer for larger acquisitions with many branches. As we have recently undertaken a more significant combination with the completion of the acquisition of Ramirent, the integration risks related to this combination could result in more significant combination expenses than for previous acquisitions. In

the longer term, there can be no assurance that, following integration into our Group, an acquired business will be able to maintain its customer base consistent with expectations or generate the expected margins or cash flows. Although we typically thoroughly analyze each acquisition target, our assessments are subject to a number of assumptions concerning profitability, growth, interest rates and company valuations. In addition, we may have difficulties in implementing our business model within an acquired company due to various factors, including corporate culture. There can be no assurance that our assessments of and assumptions regarding acquisition targets will prove to be correct and actual developments may differ significantly from our expectations.

Furthermore, acquisitions of companies expose us to the risk of unforeseen obligations with respect to employees, customers, suppliers and subcontractors of acquired businesses, public authorities and other parties. Although we typically engage in diligence while analyzing an acquisition opportunity, we cannot ensure that there will not be unexpected risks, liabilities or obligations that could have a material adverse effect on our business, results of operations or financial condition.

In addition to the risks described above, the integration of acquired businesses in our International division may be more difficult and take more time due to logistical, regulatory, linguistic, cultural and other factors such as our relative lack of familiarity with a given market and its economic, political and social dynamics. Such risks include significant exposure of local economies and government spending (and thus of demand and pricing for equipment rentals) to the level of oil prices, as well as economic instability, political volatility, civil war, violent conflict, social unrest or action by terrorist groups. Any of these risks in could negatively affect our operations, revenue and profits in the affected country and for the Group generally, and competitors may take advantage of these difficulties to weaken our customer base.

Our ability to manage our growth and integrate operations, technologies, services and personnel depends on our administrative, financial and operational controls and our ability to create the infrastructure necessary to exploit market opportunities, as well as our financial resources. In order to compete effectively and to grow our business profitably, we will need, on a timely basis, to maintain and improve our financial and management controls, reporting systems and procedures, implement new systems as necessary, attract and retain adequate management personnel, and hire, retain and train a highly qualified workforce. Furthermore, we expect that as we continue to introduce new product offerings and enter new markets, we will be required to manage an increasing number of relationships with various customers and other third parties. The failure or delay of our management in responding to these challenges could have a material adverse effect on our business, financial condition and result of operations.

We may not be able to execute our growth strategy by identifying and opening attractive new branch locations.

An element of our growth strategy is to selectively identify and implement new branches, both in France and in our international markets. We cannot assure you that we will be able to identify attractive new branch locations. Opening new branches may require significant investments and may involve risks associated with entering new markets, including markets where we face significant competition. We may not have sufficient management, financial and other resources to successfully operate the new branches. Any significant diversion of management's attention or any major difficulties encountered in the locations that we open in the future could have a material adverse effect on our business, financial condition or results of operations, which could decrease our profitability and make it more difficult for us to grow our business. Furthermore, general economic conditions or unfavorable global capital and credit markets could affect the timing and extent to which we open new branches, which could adversely affect our revenue and profitability.

We are dependent on our executives, managers and employees.

Our success depends, to a large degree, upon the continued service and skills of our existing management team, particularly our chairman and chief executive officer, Mr. Gérard Déprez, our managing director, Mr. Stéphane Hénon and other executive managers. Our management team has significant industry experience. Although our management team is deep, if we lose the services of any key member of our senior management team and are unable to find a suitable replacement in a timely manner, it may be a challenge for us to effectively manage our business and execute our strategy.

Our success also depends on the experience and skills of our regional managers and branch managers, who have extensive knowledge and industry experience. Competition for managers within our industry is generally significant, and, if any of our senior or regional managers joins a competitor or forms a competing company, we may lose customers, know-how and other personnel.

In addition, we depend upon the quality of our staff personnel, including sales and customer service personnel who routinely interact with and fulfill the needs of our customers. Although we believe we have established competitive pay packages, as well as the right working environment for our staff, there is no assurance we can continue to attract, hire, train and retain qualified personnel. A significant increase in personnel turnover could negatively affect our results of operations and financial performance.

If we are unable to collect amounts due from customers, our operating results would be adversely affected.

One of the reasons some of our customers find it more attractive to rent equipment than own that equipment is the need to deploy their capital elsewhere. However, some of our customers may have liquidity problems and ultimately may not be able to fulfill the terms of their rental agreements with us. Delinquencies and credit losses generally can be expected to increase during economic slowdowns or recessions. If we are unable to manage credit risk adequately, or if a large number of customers faces financial difficulties at the same time, or if we are unable to collect amounts due by customers, our credit losses could increase above historical levels and our operating results would be adversely affected.

We depend on equipment manufacturers to obtain adequate rental equipment for our fleet on a timely basis.

We purchase most of our rental equipment from well-known original equipment manufacturers. However, our suppliers may not be able to fulfill the terms of their agreements with us on a timely basis or at all for logistical or strategic reasons. Further, suppliers may be unwilling to extend contracts that provide favorable terms to us, or they may seek to renegotiate existing contracts with us. As a result, we could face increased costs for our equipment or longer delivery times. Delays in the delivery of new equipment may impair our ability to respond to increases in demand and may cause us to miss opportunities in our markets. Although we believe that we have alternative sources of supply for the equipment we purchase in each of our core product categories, the termination or delay of equipment orders by a major supplier could have a material adverse effect on our business, financial condition or results of operations.

The maintenance and repair costs associated with our rental fleet may increase.

As the equipment in our rental fleet ages, the cost of maintaining such equipment, if not replaced within a certain period of time, generally increases. Determining the optimal average age for disposal of our rental fleet is subjective and requires considerable estimates by management. Our future

operating results could be adversely affected because our maintenance and repair costs may be higher than estimated.

Our rental fleet is subject to residual value risk upon disposition.

Our approach to fleet management is to replace equipment only at the end of its useful rental life, at which time it is used for parts, sold for scrap or sold at auction. Usually a piece of equipment is fully amortized down to its residual value by the time it is removed from the fleet. Nonetheless, the market value of any given piece of rental equipment could be less than its depreciated value or residual value at the time it is sold. The market value of used rental equipment depends on several factors, including:

- general economic conditions;
- worldwide and domestic demands for used equipment;
- the supply of used equipment on the market;
- the market price for new equipment of the same kind; and
- wear and tear on the equipment relative to its age.

We include in the line “other operating income” in our income statement the difference between the sales price and the depreciated value of an item of equipment sold. Any significant decline in the selling prices for used equipment could have an adverse effect on our results of operations or cash flows.

Disruptions in our information technology system could limit our capacity to effectively monitor and control our operations.

We rely on information technology systems to track and bill our services, manage our fleet and gather information upon which our management makes decisions regarding our business. Our information technology systems also facilitate our ability to adjust to changing market conditions and customer needs. The administration of our business is increasingly dependent on the use of these systems. The risk of a security breach or disruption, particularly through cyber-attack or cyber intrusion, has risen as the number, intensity and sophistication of attempted attacks and intrusions around the world have increased. We can provide no assurance that our information technology systems are fully protected against such third-party intrusions or against viruses, ransom ware, or similar threats. Disruptions resulting from these threats, system crashes or other causes could have a material adverse effect on our business. In particular, we use several ERP systems across our network and any disruption to our ERP systems, or the failure of any of these systems to operate as expected could, depending on the magnitude of the problem, adversely affect our operating results. We back-up most of our data daily and have a disaster recovery plan in place for most of our systems, including our ERP system. However, our disaster recovery plan does not cover all of our systems. Our back-up systems may fail and any recovery of our data may be incomplete or subject to delay.

In addition, because our systems sometimes contain information about individuals and businesses, our failure to appropriately safeguard the security of the data we hold, whether as a result of our own error or the malfeasance or errors of others, could harm our reputation or give rise to legal liabilities. In certain of the regions in which we operate, the processing of personal data is subject to governmental regulation and legislation. Any failure to comply with such regulations or legislation could lead to governmental sanctions, including fines or the initiation of criminal or civil proceedings. In the European Union, we must comply with strict data protection and privacy laws that restrict our ability to collect and use personal information relating to customers and potential customers, including the marketing use of that information. In particular, Regulation (EU) 2016/679 of April 27, 2016 (“General Data Protection Regulation” or “GDPR”), which became applicable on May 25, 2018, increased both the number of and the restrictive nature of the obligations binding on us for the

collection and processing of personal data. Although we collect and store a limited amount of personal data, failure to comply with the provisions of GDPR could adversely affect our business, results of operations or financial condition.

A regional or global health pandemic could severely affect our business

Although our results have not been materially affected by a pandemic to date, if a regional or global health pandemic were to occur, depending upon its duration and severity, our business could be materially affected. For example, a novel strain of the Coronavirus, which was discovered in Wuhan, China in December 2019 and has been declared by the World Health Organization as a pandemic, has begun to have numerous effects on the global economy. The ongoing Coronavirus outbreak in Europe could cause a downturn in construction, company events, civil engineering or industrial activities which could materially and adversely affect our business, results of operations or financial condition.

We are exposed to various risks related to legal proceedings or claims that may exceed the level of our insurance coverage.

We are a party to lawsuits in the normal course of our business. Litigation in general can be expensive, lengthy and disruptive to normal business operations. Moreover, the results of complex legal proceedings are difficult to predict. Responding to lawsuits brought against us, or legal actions that we may initiate, can often be expensive and time-consuming and can divert management's attention. Unfavorable outcomes from claims or lawsuits could adversely affect our business, results of operations or financial condition. We could suffer reputational harm, incur substantial monetary liability and be required to change our business practices.

Our business exposes us to claims for personal injury, death or property damage resulting from the use of the equipment we rent, for injuries caused in motor vehicle accidents in which our delivery and service personnel are involved and for other employee-related matters. Additionally, we could be subject to potential litigation associated with compliance with various laws and governmental regulations, such as those relating to employment, health, safety, security and other regulations under which we operate.

We carry comprehensive insurance, subject to deductibles, at levels we believe are sufficient to cover existing and future claims. However, we may be exposed to multiple claims that do not exceed our deductibles, and, as a result, we could incur significant out-of-pocket costs that could adversely affect our financial condition and results of operations. In addition, the cost of such insurance policies may increase upon renewal of those policies as a result of general rate increases for the type of insurance we carry as well as our historical experience and experience in our industry. Although we have not experienced any material losses that were not covered by insurance, our existing or future claims may exceed the coverage level of our insurance, and such insurance may not continue to be available on economically reasonable terms, or at all. If we are required to pay significantly higher premiums for insurance, are not able to maintain insurance coverage at affordable rates or if we must pay amounts in excess of claims covered by our insurance, we could experience higher costs that could adversely affect our financial condition and results of operations.

Labor disputes could disrupt our operations or lead to higher labor costs.

We are subject to the risk of labor disputes, which may disrupt our operations. Labor laws applicable to our business in certain countries, particularly France, are relatively rigorous. In numerous cases, labor laws provide for the strong protection of employees' interests. In addition, some of our employees are members of unions or, based on applicable regulations, represented by work councils or other bodies. In many cases, we must inform, consult with and request the consent or opinion of union representatives or work councils in managing, developing or restructuring certain aspects of

our business. These labor laws and consultative procedures could limit our flexibility with respect to employment policy or economic reorganization and could limit our ability to respond to market changes efficiently. Even where consultative procedures are not mandatory, important strategic business decisions could be negatively received by some employees and employees' representative bodies, which could lead to labor actions that could disrupt our business.

Although we believe our relations with employees are good, our operations may nevertheless be materially affected by strikes, work-stoppages, work-slowdowns or other labor-related developments in the future, which could disrupt our operations and adversely affect our business, financial condition and results of operations. Our employees in certain countries benefit from collective bargaining agreements, and we may not be able to periodically renegotiate collective agreements on acceptable terms. Settlement of actual or threatened labor disputes or an increase in the number of our employees covered by collective bargaining agreements may adversely affect our labor costs, productivity and flexibility.

Many of our suppliers and customers have unionized work forces. Strikes, work-stoppages or work-slowdowns experienced by these suppliers or customers could materially and adversely affect our business, financial condition and results of operations. See *"Business—Legal Proceedings."*

Our international operations, particularly in emerging markets, expose us to risks inherent to international business, any of which could affect our results of operations.

We are present in 30 countries worldwide. As a result, we are subject to numerous, rapidly evolving and complex laws and regulations which govern, among other things, labor matters, immigration, health and safety, financial reporting standards, corporate governance, tax, trade regulations, export controls, and competitive practices in each jurisdiction where we conduct our business. Furthermore, we need to comply with various local standards and practices of different regulatory, tax, judicial and administrative bodies specific to each jurisdiction in which we operate.

There are multiple risks associated with the global nature of our operations, including political instability (such as the threat of war, terrorist attacks or civil unrest), inconsistent regulations across jurisdictions, unanticipated changes in the regulatory environment and import and export restrictions. Furthermore, these risks may be greater in certain areas where we operate, particularly outside Europe. Any of these events may affect our employees, reputation, business or financial results as well as our ability to meet our objectives, including the following specific business risks:

- negative economic developments in economies around the world;
- social and political instability in a number of countries around the world;
- potential terrorist attacks;
- epidemics and pandemics, which may adversely affect our workforce and suppliers;
- adverse changes in governmental policies, especially those affecting trade and investment; and
- inflation, recession, fluctuations in foreign currency exchange and interest rates, burdensome fiscal policies and transfer restrictions.

We are also reliant on local managers to oversee the day-to-day functioning of our branches and to ensure their compliance with local law, and may be subject to risks based on insufficient oversight. In such cases, or if any of these international business risks were to materialize or exacerbate, we could be fined or otherwise sanctioned by regulators, which could adversely affect our business, financial condition and results of operations.

Additionally, the consequences of the recent withdrawal of the United Kingdom (one of our largest markets outside of France in terms of 2019 revenue) from the European Union, including its impact

on our operations and results, remain highly uncertain. If the United Kingdom and the European Union are unable to negotiate acceptable withdrawal terms, barrier-free access between the United Kingdom and European Union member states could be diminished or eliminated. Additionally, based on the form of any withdrawal agreement, there are likely to be changes in the legal rights and obligations of commercial parties across all industries following such withdrawal. Lack of clarity about future laws and regulations may increase costs associated with operating in the United Kingdom, which could adversely affect our business, financial position, results of operations and cash flows.

Changes in tax laws or challenges to our tax position could adversely affect our results of operations and financial condition.

We are subject to complex tax laws in each of the jurisdictions in which we operate as well as to international tax laws. Changes in tax laws or regulations or to their interpretations could adversely affect our tax position, including our effective tax rate or tax payments.

In this respect, the current incorporation into French tax law of the Organization for Economic Cooperation and Development's (the "OECD") principles related to base erosions and profit shifting ("BEPS") included in the final reports released by the OECD as well as the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent BEPS signed in Paris on June 7, 2017, may increase the administrative efforts within our business and impact existing structures.

The European Union is itself pursuing its work on the harmonization of the tax legislation of the Member States. In this respect, the Council of the European Union (the "Council of the European Union") adopted a directive "laying down rules against tax avoidance practices that directly affect the functioning of the internal market" on July 12, 2016 (Council Directive 2016/1164) (the "ATAD"). Amongst the set of proposed measures, the ATAD provides for a general interest limitation rule pursuant to which the tax deduction of net financial expenses would be limited to 30% of the taxpayer's earnings before interest, tax, depreciation and amortization (EBITDA) or to a maximum amount of €3 million, whichever is higher (subject to several exceptions). Such new rules shall in principle apply as from January 2019. In this respect, Article 34 of the French Finance Law for 2019 (Law 2018-1317 of December 28, 2018) transposed into French tax law the general interest limitation rule provided for by the ATAD with effect as from January 1, 2019. The ATAD was later amended on May 29, 2017 by the Council Directive (EU) 2017/952 (the "ATAD 2"), which, *inter alia*, extends the scope of the ATAD to hybrid mismatches involving third countries. However, the French Finance Law for 2019 does not include any particular modification of the existing French anti-hybrid legislation in order to introduce under French tax law the provisions of the ATAD 2. Such modification is expected to occur at a later stage so that the provisions of the ATAD 2 apply in France as from January 1, 2020 (or potentially January 1, 2022, for certain provisions).

Furthermore, Article 108 of the French Finance Law for 2019 introduced under French tax law, the anti-abuse provision provided for by the ATAD with respect to French corporate income tax, which aims to address abusive tax practices that are not dealt with by specifically targeted provisions. Pursuant to this provision, the French tax authorities might ignore an arrangement or a series of arrangements which, having been put into place for the main purpose or one of the main purposes of obtaining a tax advantage that defeats the object or purpose of the applicable tax law, are not genuine taking into account all relevant facts and circumstances. The European Commission has also published a corporate reform package proposal on October 25, 2016 including three new proposals that aim at (i) re-launching the Common Consolidated Corporate Tax Base ("CCCTB") which is a single set of rules to compute companies' taxable profits in the EU, (ii) avoiding loopholes associated with profit-shifting for tax between EU countries and non-EU countries, and (iii) providing new dispute resolution rules to relieve problems with double taxation for businesses. The directive proposal on the CCCTB requires unanimity in the Council of the European Union for its adoption following

consultation of the European Parliament (special legislative procedure), which gave its favorable vote on March 15, 2018. These new regulations could impact our tax position in the future.

Another area of uncertainty concerns the progressive decrease of the French statutory corporate income tax rate provided for by Article 219 of the French Tax Code from 33.3% to 25% (or from 34.43% to 25.83% if the 3.3% social contribution provided for by Article 235 ter ZC of the French Tax Code is added to the French statutory corporate income tax rate) over a period of four years starting in 2019. Even though such decrease was enacted by the French Finance Law for 2018, a new French tax bill, released by the French government on March 6, 2019 and currently under discussion before the French Parliament, proposes that the French statutory corporate income tax rate applicable to companies generating a French turnover exceeding €250 million would still be set at 33.^{1/3}% with respect to fiscal year 2019 instead of 31% (or 32.02% including the abovementioned additional 3.3% social contribution) to address budget constraints of the French State. For these reasons, the pace of the progressive decrease could even be further revisited by the French government and/or the French Parliament prior the end of the fiscal year 2019.

Finally since tax laws and regulations in the various jurisdictions in which Loxam's companies are located or operate or may be located or may operate may not always provide clear-cut or definitive guidelines, the tax regime applied to Loxam's operations, intra-group transactions or reorganizations (past or future) is or may sometimes be based on Loxam's interpretations of French or foreign tax laws and regulations. Loxam cannot guarantee that such interpretations will not be questioned by the relevant tax authorities. More generally, any failure to comply with the tax laws or regulations of the countries in which Loxam's companies are located or operate may result in reassessments, late payment interests, fines and penalties.

The adoption by the Council of the European Union of an EU list of non-cooperative jurisdiction for tax purposes and the use of this list in the jurisdictions where we operate may impact our financial results.

The Council of the European Union adopted on December 5, 2017 its conclusions on the EU list of non-cooperative jurisdictions for tax purposes (the "Council Conclusions") which is composed of two sub-lists (respectively, the "Black List" and the "Grey List," together referred to as the "EU List"). The EU List was established following a screening and a dialogue conducted by a code of conduct working group appointed by the Council during 2017 with a large number of third country jurisdictions. The Black List, which shall be updated at least once a year, is currently (according to the list as of November 7, 2019) composed of eight jurisdictions (American Samoa, Fiji, Guam, Oman, Samoa, Trinidad and Tobago, the United States Virgin Islands and Vanuatu). Furthermore, the Council published a Grey List of screened jurisdictions that committed to introduce changes in their tax legislation in order to comply with the European Union screening criteria. Though there is no applicable sanction yet, Member States are encouraged by the Council Conclusions to agree on coordinated sanctions to apply at national level against these listed jurisdictions, such as increased monitoring and audits, withholding taxes, special documentation requirements and anti-abuse provisions. A new French law that aims at fighting fraud was published on October 24, 2018 (Law 2018-898 of October 23, 2018) and expands under certain conditions the French tax regime regarding the Non-Cooperative States and jurisdictions as defined under Article 238-0 A of the FTC to certain States and jurisdictions included into the Black List. As a result, interest paid or accrued to persons domiciled or established in certain States and jurisdictions included into the Black List or paid on an account opened in a financial institution located in such States and jurisdictions may be subject to withholding tax in France and not be deductible for purposes of the computation of the debtor's corporate income tax liability. The new provisions apply to States and jurisdictions after their inclusion by order (*arrêté*) on the list of Non-Cooperative States and jurisdictions as defined under Article 238-0 A of the FTC, it being mentioned that the French list has just been updated and includes

the jurisdictions from the Black List (*Ministerial Order dated January 6, 2020 amending the ministerial order dated February 12, 2010*).

We are exposed to the risk of violations of anti-corruption laws, sanctions or other similar regulations applicable in the countries in which we operate or intend to operate.

We must comply with certain anti-corruption laws, sanctions or other similar regulations in each of the jurisdictions in which we operate. For instance, the U.S. Foreign Corrupt Practices Act of 1977, the U.K. Bribery Act 2010, the French law of December 9, 2016 relating to transparency, fighting corruption and modernizing economic life (more widely known as the “Sapin II Law”) and other similar worldwide anti-corruption laws generally prohibit companies and their intermediaries from making improper payments to foreign officials for the purposes of obtaining or retaining business. We operate in certain parts of the world that lack a developed legal system or have experienced widespread corruption. Under some circumstances, strict compliance with anti-corruption laws may conflict with local customs and practices. Our internal policies mandate compliance with these laws, but despite our compliance policies and training efforts, we cannot assure you that our internal control policies and procedures will always protect us from acts committed by our employees.

Further, due to the global nature of our operations, we may use local agents or subcontractors to understand unfamiliar environments and differences in cultural, legal, financial and accounting complexities and obligations, or to carry out a portion of the activities called for by a particular contract. There is a risk that such agents or subcontractors may be involved in illegitimate activities in local markets that are unknown to us. If we fail to adequately supervise them or maintain an adequate compliance program, we may be liable for their actions. Similarly, our clients and suppliers may be involved in activities that our onboarding and diligence procedures may be unable to detect and that may put us at risk for non-compliance with anti-corruption and similar laws.

Violations of such laws can result in civil penalties, including fines, denial of export privileges, injunctions, asset seizures, debarment from government contracts, termination of existing contracts, revocations or restrictions of licenses, criminal fines or imprisonment. In addition, such violations could also negatively impact our reputation and consequently, our ability to win future business. On the other hand, any such violation by our competitors, if undetected, could give them an unfair advantage when bidding for contracts. The consequences that we may suffer due to the foregoing could have a material adverse effect on our business, financial condition and results of operations.

Our internal control and compliance processes may fail to prevent regulatory penalties and reputational harm.

We operate a decentralized business through more than one thousand branches across multiple jurisdictions. Our internal control and compliance processes may not prevent all future breaches of law, accounting standards or our internal codes of conduct. We may experience instances of fraudulent behavior and dishonesty by our employees, contractors or other agents. Any failure to comply with applicable laws and other standards could subject us to fines, legal proceedings, loss of operating licenses and reputational harm.

Changes in applicable law, regulations or requirements, or our material failure to comply with any of them, can increase our costs and have other negative impacts on our business.

We operate in France and 21 other countries in Europe, the Middle East and northern Africa and South America, which exposes us to numerous EU, national and local regulations. These laws and requirements address multiple aspects of our operations, such as worker safety, consumer rights, privacy and employee benefits, and can often have different requirements in different jurisdictions. In addition, changes in regulations could impact the ability of rental operators to utilize their equipment in certain types of projects, affecting the competitive landscape in those projects, as well

as in other areas in which the non-conforming equipment may be redeployed. Changes in regulatory requirements, or any material failure by our branches to comply with them, can increase our costs, affect our reputation, limit our business, drain management time and attention and adversely affect our business, financial condition and results of operations.

We could be adversely affected by environmental and safety requirements, which could force us to increase capital expenditures and may subject us to unanticipated liabilities.

Our operations generally do not raise significant environmental risks, but we use hazardous materials to clean and maintain equipment, dispose of solid and hazardous waste and waste water from equipment washing, and store and dispense petroleum products from underground and above ground storage tanks located at certain of our locations. As a result, like other companies engaged in similar businesses that require the handling, use, storage and disposal of regulated materials, we are required to follow environmental and occupational health and safety laws and regulations.

Environmental laws also impose obligations and liability for the cleanup of properties affected by hazardous substance spills or releases. These liabilities can be imposed on the parties generating or disposing of such substances or the operator of the affected property, often without regard to whether the owner or operator knew of, or was responsible for, the presence of hazardous substances. Accordingly, we may become liable, either contractually or by operation of law, for remediation costs even if a contaminated property is not presently owned or operated by us, or if the contamination was caused by third parties during or prior to our ownership or operation of the property. There can be no assurance that prior site assessments or investigations have identified all potential instances of soil or groundwater contamination. Future events, such as changes in existing laws or policies or their enforcement, or the discovery of currently unknown contamination, may give rise to additional remediation liabilities, which may be material.

Although expenses related to environmental and safety compliance and/or remediation have not been material to date, we have made and will continue to make capital and other expenditures in order to comply with these laws and regulations. However, the requirements of these laws and regulations are complex, change frequently, and could become more stringent in the future. We may not be in complete compliance with all such requirements at all times, and we may be subject to potentially significant civil or criminal fines or penalties if we fail to comply. New regulatory requirements or interpretations or additional liabilities that arise in the future may have a material adverse effect on our business, financial condition and results of operations.

INDUSTRY

Industry Overview

Equipment rental companies provide customers with lines of equipment, including larger equipment such as aerial work platforms, excavators, earthmoving equipment and forklift trucks, as well as smaller equipment such as power saws, jackhammers, scaffolding and small pumps. Rental companies provide also a large range of services associated with the equipment for rent such as maintenance, in-service inspection, repair, transportation, storage, compliance with health and safety regulations, damage waiver and training on the proper use of the equipment.

The primary customers for equipment rental companies include construction contractors, industrial companies, utilities, maintenance operators, government entities and homeowners. In addition, craftsmen, as well as events and media companies, increasingly seek to rent equipment, although on a less recurring basis. We address such customers in 30 countries, the majority of which are in Europe. The dynamics of the customer and geographic end markets we serve vary widely.

Equipment Rental Business Model

The long-term growth prospects for the equipment rental industry continue to be favorable, driven by the structural shift towards equipment rental instead of each customer owning its own fleet. The rental concept has gained attractiveness in a macroeconomic context in which even financially healthy companies find equipment rental to be a prudent investment policy. The equipment rental business is also attractive to customers as it allows them to meet their CSR targets in terms of compliance with regulations, safety and reduction of their carbon footprint.

Other companies simply lack the financial resources or credit for large fleet investments and have to rely on the rental channel.

Construction and industrial companies increasingly recognize the advantages of equipment rental over ownership, which include but are not limited to:

- Rental of equipment is part of the larger developing circular economy, where an equipment is rented by many customers over its life cycle while the rental company keeps control over its good functioning order through a program of maintenance and regular inspections.
- Equipment rental is a developing business as it has economic advantages and also helps customers to fulfill their duties towards their objectives in terms of quality, safety and the environment.
- Rental of equipment reduces the amount of capital required relative to purchasing equipment and allows companies to preserve capital to invest in their core operations;
- Rental of equipment allows customers to exchange fixed costs for variable costs on an as-needed basis so that rental costs are only incurred when there is a predictable source of revenue; in contrast, ownership costs are fixed and include a number of ongoing costs in addition to the cost of initial purchase, such as insurance, maintenance, in-service inspection, repair, transportation and storage; these costs tend to increase over the life of the machine, and are only marginally related to its actual use;
- Rental of equipment minimizes costs related to idle equipment during project downtimes and provides flexibility to deal with unexpected events such as equipment failure or changes in planning;
- Rental of equipment can be used to supplement owned equipment, thereby increasing the range and number of tasks that can be performed and allowing customers to take advantage of opportunities without undermining the financial strength of their business;
- Rental of equipment transfers the residual value risk and the management of equipment at

- the end of its useful life to the rental equipment provider; and
- Rental of equipment allows customers to select the most appropriate piece of equipment for the task at hand, which can improve safety, efficiency and quality of work, especially since the safety of the equipment is systematically verified by the rental companies prior to any new contract.
- Rental of equipment from companies with a large network of branches such as Loxam enables customers to optimize their logistics flows from and to their worksites.

Our Principal Customer End Markets

We primarily serve construction, industrial and specialist customers, from small businesses and craftsmen to large international groups as well as public administration. The construction end markets represent the largest portion of our business and accounted for approximately 60% of our 2019 revenue. We have also developed a strong offering for the rental services segment through addressing the needs of both construction and non-construction end users (such as local authorities and companies managing events) requiring services such as risk protection, business support, planning, logistics and onsite support, training and merchandise sales in addition to equipment rentals. Although the different industries and customer sectors we address are exposed to cyclical fluctuations, our diversified geographic and end-market exposure allows us to benefit from different growth patterns.

European Construction Market

The equipment rental industry is dependent on the construction market and on general economic conditions. Growth in the equipment rental industry typically anticipates and outpaces growth in the construction market and responds more quickly to positive or negative changes.

The construction market consists of different subsectors: new residential and non-residential, renovation and maintenance and civil engineering, which includes transportation infrastructure and telecommunications as well as energy and water works. While the construction market as a whole is cyclical, individual end markets have different growth patterns and do not follow similar trends simultaneously. For example, the renovation and maintenance end market has less cyclical dynamics as customers tend to reduce new projects in favor of renovation and maintenance work during an economic downturn. In addition, the intensity of construction activity can vary significantly between different regional and local markets providing further balance to demand for rental equipment.

Overall, the European construction market continued to grow in 2019. The average growth rate of the 15 European countries that are covered by the European Rental Association (“ERA”) is expected to be 2.3% in 2019 and 1.1% in 2020, according to Euroconstruct data as of November 2019. Growth is expected to slow through 2020 as EU-funded infrastructure projects reach completion ahead of the next EU budgetary period beginning in 2021.

European Equipment Rental Market Size and Trends

Based on data provided by the ERA, the total size of the European equipment rental market (defined as total rental turnover, including rental-related revenue, merchandise and sale of used equipment) was exceeded €25.0 billion in 2018. The largest equipment rental markets in Europe in 2019 were the United Kingdom (€6.8 billion), Germany (€4.6 billion), France (€3.9 billion) and Sweden (€1.6 billion).

The ERA estimates the European rental market grew by 4.4% in 2018 and by 3.8% in 2019 and 3.2% in 2020.

Construction rental penetration is expected to increase further throughout Europe as users recognize the advantages of equipment rental. The rental penetration rate tends to differ widely from country

to country, and is influenced by, among other factors, the existence and quality of equipment rental companies in the local market, national economic conditions, attractiveness of financing and tax environments, weather patterns and cultural attitudes towards equipment rental.

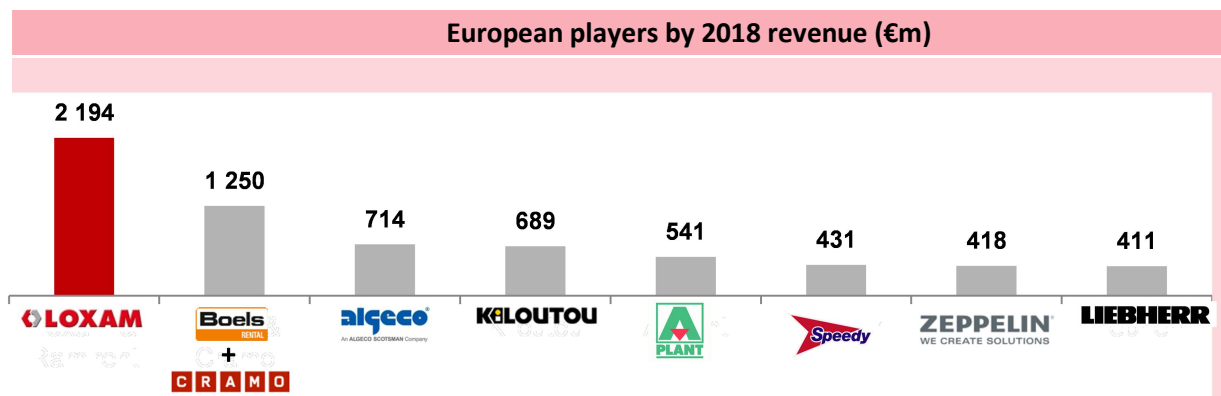
In 2019, the average penetration rate for rentals in the construction sector (calculated using the size of the rental market divided by the size of the construction market) for the 15 European countries covered by the ERA was 1.4%. For 2019, France's rental penetration rate was in line with the average at 1.4%. The UK and Nordic markets enjoy the highest rate of penetration in Europe, with the UK's rental penetration rate standing at over 2.5% due to a very rich offer from rental companies beyond the traditional construction sector, and Sweden's rental penetration rate standing at over 3.5% due to a strong culture of equipment outsourcing from construction companies.

European Competitive Landscape

The European equipment rental industry is very fragmented and consists of a large number of small companies serving discrete local or regional markets and a small number of medium-sized and large companies serving regional, national or international customer bases. Specialty equipment rental companies against which the Group also competes can have large regional, national or international market shares in their respective specialty ranges of equipment. The industry is continuing to consolidate, and large, well-financed companies such as the Group are in a position to invest as needed to take advantage of the future growth in the rental market and of opportunities for market consolidation.

According to the ERA and public reporting for 2018, the two largest equipment rental companies in Europe are Loxam (8.7% market share including Ramirent), and Boels + Cramo (4.9% market share).

The chart below presents the top 10 European equipment rental players by 2018 revenue.



Competition in the equipment rental market tends to be based primarily on geographic proximity and equipment availability, as well as equipment quality, price, quality of sales relationships, delivery times, quality of service and, for our largest clients, possession of relevant health and safety certifications.

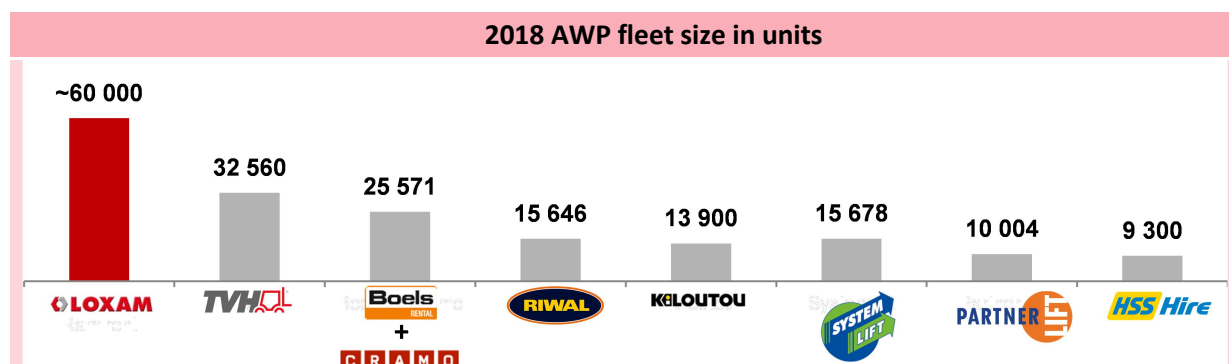
European Powered Access Equipment Rental Market

The powered access equipment or mobile elevating work platforms ("MEWPs") market consists of booms, scissor lifts and vertical masts, including both articulated and straight telescopic booms, and can be self-propelled, pushed around, towed or vehicle-mounted. Powered access equipment accounts for a substantial portion of the equipment rental industry, in particular because most such equipment is more specialized and expensive, therefore making rental rather than ownership more

cost-effective for end users. The powered access market tends to be less cyclical than the overall equipment rental market.

Following the acquisitions of Lavendon and Ramirent, Loxam has solidified its market leading position as the largest MEWP rental operator in Europe. The Group's fleet size of around 60,000 pieces of powered access equipment is almost three times the size of the fleet of the next largest operator, TVH.

The chart below presents the top 8 European MEWP rental operators in 2018 as measured by total units in their respective powered access fleets.



French Equipment Rental Market

Based on ERA data, the French equipment rental market is the third largest market in Europe, behind the United Kingdom and Germany, with an estimated size of €4.1 billion in 2019.

Since 2016, the market resumed its organic growth on the back of a growing construction market. In 2019, the market has continued to grow, though at a lower rate than in the previous year. In 2020, we expect that the rental market will continue to grow, although at a slower rate than in 2019 as France will hold municipal elections in March. These local elections mark the end of an investment cycle from municipalities which are an important source of demand for construction work.

Loxam and Kiloutou are the two largest players in the French equipment rental market and together account for more than one third of the total market. Loxam is the largest rental company in the French market with an estimated 22.5% market share. Over the last three years, Loxam has been growing organically at an average compounded growth rate of 6.3% which is the benchmark for organic growth in the profession.

The table below presents revenue and revenue growth data from the ERA for the equipment rental market in France.

	2017 (actual)	2018 (estimated)	2019 (estimated)	2020 (forecast)	2021 (forecast)
Revenue (€ million)	3,585	3,865	4,090	4,225	4,360
% growth	7.2%	7.8%	5.8%	3.3%	3.2%

(Source: ERA 2019 market report)

BUSINESS

Our Company

On July 24, 2019, we announced our successful take-over of 98.2% of the Ramirent shares listed on the Helsinki stock exchange. Since August 1, 2019, we have consolidated Ramirent's financial performance. The acquisition of Ramirent has enabled us to increase our geographical presence in Europe and reduce the weight of the French market, which accounts now for less than 50% of our revenue.

Loxam and Ramirent combined (the "Group") is the leading equipment rental company in Europe based on 2019 revenue of €2,295.1 million on a pro forma basis and the third-largest equipment rental group in the world for the construction, industry, public works, services and events sectors based on 2018 revenue with a large presence in Europe. Approximately 40% of our revenue comes from France and 95% of our revenue comes from Europe.

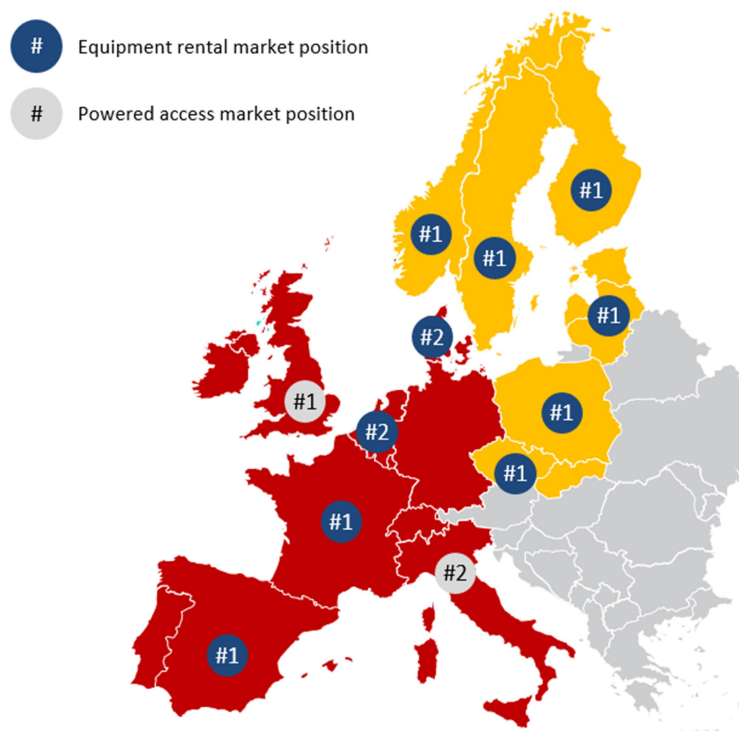
Competitive Strengths

We believe that the following competitive strengths have been instrumental in our success and will drive our future growth:

Undisputed leader in pan-European equipment rental market with positive growth outlook

In 2019, the Group became the undisputed leader in the European equipment rental market, with Pro Forma Revenue in 2019 over two times greater than that of the nearest competitor in Europe. The Group also has an unmatched network of 1,045 branches across 22 European countries. Based on 2019 revenue, the Group has a market leading positions in eight key European markets (France, Spain, Norway, Sweden, Finland, the Baltics, Poland and the Czech Republic) and top three market positions in each of the UK (where Loxam is the leader in the powered access market), Denmark, the Netherlands, Belgium and Italy.

The map below presents the European leadership positions of Loxam and Ramirent.



The Group established its leadership in the European market through developing and expanding its network, both organically and through a series of successful acquisitions. Both Loxam and Ramirent have strong brand recognition epitomizing their high quality of service, dense network and large, high quality fleets. The Group's fleet total approximately 550,000 pieces of equipment which is the largest in the European market based on its gross book value of €4.5 billion as of December 31, 2019.

In addition to these benefits, we expect to benefit from the positive medium-term outlook of the European equipment rental and construction markets, particularly in France, which accounted for 40% of the Group pro forma revenue in 2019. The equipment rental market in France had an estimated value of €4.1 billion in 2019 according to the European Rental Association. The rental market in France is expected to continue to grow in 2020 by 3.3% according to the ERA, driven by the growth in the construction market estimated at an average growth rate of 1.3%, according to Euroconstruct.

Dense commercial footprint serving diversified geographic and customer end markets through an expansive fleet and high-quality customer service

The Group owns a fleet of approximately 550,000 pieces of equipment serving over 350,000 customers in 30 countries as of December 31, 2019. Our portfolio of clients mostly includes construction and industrial customers, from small businesses and craftsmen to large international groups, and our customers operate within different economic and construction cycles. The construction end markets represent the largest portion of our business and accounted for approximately 60% of the Group 2019 revenue. In recent years, the Group has diversified the source of its revenue across industries and is now increasingly supporting the day-to-day activities or occasional needs of customers engaged in the broader services sector, such as events, training, facility management. As a result of these efforts, the Group revenue generated by non-construction end markets reached close to 40% in 2019. The Group is also less dependent on the revenue from its top 10 customers to less than 10% in 2019.

We provide our customer base with access to a fleet encompassing a wide range of both generalist and specialist equipment. We believe that we are the only rental group to provide such a range of both generalist and specialist brands on our geographic scale. Our evolving fleet allows us to act as a one-stop shop meeting a full range of client needs for earth moving, aerial work, handling, compaction, energy, modular and building equipment. Additionally, we aim to obtain standardized equipment from our suppliers to the extent possible and in accordance with our high standards. Greater standardization of our fleet lowers maintenance costs and reduces training time for our staff while also promoting greater fleet utilization by making it easier to share spare parts between branches and transfer equipment from one branch to another.

Client service is a central element of our brand and we seek to go beyond being able to provide the equipment our clients need by providing outstanding service throughout the rental process. This is why we have developed in-house training programs to train our staff from the moment they are hired. The Loxam School near Paris, where most new recruits spend some time for an induction training, offers our employees training on sales skills and the safe use of our equipment so that they are able to effectively advise our clients in their choice and use of rented equipment. We perform quarterly customer satisfaction surveys of approximately 30,000 customers, 93% of whom confirm their satisfaction with the quality of the services we provide. In France, we were recognized as the client service provider of the year in the rental equipment category by ESCDA (*Élection Service Client de l'Année*) in 2018 and 2019. Ramirent has a similarly strong commitment to customer service which is reinforcing the Group's existing reputation in this area.

Proven and flexible operating model supported by superior market knowledge as well as strong fleet and network management skills

The Group's successful, customer-oriented business model centers on the smart management of our rental equipment fleet and our broad network of branches, which is guided by our superior knowledge of the end markets, customers and geographic regions we serve.

Market knowledge and experience are central to each aspect of our business model. 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 in order to learn about, and adapt to, their changing needs as well as those of the overall construction market. We use market indicators such as GDP growth and construction activity in addition to information generated from our local branch network and strong customer relationships to predict short- and medium-term demand for our services. Our responsive business model is informed by the density of our network, particularly within France, the large number of our customers across diverse end markets and our experience of more than 50 years in the equipment rental market.

The quality and appropriate management of our fleet is a core part of meeting our customers' needs and maintaining our profitability and market leadership. We use the needs of our customers and the business cycles affecting our industry as well as our own set of key internal indicators, such as the age and utilization rates of different products in our fleet, to make strategic decisions with respect to the deployment of our fleet across our network and to the level of capital expenditure dedicated for the maintenance or expansion of our fleet. We continuously update and expand our fleet in order to meet the technical demands of our clients' operations and pursue opportunities to target new sectors.

We focus on maintaining the quality and flexibility of our overall network through close quality control of our branches, training of our employees, optimized IT systems and detailed reporting tools that allow for information sharing and internal benchmarking. We monitor the quality of our branches through regular internal and external audits. We promote the quality and dynamism of our network by providing our employees with different types of comprehensive internal training across all levels and divisions to foster the development of multiple skill sets, resulting in a more efficient and motivated workforce. We rely on several integrated enterprise resource planning ("ERP") systems that support numerous aspects of our operations. In particular, these systems provide us with immediate data to inform the deployment of assets within our network to areas where the level of demand is higher, thus maximizing our utilization rates and further reinforcing the flexibility of our business model.

Profitable track record and ability to manage business cycles through nimble cost and capital expenditure control

We believe that our ability to manage our operating costs and our fleet according to market conditions is a competitive advantage that has contributed to Loxam's historically high level of profitability. For example, we have maintained EBITDA margins above 30% throughout the various business cycles since 2006, illustrating the responsiveness of the Loxam business model and our ability to manage growth. This profitability exists at the level of each of our three business divisions. We believe that we will continue to achieve EBITDA margins above 30% following the acquisition of Ramirent based on the Combined Group's Pro Forma EBITDA margin of 32.6% (pre-IFRS 16 and including synergies) for the year ended December 31, 2019.

We are able to efficiently manage our capital expenditure based on our market expectations. In a growth cycle, we invest in our rental fleet to enhance our product offering and expand into new products and markets. In a downturn, we can rapidly reduce capital expenditures, streamline our

network and pay down debt with our cash flows. We have no long-term engagements in respect of capital expenditures and make investment decisions on a regular, near-term basis. As a result, we are able to quickly adjust our level of investment in the fleet to respond to the state of the market. The contra-cyclical nature of our cash flow generation driven by discretionary capital expenditure requirements contributes to the overall resilience of our business model throughout cycles.

Experienced management with superior market knowledge and proven M&A track record

Loxam's senior management team is led by Mr. Gérard Déprez, our president, CEO and controlling shareholder who has over 30 years of experience with us. The members of our management committee have significant experience in our industry and are supported by divisional and regional managers in an organizational structure that empowers middle management and local branch managers while keeping bureaucratic processes at a minimum. We believe that our lean management structure encourages strong commitment and entrepreneurial spirit across the Group.

Our management team has proven its ability to consistently deliver strong financial performance and protect cash flow generation. In recent years, our management team has also earned distinction for its skill at expanding our business through acquisitions.

We believe that the management teams of Loxam and Ramirent share similar approaches and priorities, as evidenced by, for example, our common focus on improving safety and diversifying our customer end markets. In addition to our management team, our second-largest shareholder, Sparring Capital, supports our success and development through its active participation in our Strategic Committee and the contribution of additional expertise in the rental industry stemming from its previous investment in the sector.

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 1994, the company was the subject of a management buy-out 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 3I plc and Sparring Capital each took 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, together with the management of Loxam and its employees, own approximately 95.2% of Loxam's shares while Sparring Capital owns 4.8%.

Generalist market expansion

We began expanding nationally in France 30 years ago, both organically and through a number of small and large strategic acquisitions. As of December 31, 2019, our Generalist network in France consisted of 423 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 1980's 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 division 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, 2019, we had 78 specialist branches located in France.

International development

Most of our recent development has happened internationally. In 2017, we acquired the Lavendon Group, specialized in renting out powered access equipment through 70 branches located in the United Kingdom, Germany, Belgium and the Middle East, and acquired the Hune Group (37 branches) which operates in Spain, Portugal, and has two joint ventures in Saudi Arabia and Colombia. During that year, we also acquired the Danish equipment rental operations of Cramo Plc, the activities of the Italian powered access equipment rental company Nacanco SpA, through a newly created subsidiary Loxam Access SRL, and the Irish company Swan Plant Hire, with 2 branches in Dublin.

In June 2018, Loxam Access SRL acquired 100% of the Italian powered access rental company No.Ve S.r.l. (“Nove”) from Haulotte Group S.A. Nove operates 6 branches in Italy.

On July 24, 2019, we acquired Ramirent, a leading service company offering equipment rental for construction and other industries. The Acquisition of Ramirent has enabled Loxam to increase its geographical presence in Europe and reduce the weight of the French market, which accounted for less than 50% of the Group’s revenue following the Ramirent acquisition.

As of December 31, 2019, we had 568 generalist and specialist branches in our International network, which generated 51% of our 2019 consolidated revenue, the majority of which was generated in Europe (excluding France).

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 69,8% of total revenue in 2019. We also provide rental services (approximately 25% of total revenue in 2019), 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 2019).

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. We rent generalist equipment under the Loxam Rental brand. Our main product lines include:

- earth moving equipment, including excavators, loaders and dumpers, which are designed for digging, lifting, loading, moving and building materials 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 telescopic handlers, which are used to lift and transport materials and are often used in the construction, manufacturing and warehousing industries;
- compaction equipment, including compactors, rammers, rollers and vibrating plates, which are used to compact soil, gravel 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 drillers, concrete mixers, trowels and saws; and
- other equipment, including hand-operated tools such as power drills, chainsaws, and jackhammers as well as scaffolding, trucks, pumps, site surveillance systems and traffic management equipment, among others, which are 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 buildings, rented by Loxam Module, include portable accommodation, workspaces and containers, often used on major construction or civil engineering sites, for special events, 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, and
- 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 services in Western Europe, which we consider as our core market. We have subsidiaries located in Sweden which is our largest market outside of France before Finland, the United Kingdom and Norway. We are also present in Spain, Denmark, the Benelux, Italy, Germany, Ireland, Switzerland, Portugal, the Baltic States as well as Poland, the Czech Republic and Slovakia.

Outside of Europe, where we make 5% of our total revenue in 2019, we are present in the Middle East, in Brazil, Colombia and Morocco.

Ramirent has also a 50% stake in a Russian joint venture which is consolidated in the accounts under the equity method.

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 25% of total revenue in 2019, include transportation of equipment to a site and assembly of modular equipment, damage waivers, which act like a product warranty against theft and breakage, and 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 2019. We consider retail to be an activity that supports our primary rental activity.

Customers

The Group has a broad customer base of approximately 400,000 clients across all divisions, ranging from large international companies to craftsmen. The Group's customers operate in many sectors, including residential, industrial, commercial 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 2019, construction and civil engineering customers represented internationally approximately 41% and 17% of our sales, 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 who we serve through our network of 1069 branches worldwide.

Our top 10 customers, all of which operate in the civil engineering, construction or utilities sectors, accounted for about 10% of our revenue for 2019 and no single customer on a group basis accounted for more than 3% of our revenue in the same year. In 2019, as a result of our diversification efforts, we have continued to increase the percentage of our revenue generated from smaller customers, including small- and medium-sized enterprises (SMEs) and craftsmen. The acquisition of Ramirent was another step towards such diversification as Ramirent's strategic goal is also to win further in the small and medium sized business sector.

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. Our bad debt ratio was approximately 1% of our revenue in 2019.

Sales and Marketing

The Group has 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:

- Our dedicated call centers that provides a 24/7 one-stop service to clients by phone and coordinates order fulfillment 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; and
- Logistics: we are offering in some larger cities a centralization of transport services as well as a 24/7 onsite repair services;
- Training: some of the Group entities offer to train and deliver certain certifications to employees from our customers
- Loyalty programs, including our specialty programs such as Loxam Club, which targets SMEs.
- Site planning: at Ramirent we are also able to take care of the logistics of worksites.

We also leverage our quality, safety and environmental certifications, including ISO 14001 for environmental commitment, ISO 9001 for management quality and ISO 45001 and MASE for employee health and safety in France, which we believe define our key business processes, responsibilities, policies and principles, and are factors used by some of our larger customers in selecting their rental partners. In 2019, we obtained the highest certification level from EcoVadis, an

independent rating agency. EcoVadis awarded Loxam a Gold label, meaning that we ranked among the top 5% of companies assessed by EcoVadis in terms of CSR achievements.

We have issued a brochure called “Responsible Rental” providing information about our corporate responsibility initiatives. For the last three years, from 2017 to 2019, the quality of our customer service received recognition in France through the “Customer Service of the Year” award in the “Equipment Rental” category. This award recognizes the very best in customer care and was earned following anonymous surveys. This standard is reported as covering most of the criteria from ISO 18295-1, which provides a framework for providing customers with services that continuously and proactively meet or exceed their needs.

Rental Fleet

The Group has a well-maintained fleet consisting of approximately 550,000 pieces of equipment (excluding accessories) as of December 31, 2019, with approximately 170,000 pieces of equipment in our Generalist France division, approximately 30,000 in our Specialist France division and approximately 350,000 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, 2019, our fleet had a gross book value of € 4.5 billion, of which the Generalist France division accounted for €1.2 million, the Specialist France division accounted for €0.6 million and the International division accounted for €2.7 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, lifts, tower cranes and hoists;
- handling: forklifts and tele-handlers;
- compaction: compactors, rammers, rollers;
- energy: compressors, generators, chillers, heaters;
- modular: modular spaces, containers;
- building and other: concrete mixers, scaffolding, pumps, tools and other equipment, such as trucks and traffic management; and
- scaffolding and
- hand tools such as jackhammers and power drills.

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 the Group's 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 high height equipment and larger machines are depreciated on a straight-line ten-year basis with a 10% residual value. 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. 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 ensure that auction sales of our used equipment are made to buyers outside of our principal markets, which avoids the risk of 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.

The Group invests heavily in hybrid and electric equipment to advance the transition towards a more environmentally-friendly fleet. In 2019, over 25% of capital expenditures of the Group were directed to the new generation of hybrid or electric powered equipment. Vibratory plates, all-electric loaders and excavators, and 20 m hybrid powered articulated MEWPs all help to reduce the carbon impact and noise pollution of our fleet whilst improving safety and the health of those who use our equipment. Further to this initiative, at the end of 2019, 70% of small equipment, 40% of powered access and 10% of landscaping equipment in the Loxam fleet ran on clean energy.

Suppliers

We purchase the equipment in our rental fleet from large, recognized 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. In 2019, our five largest fleet suppliers were Manitou, JCB, Haulotte, Genie Europe and Volvo and they accounted for approximately 30% of our equipment purchases. 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, 2019, we had a network of 1,069 branches, primarily located in Western Europe. The table below shows the number of branches we operate in each country or region:

Country	Branches
France	501
Sweden	85
Finland	60
Poland.....	47
The Netherlands	43
Spain	43
United Kingdom.....	42
Norway	42
Denmark	29
Germany	22
Brazil ⁽¹⁾	19
Italy	18
Belgium.....	17
Latvia	16
Estonia	15
Lithuania.....	15
Czech Republic.....	14
Slovakia.....	12
The Middle East ⁽²⁾	10
Switzerland	7
Ireland	4
Morocco ⁽³⁾	4
Portugal	2
Colombia ⁽⁴⁾	1
Luxembourg.....	1
Total	1,069

(1) We are present in Brazil through Degraus, which operates primarily in the state of São Paulo. Following share capital purchases, we currently have a 50.1% stake in Degraus.

(2) We are present in Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates following the Lavendon Acquisition. We operate in each of these countries through joint ventures in which we hold a majority share and have full operating control.

(3) We are present in Morocco through our subsidiary Atlas Rental, in which we have a 51% stake and full operating control.

(4) We are present in Colombia where we have a 50% stake in Gruas y Equipos Hune SAS.

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 implement periodic network optimization plans to enhance the profitability of our network through better coordination of commercial activities and capital expenditures, pooling of resources, and improved exchanges of staff and equipment among branches, savings in back office and marketing costs, and enhanced branch positioning.

Branches in France and International Branches

Most of our branches are located in France. Of our 501 branches in France as of December 31, 2019, 423 were Generalist branches and 78 were Specialist branches. Our branches are typically located in industrial zones in or near medium and large metropolitan areas. Our broad geographical coverage in France reduces our exposure to regional variations in economic activity.

Our Generalist branches in France operate under the Loxam Rental name. Our Specialist branches operate under the names Loxam Access (43 branches), Loxam Power (15 branches), Loxam Module (10 branches), Loxam Laho TEC (2 branches), Loxam TP (6 branches), Loxam Access PL (1 branch) and Event (1 branch).

In the United Kingdom, 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. Additionally, Ramirent has one of Europe's largest networks, with 302 branches as of December 31, 2019. Ramirent operates 85 branches in Sweden, 60 in Finland, 119 in Eastern Europe and 38 in Norway.

Employees

As of December 31, 2019 the Group had 11,377 employees, nearly all of which were salaried personnel. At this date, approximately 61% of our employees were based outside of 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.

Safety

Among the pillars of its corporate social commitment, the Group prioritizes safety (“Safety, Anytime and Anywhere”) for both its employees and external stakeholders and continues to demonstrate its commitment to safety for all. In 2019, the European Rental Association awarded Loxam for its actions in this area.

Further, in 2019, a partnership convention was signed with OPPBTP (French Building Industry Accident Prevention Organisation) to promote good practices in accident prevention and safety towards all construction industry stakeholders. “Safety meetings” were organized to promote a dialogue with the main figures in the sector (prevention bodies purchasers, QHSE directors) on technological developments in the area of workplace safety. From a technical perspective, Loxam is working with machine manufacturers on the improvement of safety on equipment and vehicles, for example, by building ramps fitted with a guard rails to be fitted to certain fleets of delivery trucks.

Loxam health and safety policies in France and Spain passed the ISO 45001 certification process at the end of 2019. Ramirent has been OHSAS 18001 certified in all countries where it operates and has planned to adopt the ISO 45001.

It is worth noting that over the past three years, the occupational accident rate of our staff has dropped by 10% each year.

Information Technology

Our IT strategy is designed to reinforce our overall business strategy, and in particular, to optimize the management of our fleet and improve synergies as we expand our network. Our IT teams in France and the United Kingdom maintain our hardware and service the software we use. We use several ERP systems, including Rentalman, L-Vis and Navision, all of which specialize in rental activity.

We are constantly working on 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.

The Group’s digital innovations, which aim to reinforce the status of Loxam as a preferred supplier, were improved in 2019. During the solution design phase, branch employees and IT project teams were called upon to invent and design new specialist applications. Subsequently, a team of 50 specialists from the network were mobilized for the training, coaching and branch deployment phases of these applications. More than 1,500 employees were thus involved in these specialist applications during the past year. This program was capped by a bimonthly “Digital Group” newsletter sent out to all Group employees.

Our websites have improved to offer new content and become more user-friendly, for example by now allowing users to book their equipment online. By creating a personal and secure space for clients available 24/7 (MyLoxam), customers can place their orders and seamlessly monitor their contracts. Finally, an EDI (electronic data Interchange) allows us to send paperless invoices directly

into the client's system. In France, nearly 1 million paperless invoices were sent in 2019, representing nearly 40% of the total number of invoices issued.

Intellectual Property

We use several trademarks, mainly including "Loxam", "Ramirent", "Nationwide Platforms" and "Hune" brands, all of 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 continue to improve our care of the environment, both Loxam and Ramirent obtained the ISO 14001 certification for our European network.

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.

In 2015 LOXAM was certified ISO 26000 level 3 and remains to this day the only company in the sector with this grade. 2019 proved to be another landmark year in which the Group's CSR commitment received the highest accolades. In 2019, Loxam obtained the highest certification level from the independent ratings body EcoVadis, rewarding its sustainability and corporate social policy. With this distinction, the Group features among the 5% of suppliers acknowledged as being the most advanced and committed in this area.

To further its commitment to the health and safety of its employees and clients, Loxam deployed a plan to obtain ISO 45001 certification. In December 2019, Loxam's Spanish and French networks (representing 581 branches) were certified ISO 45001. Loxam is the first rental company in France to obtain this certification.

In 2019, Nationwide Platforms was awarded the Gold IPAF Rental+ certification in the UK, acknowledged in the industry as the independent quality mark for powered access hire companies.

We issued our first corporate and social responsibility report entitled "Responsible Rental" in 2014 and released an updated report in 2019. "Responsible Rental" summarizes our commitment to customer service, safety, the environment, and ethical corporate governance.

The 2019 results to the 20 targets Loxam set for its CSR policies are presented in the table below:

CSR action plan 2019-21	20 2019 Objectives	2019 Results
A unique and longstanding customer experience	> 2,000 customers using the <i>MyLoxam</i> web portal	4000
	To be elected "Customer service of the year"	100%
	> 1M digital invoices issued	900 000
	>25% CAPEX with an hybrid and/or electric engine	27,0%
	>30 tutorials videos on equipment	>30
	>3 events on innovation organized with stakeholders	100%
Responsible practices	Ethics to become a subject of induction programme	IN PROGRESS
	TOP 20 suppliers assessed on CSR by a third party	IN PROGRESS
	> 8 Logistics center rolled-out in the French regions	100%
	100% of branches to have an environment action plan	100%
Promotion of Loxam staff	> 65% of employees to receive training during the year	83%
	> 10% of employees to be promoted in the year	13%
	> 5 new fittings at te branches to improve safety	IN PROGRESS
	> 3 new actions to improve the quaity of worklife	IN PROGRESS
	Women to represent > 20% of staff	22%
	> 40 nationalities of staff to be represented in France	45
	> 3% apprentices	3.2%
A committed and transparent company	Implement a CSR week in each country	DONE
	1 natiowide charitable contribution	DONE
	Obtain EcoVadis Gold status	DONE

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 responsibility or obligations 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 - GOVERNANCE

Pursuant to French law governing limited liability companies (*Sociétés par Actions Simplifiées*) and our articles of association (*Statuts*), our affairs are managed by our Chairman and Chief Executive Officer (*Président*), who is assisted by the Managing Director and consults our Strategic Committee (*Comité Stratégique*) on performance and development matters. In 2019, in face of the rapid international development of the Group, an Executive Committee was set-up by our Chairman in order to implement and coordinate Loxam's strategy in the entire Group.

Chairman and Chief Executive Officer

Our Chairman and Chief Executive Officer is Mr. Gérard Déprez, who has held this position since 1986. Before joining Loxam, Mr. Déprez was regional director of the building materials manufacturer SOCIMAT from 1983 to 1986, and vice president of finance of Ciments d'Origny Group (part of the Holderbank Group, also in the building materials industry) from 1978 to 1983. Mr. Déprez also held the position of Chairman of the Board of the European Rental Association from 2005 to 2013. He holds a business degree from EM Lyon, as well as degrees in law and accounting.

The Chairman and Chief Executive Officer has broad powers to act on our behalf in any circumstances, as limited by the corporate purposes set out in our articles of association and the powers expressly reserved for the general meeting of shareholders by law or by our articles of association, to represent and bind us in dealings with third parties, to manage and administer our affairs and has full management powers in respect of the employees of the company. Our Chairman and Chief Executive Officer is appointed by our shareholders and may be dismissed by the shareholders at any time.

Managing Director

Our Managing Director is Mr. Stéphane Hénon, who has held this position since July 2012. Mr. Hénon joined Loxam in 2000 and previously held the positions of Director for Ile de France (2000-2001) and Chief Operating Officer (2001-2012). Before joining Loxam, Mr. Hénon was the director of building activities at Dagard, an industrial company from 1996 to 2000, and prior to that, an associate consultant at Axionis, a consulting company from 1995 to 1996. He holds a degree from Ecole Supérieure d'Electricité (SUPELEC).

Pursuant to the Articles of Association of Loxam, the Managing Director has broad powers to act on our behalf in any circumstances, as limited by the corporate purposes set out in our articles of association and the powers expressly reserved for the general meeting of shareholders by law or by our articles of association, to represent and bind us in dealings with third parties and to manage and administer our affairs and has full management powers in respect of the employees of the Company. Our Managing Director is appointed by our shareholders for a term of three years and may be dismissed by the shareholders at any time.

Executive Committee

The Executive Committee is made up of seven members: the Group Chairman and CEO, the Managing Director, the four Divisional CEOs and the Group Chief Financial Officer. Each member is in charge of a cross-Group function: CSR, social affairs, reporting, digital tech, among others. The Executive Committee meets every two months.

Name	Position
G�rard D�prez	Chairman and Chief Executive Officer
St�phane H�non.....	Managing Director
Olivier Grisez	Managing Director, Generalist France
Philippe Simonnet	Managing Director, Specialist France
Don Kenny	CEO, Powered Access Division
Eirik Bengtsson	CEO, Ramirent
Patrick Bourmaud.....	Chief Financial Officer

The following is a brief description of the experience of each of the members of the Management Committee. For Mr D prez and Mr H non, please refer to the Chairman & Chief Executive as well as Managing Director sections.

Olivier Grisez. Mr. Grisez joined Loxam in June 2018 as the Managing Director of our Generalist France division. Before joining Loxam, he held executive positions in B2B at Saint Gobain and most recently Ivalis, where he was the CEO. He holds engineering degrees from the  cole Polytechnique and the  cole Nationale des Ponts et Chauss es.

Philippe Simonnet. Mr. Simonnet has been working with Loxam since 1998 as Area Manager, then as Business Unit Manager (Loxam Access and Laho) and, since 2012, as Chief Operating Officer. From 1986 to 1998 he was with Serre & Ansot Location, a French equipment rental company acquired by Loxam in 1998, first as Branch Manager and then as Area Manager of the branches located in Ile de France. He holds a baccalaureate diploma in science.

Don Kenny, CEO of Powered Access Division. Mr. Kenny joined Lavendon Group Plc as CEO on October 2011. Previously, Mr. Kenny had broad industry experience, having served as CEO or FD in industrial services, airport & railway management, facilities management, construction and support services. Mr. Kenny is a qualified accountant and holds an MBA degree.

Erik Bengtsson, CEO of Ramirent Plc. Since September 1, 2018 Mr Bengtsson held the position Executive Vice President of Sweden at Ramirent, with responsibility over Group Fleet and Sourcing. Erik Bengtsson has a strong track record in the equipment rental industry, having previously been member of the Ramirent Board of Directors from March 2017 to August 2018, and having held various senior managerial roles in the industry since 2005.

Patrick Bourmaud. Mr. Bourmaud has been Chief Financial Officer since 2008. Mr. Bourmaud has been with Loxam since 2004, first as M&A Director (2004-2005) and then as Regional Director (2005-2007). Before joining Loxam he worked for HSBC in the M&A and equity capital markets departments (1994-2004). He holds a finance degree from Ecole Sup rieure de Commerce Paris.

Strategic Committee

The Strategic Committee, which acts as an advisory body, is currently composed of 10 members, including the Chairman and the Managing Director. Our articles of association provide that the Strategic Committee may consist of up to 12 members who may or may not be shareholders and who are appointed by the general meeting of shareholders. Members of our Strategic Committee (other than the Chairman) are appointed for terms of three years by the ordinary general meeting of shareholders and may be dismissed by it without cause and at any time prior to the expiration of their term.

The Strategic Committee meets at least four times a year and is convened by the Chairman or the CEO. Its role is to assist and advise the Chairman on questions relating to our development strategy,

the business plan, external growth transactions and any other question submitted to it by the Chairman.

Pursuant to our articles of association, shareholders may designate one or more persons (which may or may not be shareholders) as censors (*censeurs*) of the Strategic Committee. Censors participate in Strategic Committee meetings, but have no voting powers. As of the date of this offering memorandum, no censors are appointed. Pursuant to a shareholders' agreement, Sparring Capital has the right to designate, and as of the date of this offering memorandum is represented by, two members of the Strategic Committee.

The following is a brief description of the present and past experience of the members of the Strategic Committee.

Yves Coquinot. Mr. Coquinot spent 31 years at Loxam prior to his retirement in July 2012. He held the position of Managing Director from 1997 to 2012. Mr. Coquinot has a degree in law from the University of Dijon.

Hélène Déprez. Ms. Déprez is an assistant architect at Studios Architecture in Paris. Ms. Déprez holds a Masters degree from ENSA Paris, Val de Seine.

Gilles Gramat. Mr. Gramat is Partner and Chairman of the Supervisory Board at Sparring Capital, a private equity firm he co-founded in 2002. He began his career as an engineer for Avions Marcel Dassault, before joining Crédit National and later Sofinnova, where he served as Deputy Managing Director. In 1987, he founded Unidev, a listed investment company, which was acquired by UI in 1993. He was Chief Executive Officer of UI from 1993 to 2001 and then its Chairman and CEO from 2001 until April 2003. He was also Director of Investments and International Participations of Credit Agricole SA. Mr. Gramat is a graduate of the Ecole Nationale Supérieure des Télécommunications.

Alice Henault. Currently managing the Access division of Loxam, Ms. Henault previously worked as an analyst with PricewaterhouseCoopers in Paris (2007-2011). She holds an MBA from Harvard Business School, an MPhil in Technology Policy from the University of Cambridge, and a Master of Science from Ecole Nationale Supérieure des Télécommunications.

Daniel Milord. Mr. Milord spent 35 years at Loxam prior to his retirement in 2006, and was most recently the Deputy Managing Director (from 2001 to 2006).

Olivier de la Morinière. Mr. de la Morinière was formerly chairman and CEO of the truck rental company Fraikin, a position he has held since 2003. Previously, he was chairman and CEO of MC International, a consulting firm. Mr. de la Morinière holds a degree from Ecole Polytechnique de Paris—Ponts et Chaussées.

Jean-Pierre Créange (representative of Sparring Capital). Mr. Créange is managing director of Sparring Capital, a private equity firm he founded in 2002. Having started his career in the aeronautic sector and in the banking sector, Mr. Créange has held positions with the investment firms Unidev and UI. He holds degrees from Ecole Nationale Supérieure des Télécommunications and Institut d'Administration des Entreprises.

François Varagne. Mr. Varagne was formerly CEO of Gras Savoye, a major insurance broker, between 2012 and 2016. Mr. Varagne was previously CEO of French natural gas distributor Antargaz (2001-2011), the transport group Keolis, and Brink's France, a division on the Brinks security group. He graduated from HEC and holds a degree in philosophy.

Audit committee

Our audit committee is currently composed of two individuals, Jean Pierre Créange and Olivier de la Morinière, all of whom are also members of the Strategic Committee. The role of the audit committee is to examine the half-year and annual financial statements of the company and the Group prior to their presentation to the Strategic Committee. The audit committee meets at least twice per year.

Remuneration committee

Our remuneration committee is currently composed of four individuals, Jean Pierre Créange, François Varagne, Olivier de la Morinière and Gérard Déprez, all of whom are also members of the Strategic Committee. The role of the remuneration committee is to report and advise on remuneration matters with respect to the company's officers. The remuneration committee meets at least once per year.

Ethics committee

Our ethics committee is currently composed of Olivier de la Morinière who is also a member of the Strategic Committee. Loxam's Ethics Officer reports to the ethics committee on all ethical matters of which he becomes aware.

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

Following the acquisition of Ramirent in July 2019, Loxam has become the leader in the European equipment rental industry and the third largest equipment rental group in the world based on pro forma 2019 revenue of €2,295.1 million. The Group has operations in 30 countries.

Ramirent has been consolidated from August 1st in Loxam's consolidated accounts. The 2019 Group consolidated accounts are therefore not comparable to the 2018 Group consolidated accounts because of the change in perimeter.

We generated revenue of €1,871.4 million in 2019, representing an increase of 26.2% compared to revenue of €1,482.6 million in 2018. At constant perimeter and at constant exchange rates, revenue has increased in 2019 by 1.9%. In France, revenue increased by 4.5% in 2019, benefitting from positive macro-economic conditions in 2019. Our International division's revenue increased by 58.3% thanks to the five months of Ramirent contribution. At constant perimeter and at constant exchange rates, our International division's revenue decreased by 2.0% because of a decline in the Middle East.

In 2019, 36.4% of our revenue was generated from our Generalist France division (down from 44.2% % in 2018), 13.0% was generated from our Specialist France division (down from 15.4% in 2018), with our International division contributing 50.6% (up from 40.4% % in 2018).

We generated EBITDA of €693.8 million in 2019, representing an increase of 38.6% compared to €500.7 million in 2018. Excluding the impact of IFRS 16 of €84.8 million, EBITDA increased by 21.6% to €609.0 million in 2019. At constant perimeter and at constant exchange rates, our EBITDA margin decreased by (0.6) point to 33.2% of our revenue in 2019 compared to 33.8% in 2018.

On a pro forma basis, the Group EBITDA amounted to € 831.8 million excluding any synergies. Excluding the impact of IFRS 16 of € 102.1 million, the EBITDA amounted to 729.7 million showing a margin of 31.8%.

Our net financial expense increased from €(102.1) million in 2018 to €(153.8) million in 2019 including an IFRS 16 impact of €(9.5) million, and non-recurring costs relating to the commitment fees of the bridge loan for the Ramirent acquisition, and the early redemption premium of the refinancing of April 2019.

Profit before tax decreased from €111.0 million in 2018 to €57.0 million in 2019. The group share of net profit decreased from €95.7 million in 2018 to €49.4 million in 2019.

Key Factors Affecting Results of Operations

Our results of operations are primarily affected by factors that impact the equipment rental industry generally, particularly cyclicalities and economic conditions affecting the construction and civil

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

Cyclical, seasonality 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. Many of the markets in which our customers operate are cyclical, 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 markets in which our customers operate 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 general economic trends that can have an impact (positive or negative) over a longer period and by short-term factors that affect the utilization rates and prices for a brief period. For example, demand in the construction and civil engineering markets tends to decrease in winter and during extended periods of inclement weather while increasing in the summer and during extended periods of mild weather. 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.

In 2019, the construction and rental markets in Europe have shown a growth slowing down from the previous year except in Sweden where the market decreased. Euroconstruct estimated in its latest report that the French construction market has continued to grow, by 2.1% in 2019, thanks to a strong growth from civil engineering while residential construction was in decline. Similarly, the European Rental Association estimated in its last report an overall growth rate of 3.8% in European rental markets in 2019. For more information, please refer to Industry chapter.

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 sectors in which our customers operate, 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 cycles affecting the sectors in which our customers operate, particularly historically in the construction and civil engineering sectors, 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 allocation of investments in our rental fleet is determined by the type of equipment and the requirements of our business units. In 2019 we decreased our fleet capital expenditures by 8% to €344.9 million from €373.4 million in 2018. Excluding Ramirent, our fleet capex decreased by 18%..

Operating expenses

Our business, like that of all equipment rental groups, is capital-intensive with a predominantly fixed cost structure that principally relates 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 rather than relying on renting equipment from a third party to then rent it out to our own customers or other more costly measures to meet the needs of our customers.

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. Acquisitions result in the addition of new branches and also the closing of existing ones as we consolidate our operations. Both of these can have a significant impact on our revenue from one period to the next. During the period under review, we made the following acquisitions, which subsequently entered our accounting perimeter as of the dates indicated below:

- On January 14, 2019, Nationwide Platforms acquired UK Platforms Limited (“UK Platforms”) from HSS Hire Group Plc. UK Platforms is specialized in renting powered access equipment in the United Kingdom and in Ireland.
- On June 19, 2019, Loxam launched a voluntary recommended public cash tender offer to purchase all of the issued and outstanding shares of Ramirent Plc., a leading equipment rental company for the construction, industry and services sectors with operations in the Nordic countries, Central Europe and Eastern Europe and a turnover of €712 million in 2018. On July 24, 2019, Loxam had acquired 98.2% of the shares of Ramirent. On December 20, 2019, the squeeze-out procedure for the remaining shares of Ramirent was completed. Loxam owns 100% of Ramirent.

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. Since January 1, 2019, following the application of the new IFRS 16 standard, the rent expenses related to lease contracts for real estate, heavy vehicles and light vehicles are cancelled (for lease contracts in the scope of the standard).
- **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).

Depreciation and amortization also include depreciation of intangible assets (trademarks and customer relationships) following the purchase price allocation completed on the acquisitions made since 2017. As per IFRS 16, as a lessee, the Group is accounting for the right-of-use assets and is recognizing its amortization on a straight-line basis over the lease terms.

- **Other operating income and expense** includes a limited number of unusual, abnormal, and uncommon items, with significant amounts, which are 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 changes in the fair value of derivatives instruments and the interest cost related to the lease liability generated by the application of the IFRS 16 standard as of January 1, 2019.
- **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, 2019, the corporate tax rate in France was 32.02%. We are also subject to tax rates in the other countries in which we operate, which ranged from 0% to 34% 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, 2018 and 2019.

Consolidated Income Statement <i>(in millions of euros)</i>	Year ended December 31, (IFRS)		Quarter ended December 31, (IFRS)	
	2018	2019	2018	2019
	Pre- IFRS 16	Post- IFRS 16	Pre- IFRS 16	Post- IFRS 16
Revenue	1,482.6	1,871.4	387.5	587.3
Other income ⁽¹⁾	56.7	59.5	18.3	20.1
Purchases consumed	(162.8)	(193.4)	(45.9)	(61.8)
Personnel expenses	(381.3)	(467.5)	(98.2)	(145.7)
Other current expenses	(475.3)	(556.7)	(128.9)	(186.0)
Taxes and duties	(19.3)	(19.6)	(3.9)	(3.7)
Depreciation and amortization – Property, Plant and Equip.	(275.7)	(428.3)	(74.1)	(135.3)
Depreciation and amortization – Intangible assets	(12.1)	(26.6)	(3.0)	(16.4)
Profit from ordinary operations	212.9	238.9	51.6	58.4
Other operating income and expense ⁽²⁾	0.2	(28.1)	1.7	(15.7)
Operating profit	213.2	210.8	53.3	42.7
Financial income and expense	(102.1)	(153.8)	(24.8)	(36.8)
Share of profit of associates	-	0.9	-	0.5
Income tax expense	(20.6)	(9.7)	(6.1)	11.2
Net profit	90.4	48.2	22.4	17.6
Non-controlling interests	(5.2)	(1.2)	(3.6)	(1.0)
Net profit, group share	95.7	49.4	26.0	18.7

Note :

(1) Other income includes capital gains on fleet disposals amounting to €41.5 million in 2018 and €47.5 million in 2019, and €13.0 million and €16.2 million in the quarters ended December 31.208 and 2019, respectively.

(2) Other operating income and expense in 2019 mainly includes €(12.9) million of acquisition costs, a goodwill depreciation of Loxam Denmark for €(10.0) million, a restructuring plan of Ramirent Sweden for €(5.3) million. In 2018, other operating income and expense mainly consisted of the settlement gain on IAS 19 contracts for €4.6 million; these were offset by non-recurring costs relating to 2018 acquisitions of €(2.0) million, an impairment on fleet of €(1.5) million, a depreciation on goodwill of €(0.7) million and the depreciation of the Lavendon France trademark of €(0.6) million.

We consider revenue and EBITDA to be key measures in analyzing our business. EBITDA is a non-IFRS measure but we believe that it and similar measures are widely used by certain investors as supplemental measures of performance and liquidity. 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, 2019 we had 423 branches in Generalist France, 78 in Specialist France and 568 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, 2018 and 2019 and the quarters ended December 31, 2018 and 2019.

<i>(in millions of euros)</i>	Year ended December 31, (IFRS)		Quarter ended December 31, (IFRS)	
	2018	2019	2018	2019
	Pre-IFRS 16	Post-IFRS16	Pre-IFRS 16	Post-IFRS16
Revenue				
Generalist France ⁽¹⁾	655.8	681.5	173.7	174.6
Specialist France ⁽¹⁾	228.5	242.8	59.4	62.3
France	884.3	924.3	233.1	236.9
International	598.3	947.2	154.4	350.4
Total revenue	1,482.6	1,871.4	387.5	587.3
EBITDA				
Generalist France ⁽²⁾	225.5	269.8	59.8	66.8
Specialist France ⁽²⁾	78.2	86.2	19.0	22.0
France	303.7	356.1	78.9	88.8
International	195.3	331.1	49.4	119.6
Real Estate ⁽³⁾	1.7	6.6	0.4	1.7
Total EBITDA	500.7	693.8	128.7	210.1
<i>EBITDA margin</i>	33.8%	37.1%	33.2%	35.8%

Notes:

- (1) To present the revenue of Generalist France and Specialist France, we allocate revenue by branch. Where revenue is related to events-related rentals handled by Loxam Event, which is not in a particular division, we allocate revenue to the branch whose equipment is rented.
- (2) To present Specialist and Generalist EBITDA generated in France by division, we allocate rebates pro rata based on revenue, which are accounted for centrally, and then allocate direct expenses (which represent a majority) directly to a given branch. Indirect expenses are allocated centrally or regionally and are then allocated to a given branch according to a factor that is based on that branch's revenue, the gross value of its equipment or the rental value of its equipment.
- (3) Real estate EBITDA corresponds to rental income from real estate held by the group that is not assigned to a division.

Year ended December 31, 2019 compared to year ended December 31, 2018

Revenue

Our revenue increased by 26.2% to €1,871.4 million in 2019 compared to revenue of €1,482.6 million in 2018, thanks to the contribution of Ramirent since August 1st, 2019. At constant perimeter and at constant exchange rates, revenue increased by 1.9% in 2019.

Revenue from our Generalist France division increased by 3.9% from €655.8 million in 2018 to €681.5 million in 2019. This growth was fully organic and was fueled by a good level of demand.

Revenue from our Specialist France division increased by 6.2% to €242.8 million from €228.5 million as the division continued to benefit from growth fleet capital expenditures.

In our International division, revenue increased by 58.3% at current exchange rate at €947.2 million from €598.3 million, due to the enlarged scope of consolidation in 2019 of acquisitions completed in the last two years. At constant perimeter and at constant exchange rates, International revenue decreased by 2.0% in 2019 as we experienced a decrease of our revenue in the Middle East where demand and pricing remained weak.

In 2019, 36.4% of our revenue was generated from our Generalist France division (down from 44.2% in 2018), 13.0% was generated from our Specialist France division (down from 15.4% in 2018), with our International division contributing to 50.6% (up from 40.4% in 2018).

Other income

Other income increased by 4.9% from €56.7 million in 2018 to €59.5 million in 2019, mainly due to higher level of fleet disposals at the Generalist France which led to higher capital gains and also to the contribution from Ramirent.

EBITDA

We generated EBITDA of €693.8 million in 2019, representing an increase of 38.6% compared to €500.7 million in 2018. Excluding the impact of IFRS 16 of €84.8 million, EBITDA increased by 21.6% to €609.0 million in 2019. At constant perimeter and at constant exchange rates, our EBITDA margin decreased slightly by (0.6) point to 33.2% of our revenue in 2019 compared to 33.8% in 2018.

In our Generalist France division, EBITDA grew by 19.7% to €269.8 million from €225.5 million. Excluding the IFRS 16 impact, EBITDA from our Generalist Division grew by 5.5% to €237.8 million from €225.5 million in 2018, thanks to organic growth and good market conditions. The EBITDA margin grew by 0.5 pt to 34.9%.

In our Specialist France division, EBITDA grew by 10.3% to €86.2 million in 2019. Excluding IFRS 16 impact, our Specialist division EBITDA grew by 3.0% to €80.6 million from €78.2 million in 2018, thanks to organic growth. The EBITDA margin decreased by one point to 33.2% in 2019.

EBITDA from our International division increased by 69.5% to €331.1 million in 2019, from €195.3 million in 2018. Excluding IFRS 16 impact, our International division EBITDA increased by 47.4% to €287.8 million from €195.3 million in 2018, due to the contribution of Ramirent. At constant perimeter and at constant exchange rates, the EBITDA of our International Division decreased by

8.1%, due to a decrease in the Middle East, whose EBITDA margin has come closer to the Group's average.

Purchases consumed

Purchases consumed increased by 18.8% from €162.8 million in 2018 to €193.4 million in 2019. At constant perimeter, purchases consumed increased by 3.8% as a consequence of an increase in workshop purchases and fuel costs.

Personnel expenses

Personnel expenses increased by 22.6% to €467.5 million in 2019 from €381.3 million in 2018. At constant perimeter, personnel expenses increased by 3.2%, mainly due to an increase in France where the average number of staff progressed by 2.3%, and social charges by 5.8%.

Other current expenses

Other current expenses increased by 17.1% to €556.7 million in 2019 from €475.3 million in 2018. Excluding the IFRS 16 impact (neutralization of €84.8 million of lease expenses), recurring external charges increased by 1.9% at constant perimeter in 2019 compared to 2018, mainly due to the increase in haulage and administrative costs, partially offset by a reduction in external rehires.

Depreciation and amortization

Depreciation and amortization for property, plant and equipment (excluding IFRS 16 impact) increased from €275.7 million in 2018 to €347.0 million in 2019, as a consequence of the consolidation of Ramirent. At constant perimeter, the fleet depreciation expense increased by 5,6% as a result of the level of capex in the past years and an earlier delivery of the capex in France this year.

Depreciation of intangible assets increased from €12.1 million in 2018 to €26.6 million in 2019, due to the depreciation of the UK Platforms and Ramirent trademarks and customer relationships for respectively a period of 12 and 5 months.

With the application of IFRS 16, as a lessee, the Group recognised the right-of-use assets and amortized them on a straight-line basis over the lease term of each contract. For 2019 the amortization related to the right-of-use amounted to €81.3 million.

Other operating income and expense

Other operating income and expense amounted to €(28.1) million in 2019 compared to an income of €0.2 million in 2018. The 2019 non-recurring costs included the depreciation of the goodwill of our Danish subsidiary for €(10.0) million, acquisition costs for €(12.9) million, and the restructuring plan of Ramirent Sweden for €(5.2) million.

In 2018 we benefitted from the positive impact of the transfer of employees of our Dutch subsidiaries from a defined benefit plan to a defined contribution plan; this resulted in a gain of €4.6 million under IAS 19. Besides, we recorded acquisition costs of €(2.0) million.

Financial income and expense

Our net financial expense increased from €(102.1) million in 2018 to €(153.8) million in 2019 including an IFRS 16 impact of €(9.5) million, and non-recurring costs relating to the commitment fees of the bridge loan for the Ramirent acquisition, and the early redemption premium of the refinancing of April 2019. Our financial expense included interest costs of €24 million on the €1,400 million bonds issued in July 2019. The annual interest charge for the €1,400 million is estimated to be €54 million.

Income tax

Profit before tax decreased from €111.0 million in 2018 to €57.0 million in 2019. Income tax decreased from €20.6 million in 2018 to €9.7 million in 2019 due to a decrease of income for the reasons stated above.

Net profit, group share

As a result of the factors detailed above, the group share of net profit decreased from €95.7 million in 2018 to €49.4 million in 2019.

Pro Forma

In order to have a comparable basis for the upcoming years, we also present a "pro-forma" analysis of the main income statement items. The detailed analysis is available in Note 29 of the Financial statements.

Quarter ended December 31, 2019 compared to quarter ended December 31, 2018

Revenue

Revenue increased by 51.5% to €587.3 million in the fourth quarter of 2019 from €387.5 million in the fourth quarter of 2018, thanks to the consolidation of Ramirent's revenue. At constant perimeter and at constant exchange rates, revenue decreased by 0.4%.

Revenue from our Generalist France division increased by 0.5% in the fourth quarter of 2019 to €174.6 million compared to €173.7 million in the fourth quarter of 2018 as we were affected by the number of trading days.

Revenue from our Specialist France division increased by 4.9% to €62.3 million in the fourth quarter of 2019 compared to €59.4 million in the fourth quarter of 2018, thanks to the growth capex spent on its fleet.

International revenue increased by 126.9% to €350.4 million in the fourth quarter of 2019 compared to €154.4 million in the fourth quarter of 2018, thanks to the consolidation of Ramirent. At constant perimeter and at constant exchange rates, the revenue of the division decreased by 3.5% as our operations in the Middle East continued to face challenging market conditions

Other income

Other income increased by 10.2% to €20.1 million in the quarter ended December 31, 2019 from €18.3 million in the quarter ended December 31, 2018, primarily due to the contribution of Ramirent.

Purchases consumed

Purchases consumed increased by 34.4% to €61.8 million for the quarter ended December 31, 2019 compared to €45.9 million for the quarter ended December 31, 2018. At constant perimeter, purchases consumed increased by 1.3% mostly thanks to the increase of retail sales in the quarter.

Personnel expenses

Personnel expenses increased by 48.3% to €145.7 million in the quarter ended December 31, 2019 from €98.2 million in the quarter ended December 31, 2018. At constant perimeter, personnel expenses increased by 4.2% mainly explained by an increase of staff (+3.0%) and of social charges in France.

Other current expenses

Other current expenses increased by 44.3% to €186.0 million in the fourth quarter of 2019 from €128.9 million in the fourth quarter of 2018.

Excluding the IFRS 16 impact (neutralization of €31.6 million of lease expenses) and at constant perimeter, recurring external charges remained stable at €120.9 million in Q4 2019 compared to Q4 2018.

Depreciation, amortization and provisions

Depreciation and amortization for property, plant and equipment (excluding IFRS 16 impact) amounted to €104.1 million in the quarter ended December 31, 2019 compared to €74.1 million in

the quarter ended December 31, 2018, an increase due to the contribution of Ramirent. At constant perimeter, the fleet depreciation expense increased by 0.2%

Depreciation of intangible assets increased to €16.4 million in Q4 2019 from €3.0 million in Q4 2018, mainly due to the five-month impact of the depreciation of Ramirent's trademarks and customers relationships as a preliminary Purchase Price Allocation of the goodwill of Ramirent was done in Q4 2019.

The amortization related to the right-of-use of leased assets amounted to €31.2 million in Q4 2019.

Other operating income and expense

Other operating income and expense amounted to €(15.7) million in the quarter ended December 31, 2019 and is mainly related to the depreciation of the goodwill of our Danish subsidiary for €(10.0) million and the restructuring plan of Ramirent Sweden for €(5.2) million.

Financial income and expense

Net financial expense increased by €12.1 million to €36.8 million in the quarter ended December 31, 2019, compared to €24.8 million in the quarter ended December 31, 2018. This increase is due to the interest paid on the €1,400 million aggregate principal amount of new bonds issued in 2019 and the interest costs related to IFRS 16 lease liabilities of €4.0 million.

Income tax

Our profit before tax amounted to €5.9 million in the quarter ended December 31, 2019 compared to €28.5 million in the quarter ended December 31, 2018.

Income tax was a profit of €11.2 million in the quarter ended December 31, 2019, compared to an expense of €(6.1) million in the quarter ended December 31, 2018, due to the recognition of a deferred tax asset in France for €13.4 million.

Net profit, group share

We recorded a net profit, group share of €18.7 million in the quarter ended December 31, 2019 compared to a net profit of €26.0 million in the quarter ended December 31, 2018.

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, 2019, our gross financial debt (excluding derivatives and lease liabilities under IFRS 16) amounted to €3,909.7 million, compared to €2,279.5 million as of December 31, 2018. Our net financial debt (excluding derivatives and lease liabilities under IFRS 16) as of December 31, 2019 amounted to €3,674.8 million, an increase of €1,539.1 million compared to December 31, 2018.

As of December 31, 2019, we had €2,969.9 million of outstanding bond debt, after deduction of €30.1 million of issuance costs. Our bond debt of €3,000.0 million comprised €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, €250.0 million of senior subordinated notes due in April 2025, €300.0 million of senior secured notes due in April 2026 and €200.0 million of senior subordinated notes due in April 2027, €700.0 million of senior secured notes due in January 2025, €450.0 million of senior secured notes due in July 2026, €250.0 million of senior subordinated notes due in July 2027.

We also had €486.2 million outstanding debt under bilateral facilities from banks, €288.5 million of finance leases, and commercial papers of €115.0 million.

Cash and cash equivalents net of bank overdrafts on our balance sheet amounted to €229.0 million as of December 31, 2019.

We also have a 5-year €75.0 million revolving credit facility which may be used for general corporate purposes. As of December 31, 2019, 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. During 2019, we signed €174.5 million new bilateral credit facilities and €113.3 million finance leases.

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:

	Year Ended December 31,	
	2018	2019
<i>(in millions of euros)</i>		
Purchases of rental equipment	373.4	344.9
Purchases of non-rental equipment ⁽¹⁾	39.1	38.2
Gross capital expenditures	412.5	383.1
Proceeds from disposals of rental equipment	56.2	68.8
Proceeds from disposals of non-rental equipment	6.5	2.4
Proceeds from disposals of fixed assets	62.8	71.3
Net fleet capital expenditures ⁽²⁾	317.2	276.1
Net capital expenditures ⁽³⁾	349.7	311.8

Notes:

- (1) Non-rental equipment principally includes equipment used in our workshops, equipment used to outfit or maintain our branches, and information technology. It excludes the increase of right-of-use of leased assets (IFRS 16).
- (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 (excluding right-of-use of leased assets).

Our gross capital expenditures for 2019 amounted to 383.1 million, of which €344.9 million were fleet capital expenditures compared to €412.5 million, of which to €373.4 million were fleet capital expenditures in 2018. Fleet capital expenditures at Ramirent accounted for €39.3 million for the 5 month period from August 1st 2019. Fleet capital expenditures decreased by 18% on a constant perimeter basis.

We benefit from a tax incentive in France which started in April 2015 and lasted until mid-April 2019. This benefit was earned on any equipment ordered before mid-April 2017 where a deposit was paid to the supplier. Equipment purchased in France satisfying the tax deductibility conditions benefits from an additional tax deduction of 40% of the original value of the assets. During the fiscal year 2019, we benefitted from a tax deduction in an amount of €13.1 million.

In 2019, the gross book value of disposed rental equipment was €251.9 million, compared to €192.2 million in 2018. The gross book value of disposed rental equipment at Ramirent amounted to €23.9 million for the 5 month period from August 1st 2019. The gross book value of disposed rental equipment increased by 19% on a constant perimeter basis as retirement of fleet increased in France.

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 2019 and 2018.

Cash flow from operations includes 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, 2019 compared to year ended December 31, 2018

The following table presents a summary of our cash flow for the year ended December 31, 2019 as compared to the year ended December 31, 2018:

	Year Ended December 31,		
	2018	2019	2019
	Pre – IFRS 16	Post IFRS 16	Excluding IFRS 16 impact
	(in millions of euros)		
Cash flow from operations	361.9	454.5	379.2
Cash flow from investing activities	(366.9)	(1,445.3)	(1,362.5)
Cash flow from financing activities.....	28.5	1,077.3	1,069.8
Change in cash and cash equivalents	23.5	86.5	86.5
Cash and cash equivalents at the end of the period ⁽¹⁾	141.4	229.0	229.0

Note : (1) Including bank overdrafts.

Cash flow from operations

Net cash provided by operations increased by 4.8% from €361.9 million in 2018 to €379.2 million in 2019 (excluding IFRS 16 impact). Before changes in working capital requirements and variations in other financial debts and in accrued interest on debt, net cash provided by operations was €408.5 million in 2019 (excluding IFRS 16 impact), compared to €351.9 million in 2018, mainly due to higher EBITDA in 2019, partially offset by higher financial expenses. Changes in working capital had a negative impact of €(35.0) million in 2019, compared to a positive impact of €8.7 million in 2018, mainly due to the significant decrease of the debt owed to fixed assets suppliers .

Cash flow from investing activities

Net cash used in investing activities increased significantly from €366.9 million in 2018 to €1,362.5 million in 2019 (excluding IFRS 16 impact), primarily due to the 2019 acquisitions. Purchases of fixed assets in 2019 decreased from €412.5 million in 2018, of which our rental fleet accounted for €373.4 million, to €383.1 million in 2019, of which our rental fleet accounted for €344.9 million. Cash from fixed asset disposals, most of which related to our rental fleet, increased from €62.8 million in 2018 to €73.2 million in 2019. Cash used for acquisitions increased significantly from €17.1 million in 2018 to €1,052.7 million in 2019, due to the UK Platforms and Ramirent acquisitions.

Cash flow from financing activities

Net cash provided by financing activities increased significantly from €28.5 million in 2018 to €1,069.8 million in 2019 (excluding IFRS 16 impact). In 2019, we issued €2,161.6 million of debt, including €1,900.0 million of new notes, €174.5 million of new bilateral facilities and €113.3 million of new finance leases. We repaid €1,084.9 million of debt, including €239.3 million of 2021 Senior Secured Notes and €225.0 million of 2022 Senior Subordinated Notes, €337.3 million of bilateral facilities, €165.0 million of commercial papers and €118.4 million of finance leases.

In 2018, we incurred €492.3 million of debt, including €325.6 million of new bilateral facilities and €166.6 million of new finance leases to finance fleet capital expenditure. We repaid €456.8 million of debt, including €60.0 million of 2021 Senior Secured Notes, €25.0 million of 2022 Senior Subordinated Notes, €279.5 million of bilateral facilities and €92.4 million of finance leases.

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 under IFRS and should not be considered as an alternative to profit from ordinary operations 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 profit from ordinary operations and net income for the periods indicated.

	Year ended December 31,			Quarter ended December 31,		
	2018	2019	2019	2018	2019	2019
	Pré- IFRS 16	Pré- IFRS 16	Post- IFRS 16	Pré- IFRS 16	Pré- IFRS 16	Post- IFRS 16
<i>(in millions of euros)</i>						
EBITDA	500.7	609.0	693.8	128.7	178.6	210.1
Depreciation of Property, plant and equipment ...	(275.7)	(347.0)	(428.3)	(74.1)	(104.1)	(135.3)
Depreciation of intangible assets	(12.1)	(26.6)	(26.6)	(3.0)	(16.4)	(16.4)
Profit from ordinary operations	212.9	235.3	238.9	51.6	58.0	58.4
Other operating income and expense	0.2	(28.1)	(28.1)	1.7	(15.7)	(15.7)
Operating profit	213.2	207.3	210.8	53.3	42.3	42.7
Financial income and expense	(102.1)	(144.3)	(153.8)	(24.8)	(32.8)	(36.8)
Share of profit of associates	-	0.9	0.9	-	0.5	0.5
Income tax expense	(20.6)	(11.4)	(9.7)	(6.1)	10.1	11.2
Net income	90.4	52.5	48.2	22.4	20.2	17.6

EBITDA increased to €693.8 million in 2019 from €500.7 million in 2018, with an EBITDA margin of 37.1% in 2019 and 33.8% in 2018. Excluding the IFRS 16 impact of €84.8 million, EBITDA increased by 21.6% to €609.0 million in 2019 compared to €500.7 million in 2018.

Excluding the IFRS 16 impact, EBITDA from our Generalist France division amounted to €237.8 million in 2019, compared to €225.5 million in 2018. Our EBITDA margin for Generalist France was 34.9% in 2019 compared to 34.4% in 2018. EBITDA from our Generalist France division amounted to €57.7 million in the quarter ended December 31, 2019, compared to €59.8 million in the quarter ended December 31, 2018.

Excluding the IFRS 16 impact, EBITDA from our Specialist France division amounted to €80.6 million in 2019, compared to €78.2 million in 2018. Our EBITDA margin for Specialist France was 33.2% in 2019 and 34.2% in 2018. EBITDA from our Specialist France division amounted to €20.4 million in the quarter ended December 31, 2019 compared to €19.0 million in the quarter ended December 31, 2018.

Excluding the IFRS 16 impact, EBITDA from our International division amounted to € 287.8 million in 2019, compared to €195.3 million in 2018. Our EBITDA margin for International was 30.4% in 2019 compared to 32.6% in 2018. EBITDA from our International division amounted to €99.8 million in the quarter ended December 31, 2019, compared to €49.4 million in the quarter ended December 31, 2018.

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 under IFRS 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 2019, Loxam recorded a positive recurring free cash flow of €86.4 million compared to a positive recurring free cash flow of €2.4 million in 2018. A higher EBITDA before capital gains on fleet disposals and lower gross capital expenditure helped to improve the free cash flow performance.

In 2019, non-recurring cash items amounted to €(24.8) million and are related to the bridge commitment fees for €(16.5) million, the fees incurred for the repayment of €464.3 million of notes for €(10.8) million, the acquisition costs for €(12.9) million less the decrease of the deposit paid to fixed assets suppliers for €15.4 million.

In 2018, non-recurring cash items amounted to €8.5 million and are related to the UK platforms acquisition costs for €(1.7) million, the fees incurred for the repayment of €85 million of notes for €(1.6) million, less the decrease of the deposit paid to fixed assets suppliers for €11.3 million.

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

(in millions of euros)	Year ended		Quarter ended	
	December 31,		December 31,	
	2018	2019	2018	2019
EBITDA ⁽¹⁾	500.7	609.0	128.7	178.6
Capital gains on fleet disposals	(41.5)	(47.5)	(14.0)	(16.2)
EBITDA before capital gains on fleet disposals	459.2	561.5	114.7	162.4
+ Proceeds from disposals of fixed assets	62.8	71.3	17.6	24.5
- Gross capital expenditure	(412.5)	(383.1)	(97.3)	(61.5)
- operating income and expense	(0.3)	-	(0.0)	(0.0)
- Financial income and expense ⁽²⁾	(93.9)	(108.4)	(23.1)	(32.4)
- Income taxes ⁽³⁾	(9.4)	(4.7)	(1.9)	3.4
- +/- Change in working capital requirement ⁽⁴⁾	(2.5)	(50.4)	27.6	(3.0)
Miscellaneous ⁽⁵⁾	(0.9)	0.3	2.4	(0.9)
Recurring Free cash flow	2.4	86.4	40.2	92.5
Non-recurring items ⁽⁶⁾	8.5	(24.8)	1.1	(33.1)
Free cash flow ⁽⁷⁾	10.8	61.6	41.2	59.4
Acquisition ⁽⁸⁾	(17.1)	(1,579.6)	0.0	3.3
Share capital decrease	-	-	-	-
Dividends	(6.9)	(6.9)	-	-
Issue costs amortization and currency variations	(1.4)	(14.2)	0.0	(8.0)
Change in net debt ⁽⁹⁾	(14.6)	(1,539.1)	41.3	54.7
IFRS 16 impact on net debt ⁽¹⁰⁾	-	(336.1)	-	(21.8)

Notes:

- (1) EBITDA excluding IFRS 16 impact of €84.8 million for 2019, and €31.6 million for the quarter ended December 31, 2019.
- (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) Excludes change in accrued interests on loans and change in other financial debt, which together totaled a decrease of €5.8 million in 2019 compared to a decrease of €1.3 million in 2018.
- (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) Non-recurring items in 2019 include: the bridge commitment fees for €(16.5) million, the early redemption premium paid for the refinancing of April of €(10.8) million, the acquisition costs of Ramirent and UK Platforms for €(12.9) million and €15.4 million of deposit payments on future capital expenditures.
Non-recurring items in 2018 include: €11.3 million of deposit payments on future capital expenditures, €1.7 million of UK Platforms acquisition costs and €1.6 million of notes redemption premiums, less income tax.
Non-recurring items in the quarter ended December 31, 2019 include the impact on change in working capital for €(33.1) million mainly related to acquisition costs and bridge commitment fees paid in Q4.
Non-recurring items in the quarter ended December 31, 2018 related to the decrease of the deposit payment to fixed assets suppliers for €2.8 million, UK Platforms acquisition costs for €(1.7) million.

- (7) Before payment of dividends, capital increases and acquisitions.
- (8) Corresponds to the UK Platforms and Ramirent acquisitions.
- (9) Excluding change in derivatives instruments and lease liabilities under IFRS 16.
- (10) Corresponds to the IFRS 16 lease liabilities.

Net debt

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

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

	As of December 31,			
	2016	2017	2018	2019
	<i>in millions of euros</i>			
2021 Senior Secured Notes	410.0	299.3	239.3	-
2022 Senior Subordinated Notes	250.0	250.0	225.0	-
2023 Senior Secured Notes	250.0	250.0	250.0	250.0
2022 Senior Secured Notes	—	300.0	300.0	300.0
2024 Senior Secured Notes	—	300.0	300.0	300.0
2025 Senior Subordinated Notes	—	250.0	250.0	250.0
2025 Senior Secured Notes				700.0
2026 Senior Secured Notes	-	-	-	750.0
2027 Senior Subordinated Notes				450.0
Issuance costs related to notes	(8.0)	(17.9)	(12.1)	(30.1)
Bank loans on bilateral credit facilities.....	244.7	364.4	409.1	486.2
Commercial papers	-	-	-	115.0
Accrued interest on debt securities and loans.....	5.0	18.6	18.2	25.9
Lease debt	143.7	218.7	293.3	288.5
Other financial debt	1.1	4.4	4.4	23.1
Bank overdrafts	0.2	1.0	2.4	1.1
Loans and financial debt (gross debt)	1,296.6	2,238.7	2,279.5	3,909.7
Loan granted to Ramirent JV	-	-	-	(4.8)
Cash	(90.6)	(117.5)	(143.4)	(127.8)
Marketable investment securities	(65.3)	(0.1)	(0.4)	(102.3)
Cash and cash equivalents.....	(155.9)	(117.5)	(143.8)	(230.1)
Net debt (excluding IFRS 16 lease liabilities).....	1,140.8	2,121.2	2,135.7	3,674.8

Net debt (excluding IFRS 16 operating lease liabilities) increased by €1,539.1 million in 2019, from €2,135.7 million as of December 31, 2018 to €3,674.8 million as of December 31, 2019, primarily as a

result of a positive free cash flow of €61.6 million, a €(1,579.6) million effect of change in scope of consolidation related to the UK Platforms and Ramirent acquisitions and dividends paid for €(6.9) million.

Including the IFRS 16 lease liabilities of €336.1 million, the net debt amounts to €4,011.0 million as of December 31, 2019.

Debt maturity profile

The table below provides the maturity profile of our outstanding indebtedness, as of December 31, 2019.

<i>(in millions of euros)</i>	Total	2020	2021	2022	2023	2024	2025	2026	2027 and later
Bilateral loans	486.2	119.3	98.2	68.3	174.4	11.5	14.3	0.1	0.2
Commercial papers	115.0	115.0	-	-	-	-	-	-	-
Lease debt	288.5	97.0	83.8	60.3	35.8	7.5	4.1	0.1	-
Loans and financial debt owed to credit institutions.....	889.8	331.3	182.0	128.7	210.2	19.0	18.4	0.1	0.2
Other financial debt	23.1	22.6	-	0.5	-	-	-	-	-
2017 senior secured notes due 2022	299.5	-	-	299.5	-	-	-	-	-
2017 senior secured notes due 2024	297.4	-	-	-	-	297.4	-	-	-
2017 senior subordinated notes due 2025	247.4	-	-	-	-	-	247.4	-	-
2016 senior secured notes due 2023	249.1	-	-	-	249.1	-	-	-	-
2019 senior secured notes due 2026	297.9	-	-	-	-	-	-	297.9	-
2019 senior subordinated notes due 2027	198.5	-	-	-	-	-	-	-	198.5
2019 senior secured notes due 2025	690.3	-	-	-	-	-	690.3	-	-
2019 senior secured notes due 2026	443.5	-	-	-	-	-	-	443.5	-
2019 senior subordinated notes due 2027	246.3	-	-	-	-	-	-	-	246.3
Total debt ⁽¹⁾	3,882.7	353.9	182.0	428.6	459.3	316.4	956.0	741.5	445.0

(1) Total debt figures exclude accrued interests, bank overdrafts and operating lease liabilities under IFRS 16; and are presented net of issuance costs.

On April 11, 2019, Loxam issued €500 million of new bonds, split into two tranches:

- A senior secured bond of €300 million due in 2026
- A senior subordinated bond of €200 million due in 2027

On the same date, Loxam redeemed its senior secured notes due 2021 and the senior subordinated notes due 2022 for a total principal amount of €464.3 million.

On July 22, 2019, Loxam issued new bonds for a total of €1,400 million, split into three tranches:

- A senior secured bond of €700 million due in 2025
- A senior secured bond of €450 million due in 2026
- A senior subordinated bond of €250 million due in 2027

Off-balance sheet commitments

We are a party to various customary off-balance sheet arrangements, including guarantees given to financial institutions for payment of real estate rentals, guarantees on our subsidiaries' borrowings and security granted in connection with the Existing Senior Secured Notes. See note 24 to our IFRS consolidated financial statements for the year ended December 31, 2019.

Currency and interest rate derivatives

We are exposed to market risks arising from fluctuations in interest rates and exchange rates in the ordinary course of our business. To manage these risks effectively, we enter into hedging transactions and use derivative financial instruments to mitigate the adverse effects of these risks. We do not enter into financial instruments for trading or speculative purposes.

The Group still owns a portfolio of derivative financial instruments hedging interest rate variations for a notional amount of €206.1 million at December 31, 2019 for a maximum term in February 2024. These derivatives are recognized in financial liabilities for an amount of €3.2 million at December 31, 2019, of which Ramirent for €2.2 million (for a notional amount of €185.0 million) and Loxam for €0.9 million. As of December 31, 2019, 85% of our financial debt has a fixed interest rate compared to 83% at the end of 2018.

The majority of our revenue (70% in 2019), expenses and obligations are denominated in euros. However, we are exposed to foreign exchange rate risk, primarily in respect of British pounds, Norwegian krone and Swedish krona. Our foreign exchange rate derivative financial instruments as of December 31, 2019 covered current liabilities denominated in British pounds for GBP 46.3 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 2019

Statement of financial position

ASSETS (€'000)	Notes	31.12.18 (a)	31.12.19
Intangible assets and goodwill	5	1,327,286	2,353,604
Property, plant and equipment	6	1,354,701	2,362,477
Investments in associates	7	-	9,815
Financial assets	8	14,381	21,369
Deferred tax assets	23	18,394	18,461
Non-current assets		2,714,762	4,765,726
Inventories	9	30,782	49,302
Trade and other receivables	10	388,497	496,581
Other current assets	11	56,215	52,466
Corporate income tax receivables	11	12,256	22,570
Cash and cash equivalents	12	143,789	230,087
Current assets		631,539	851,006
Total assets		3,346,301	5,616,732

LIABILITIES (€'000)	Notes	31.12.18 (a)	31.12.19
Share capital		229,818	229,818
Additional paid-in capital		1,882	1,882
Consolidated reserves		292,489	407,439
Net profit for the year		95,658	49,389
Shareholders' equity (Group share)		619,847	688,528
Non-controlling interests		10,621	9,507
Total equity	13	630,468	698,035
Employee benefits	16	11,111	44,188
Deferred tax liabilities	23	70,400	191,004
Borrowings and financial debt	15	2,063,029	3,771,635
Financial derivatives	14	2,313	7,608
Non-current liabilities		2,146,853	4,014,436
Provisions	17	11,098	19,468
Borrowings and financial debt	15	216,504	474,173
Trade and other payables	18	202,210	205,265
Other liabilities	18	135,462	193,415
Corporate income tax liabilities	18	3,706	11,942
Current liabilities		568,980	904,262
Total shareholders' equity and liabilities		3,346,301	5,616,732

(a) The Group has applied IFRS 16 for the first time on January 1, 2019, using the modified retrospective approach. According to this approach, the comparative information has not been restated.

Consolidated income statement and statement of comprehensive income

€'000	Notes	31.12.18 (a)	31.12.19
Revenue	19	1,482,583	1,871,433
Other income		56,712	59,472
Operating income		1,539,295	1,930,905
Purchases consumed		(162,769)	(193,407)
Personnel expenses	20	(381,298)	(467,475)
Other current expenses		(475,283)	(556,668)
Taxes and duties		(19,261)	(19,591)
Depreciation and amortization – Property, plant and equipment		(275,710)	(428,251)
Depreciation and amortization – Intangibles assets		(12,051)	(26,648)
Profit from ordinary operations		212,923	238,864
Other operating incomes	21	5,530	947
Other operating expenses	21	(5,302)	(29,020)
Operating profit		213,152	210,791
Interest and financing-related expenses		(97,177)	(125,833)
Other financial expenses		(7,712)	(31,691)
Financial income		2,755	3,708
Financial income (expense)	22	(102,135)	(153,817)
Profit before tax		111,017	56,974
Share of result in associates and joint ventures	7	-	899
Income tax expense	23	(20,571)	(9,697)
Net profit		90,446	48,176
Non-controlling interests		(5,212)	(1,213)
Net profit, Group share		95,658	49,389
		31.12.18	31.12.19
Net profit		90,446	48,176
Exchange gains or losses (b)		1,149	26,018
Value adjustments linked to hedging derivatives		601	-
Fair value of derivative instruments		-	-
Tax		-	-
Items recycled to profit or loss		1,750	26,018
Remeasurement of liabilities for defined benefit retirement plans		2,178	498
Tax		(581)	(122)
Items not recycled to profit or loss		1,597	376
Other comprehensive income		3,348	26,394
Comprehensive income		93,793	74,570
EBITDA (c)		500,685	693,764

(a) The Group has applied IFRS 16 for the first time on January 1, 2019, using the modified retrospective approach. According to this approach, the comparative information has not been restated.

(b) Of which associates and joint ventures for €182k.

(c) EBITDA is not a measure of financial performance under IFRS. EBITDA is presented as additional information and is defined by the Group as profit from ordinary operations plus depreciation and amortization of tangible and intangible assets.

Consolidated cash-flow statement

€'000	Notes	31.12.18 (a)	31.12.19
Net profit		90,446	48,176
Share of result in associates and joint ventures	7	-	(899)
Income tax expense (including deferred tax)	23	20,571	9,697
Net finance costs	22	102,135	153,817
Other operating income and expense		(2,416)	5,139
Depreciation and provisions, net of reversals		289,585	466,145
Capital gains on asset disposals		(44,079)	(48,455)
Cash flow from operations (before cost of financing and tax)		456,241	633,620
Income tax paid		(8,927)	(4,718)
Financial interest paid		(95,476)	(140,546)
Financial interest received		1,299	1,194
Change in working capital requirements		8,734	(35,047)
Cash flow from operating activities	A	361,872	454,503
Impact of changes in scope		(17,128)	(1,052,460)
Acquisitions of fixed assets		(412,497)	(466,086)
Disposals of fixed assets		62,752	73,234
Cash flow from investing activities	B	(366,873)	(1,445,313)
Dividends paid		(6,895)	(6,895)
Proceeds from loans and borrowings	15	492,270	2,244,609
Repayment of loans and borrowings	15	(456,843)	(1,160,437)
Cash flow from financing activities	C	28,532	1,077,278
Change in cash and cash equivalents	A+B+C	23,531	86,468
Cash and cash equivalents at beginning of period		116,583	141,418
Cash and cash equivalents at end of period		141,418	229,035
Impact of exchange rate fluctuations		(1,303)	(1,150)
Change in cash and cash equivalents		23,531	86,468
Other marketable securities		352	102,269
Cash at bank and on hand		143,437	127,818
Current bank borrowings		(2,371)	(1,052)
Cash and cash equivalents		141,418	229,035

(a) The Group has applied IFRS 16 for the first time on January 1, 2019, using the modified retrospective approach. According to this approach, the comparative information has not been restated.

Consolidated statement of changes in equity

€'000	Share capital	Additional paid-in capital	Other consolidated reserves	Reserves to be recycled (OCI)	Shareholders' equity (Group share)	Non-controlling interests	Total equity
At 31 December 2017	229,818	1,882	321,041	(24,444)	528,297	15,391	543,688
Net profit for the period			95,658		95,658	(5,212)	90,446
Employee benefits				1,607	1,607	(9)	1,597
Net Investment hedge				601	601		601
Exchange gains or losses				1,438	1,438	(289)	1,149
Comprehensive income			95,658	3,645	99,304	(5,510)	93,793
IFRS 9			(1,026)		(1,026)		(1,026)
Capital movements					-		-
Dividends			(6,895)		(6,895)		(6,895)
Changes in scope					-	542	542
Other movements			167		167	199	366
At 31 December 2018	229,818	1,882	408,945	(20,798)	619,847	10,621	630,468
Net profit for the period			49,389		49,389	(1,213)	48,176
Employee benefits				416	416	(40)	376
Exchange gains or losses				25,880	25,880	138	26,018
Comprehensive income			49,389	26,296	75,685	(1,115)	74,570
Capital movements					-		-
Dividends			(6,895)		(6,895)		(6,895)
Changes in scope					-		-
Other movements			(110)		(110)	1	(109)
At 31 December 2019	229,818	1,882	451,330	5,498	688,528	9,507	698,035

Notes to the financial statements

Note 1 – Overview	74
Note 2 – Highlights	75
Note 3 – Accounting principles	77
Note 4 – Scope of consolidation	91
Note 5 – Intangible assets and goodwill	93
Note 6 – Property, plant and equipment	96
Note 7 – Investments in associates.....	97
Note 8 – Financial assets	98
Note 9 – Inventories	98
Note 10 – Trade and other receivables.....	99
Note 11 – Income tax receivables and other current assets.....	99
Note 12 – Cash management assets, cash and cash equivalents	99
Note 13 – Shareholders’ equity	99
Note 14 – Financial risk management - Financial instruments.....	100
Note 15 – Borrowings and financial debt	102
Note 16 – Employee benefits.....	103
Note 17 – Provisions	105
Note 18 – Trade payables and other current liabilities.....	105
Note 19 – Segments operations	106
Note 20 – Personnel expenses.....	107
Note 21 – Other operating income and expenses	107
Note 22 – Financial income (expense).....	107
Note 23 – Corporate income tax.....	108
Note 24 – Off-balance sheet commitments.....	109
Note 25 – Related-party transactions.....	109
Note 26 – Statutory Auditors’ Fees.....	110
Note 27 – Impact of the first application of IFRS 16 on financial statements.....	110
Note 28 – Impacts of changes in scope on the financials statements	114
Note 29 - Business Combination-Comparative Information	116

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 €229,818,150 as of December 31, 2019, 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.

Loxam is the European equipment rental market leader, with its business focused primarily on construction and civil engineering professionals.

The Group operates mainly in Europe but also in North Africa, the United Arab Emirates, Bahrain, Saudi Arabia, Oman, Qatar and Kuwait as well as in Brazil and Colombia.

Following the acquisition of Ramirent in July 2019, Loxam has become the 3rd largest player in the world with a presence in 30 countries (based on total pro forma revenue), now including Finland, Sweden, Poland, Czech Republic, Slovakia and also Estonia, Lithuania and Latvia.

1.2. Basis of preparation

The consolidated financial statements for the period from January 1 to December 31, 2019 include Loxam SAS and its subsidiaries (together “the Group” or “Loxam Group”), including the Group’s share in equity affiliates and joint ventures.

The Ramirent Group (Ramirent Plc and its subsidiaries) has been consolidated in Loxam’s consolidated accounts from August 1st, 2019.

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 December 31, 2019

On January 14, 2019, Nationwide Platforms acquired UK Platforms Limited (“UK Platforms”) from HSS Hire Group Plc. UK Platforms is specialized in renting power access equipment from its branch network throughout the United Kingdom.

On April 11, 2019, Loxam issued €500 million of new bonds, split into two tranches:

- A senior secured bond of €300 million due in 2026, paying a coupon of 2.875%
- A senior subordinated bond of €200 million due in 2027, paying a coupon of 4.50%

The proceeds of the issuance were used to redeem the Senior Secured Notes due 2021 and Senior Subordinated Notes due 2022, for a total amount of €464.3 million. This early repayment generated non-recurring financial expenses of € 11.8 million.

On June 9, 2019, Loxam has entered into a €1,500 million bridge loan for the acquisition of Ramirent Plc. The bridge loan has not been drawn.

On June 19, 2019, Loxam launched a voluntary recommended public cash tender offer to purchase all of the issued and outstanding shares of Ramirent Plc., a leading equipment rental company for the construction, industry and services sectors with operations in the Nordic countries, Central Europe and Eastern Europe and a turnover of €712 million in 2018.

On July 18, 2019, at the expiration of the acceptance period on July 18, 2019, Loxam’s offer was declared successful as the shares tendered in the Tender Offer represented approximately 96.2% of all the issued and outstanding shares and votes in Ramirent, satisfying the minimum acceptance condition of the Tender Offer. At the end of the subsequent offer period started on July 24, 2019, the total shares tendered were representing approximately 98.2 % of all the issued and outstanding shares in Ramirent.

On July 22, 2019, Loxam successfully issued new bonds for a total of €1,400 million to finance the acquisition of Ramirent, to refinance certain of Ramirent’s gross debt and the debt related to the acquisition of Stavdal AB, and to pay the fees and expenses related to the offering and the acquisition. The new bonds were split into three tranches:

- A senior secured bond of €700 million due in 2025, paying a coupon of 3.25%
- A senior secured bond of €450 million due in 2026, paying a coupon of 3.75%
- A subordinated secured bond of €250 million due in 2027, paying a coupon of 5.75%.

On October 31, 2019, activities of UK Platforms were merged with Nationwide Platforms Ltd.

On December 13, 2019, Loxam A / S (Denmark) sold 100% of the shares held in Loxam AS (Norway) to Stavdal AS (Norway).

On December 20, 2019, the transfer of ownership and squeeze out of the outstanding shares of Ramirent became effective. Loxam owns 100% of the shares of Ramirent.

Post-closing events

None

Overview of keys developments in 2018:

On February 8, 2018, Loxam SAS acquired 100% interest of Lavendon Access Services SAS (“Lavendon France”) from Lavendon Access Services LTD. Lavendon France subsequently merged into Loxam SAS on April 1, 2018.

On February 7, Hune Rental SLU (Spain) acquired 100% of Loxam Alquiler (Spain) shares, from Loxam SAS. Loxam Alquiler merged into Hune Rental SLU on April 1, 2018.

On June 1, our Dutch subsidiaries, Loxam BV, Workx Materieelverhuur BV and Workx Holding merged in order to improve the efficiency of our business.

On June 8, Loxam SAS acquired 100% of Negoce de Vehicules Automoteurs (“NVA”), a French based company with primary business in logistic for events activities. NVA merged into Loxam SAS on September 1, 2018.

On June 21, Loxam Access SRL acquired 100% of the Italian powered access rental company No.Ve. S.r.l. (“Nove”) from Haulotte Group S.A. Nove merged into Loxam Access SRL on December 21, 2018.

On July 19, Loxam entered into a conditional agreement with HSS Hire Group Plc with respect to the acquisition of UK Platforms Limited (UKP) by Loxam’s wholly-owned subsidiary Nationwide Platforms Limited (“Nationwide”). UKP is specialized in renting powered access equipment from its branch network throughout the United Kingdom. The acquisition was completed on January 14, 2019 after approval by the UK Competition and Mergers Authority.

On July 23, Loxam redeemed €60 million out of the €299.3 million outstanding principal amount of the 2021 Senior Secured Notes, and €25 million out of the €250.0 million outstanding principal amount of the 2022 Senior Subordinated Notes. This partial redemption was funded out of available cash.

On December 10, 2018, our Dutch subsidiary Workx Sloop-en Graafdiensten BV was liquidated.

On December 30, 2018, Norleu Eurl merged into Loxam SAS.

Two companies were created within the Lavendon group during the fourth quarter of 2018:

- Rapid Access Middle East LLC (RAME), a company established in the Abu Dhabi free zone in the United Arab Emirates and wholly owned by Lavendon Access Services International
- Rapid Access Trading Bahrain W.L.L., located in Bahrain.

Note 3 – Accounting principles

3.1. Declaration of compliance

The Loxam Group has prepared its consolidated financial statements at December 31, 2019, in accordance with IFRS (International Financial Reporting Standards) as adopted by the European Union at December 31, 2019, with mandatory compliance at this date, with comparative information presented for 2018, 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).

The consolidated financial statements are presented in thousands of euros (unless otherwise specified) and include the financial statements of Loxam SAS and its subsidiaries (« the Group ») for the financial year from January 1, 2019 to December 31, 2019. The list of consolidated companies is presented in Note 4.

The Group financial statements were approved by the Chairman on March [*,] 2020.

3.2. Application and interpretation of standards and regulations

New IFRS standards, IFRIC interpretations or amendments to be applied from January 1, 2019:

Standards, amendments or interpretations	Dates adopted by the European Union	Application dates in Europe: financial year starting on or after
IFRS 16 - Leases contracts	31.10.2017	01.01.2019
IFRIC Interpretation 23 Uncertainty over Income Tax Treatments	24.10.2018	01.01.2019
Amendments to IFRS 9 - Prepayment Features with Negative Compensation	22.03.2018	01.01.2019
Amendments to IAS 19 – Plan amendment, curtailment or settlement	13.03.2019	01.01.2019
Amendments to IAS 28 - Long-term interests in associates and joint ventures	08.02.2019	01.01.2019

- **IFRS 16 - Leases:** this standard is applied by the Group since January 1, 2019 and replaces the IAS 17 and the associated IFRIC and SIC interpretations.

It removes the distinction previously made between simple leases and financial leases. According to IFRS 16, a lessee employs a right-of-use asset and a lease liability representing the rental obligation.

At the transition date, the Group chose to apply the modified method which consists in keeping the analyses performed for the identification of leases and to apply IFRS 16 only to contracts previously classified as leases. Contracts that were not identified as leases in accordance with IAS 17 and IFRIC 4

have not been re-analysed. As a result, the definition of a lease as defined by IFRS 16 only applies to contracts entered into or modified as from January 1st, 2019.

Leases previously classified as financial leases under IAS 17 have not been analysed at the transition date and have not been restated. The corresponding leased assets are accounted for as "Tangible assets" in accordance with prior year classification.

The Group has identified its lease contracts previously classified as operating leases within the scope of IFRS 16 and applied the following exemptions and transition options provided by the standard:

- Exemption for contracts with a duration of less than one year (at the date of transition, exemption of old lease contracts with a remaining term of less than 12 months);
- Exemption for lease contracts of low-value assets (USD 5,000);
- Use of the modified retrospective method at the transition date, recording the transition impacts in the opening balance sheet without restating previous comparative data;
- The rental obligation and the right-of-use are initially measured at the discounted value of rental payments over the remaining lease term at transition date, using the incremental borrowing rate for Loxam and its subsidiaries (taking into account the borrowing conditions and the credit risk specific to each entity and reflecting the duration of lease contracts);
- The right-of-use assets are amortized on a straight-line basis over the lease term, which corresponds to the non-cancellable period of each contract (taking into consideration the position of the ANC-Autorité des Normes Comptables from February 2018).

The lease contracts restated in accordance with IFRS 16 mainly relate to real estate and, to a lesser extent, heavy and light transport vehicles.

The implementation of the standard as of January 1, 2019 has led to the cancellation of lease expenses (in "Other current expenses") for lease contracts listed in the scope of the new standard, the amortization of the right-of-use and the recognition of financial expenses (interest cost of the lease liability).

As part of the acquisition of Ramirent Group, the right-of-use of the leased assets and the lease liability were valued at the acquisition date as new leases. Similarly, the discount rates used by Ramirent as part of their application of IFRS 16 since January 1, 2019, have been replaced by the incremental borrowing rate at the date of acquisition by Loxam under the new borrowing terms of Ramirent and its subsidiaries.

The Group presents the right-of-use within "Property, plant and equipment" on the same line as the underlying assets of same nature of which it has full ownership (Note 6).

The Group presents the lease liabilities within "Borrowings and financial debts" in the statement of financial position.

Following the publication in December 2019 of the final decision of the IFRS IC related to the determination of certain lease contracts duration as well as the amortization period for fixtures and installations inseparable from the leased asset, the Group has not modified the methods and assumptions used and will proceed with the analysis of potential impacts in 2020.

• **IFRIC 23 - Uncertainty over income tax treatments:** on 7 June 2017, the International Accounting Standards Board issued IFRIC 23 Interpretation, adopted by the European Union on October 23, 2018, and applicable beginning January 1, 2019. The Interpretation clarifies application of recognition and measurement requirements in IAS 12 Income Taxes when there is uncertainty over income tax treatments. The Interpretation specifically addresses the following:

- Considering each uncertain tax treatments separately or together:

The interpretation recommends that an entity should define whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments in order to determine taxable profit (tax loss), tax bases, tax loss carry-forwards, unused tax credits and tax rates. The approach that better predicts the resolution of the uncertainty should be followed

- Examination by taxation authorities:

In assessing whether and how an uncertain tax treatment affects the determination of taxable profit (tax loss), tax bases, tax loss carry-forwards, unused tax credits and tax rates, an entity should assume that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations.

- Determining taxable profit (tax loss), tax bases, tax loss carry-forwards, unused tax credits and tax rates:

The interpretation recommends that an entity must consider the probability that a taxation authority will accept an uncertain tax treatment.

If the entity concludes it is probable that the taxation authority will accept an uncertain tax treatment, the entity must determine taxable profit (tax loss), tax bases, tax loss carry-forwards, unused tax credits and tax rates consistently with the tax treatment used or planned to be used in the entity's income tax filings.

If the entity concludes that the tax administration is unlikely to accept an uncertain tax treatment, the entity must reflect the effect of uncertainty in determining taxable profit (tax loss), tax bases, tax loss carry-forwards, unused tax credits and tax rates, following the method the entity expects to better predict the resolution of the uncertainty: either the most likely amount method or the expected value method.

- Considering changes in facts and circumstances:

An entity should reassess any judgements and estimates made if the facts and circumstances change could modify the entity's conclusions about the acceptance of a tax treatment or its estimates about the effects of uncertainty, or both.

The application of this interpretation as of January 1, 2019 has no impact on the Group's consolidated financial statements.

The following standards, amendments or interpretations published by the IASB are not yet applicable or not applied in advance by the group:

Standards, amendments or interpretations	Adoption in Europe	Application dates: financial year starting on or after
Amendments to IAS 1 - IAS 8 – Definition of Material	29.11.2019	01.01.2020
Amendments to IFRS 9, IAS 39 & IFRS 7 - Interest rate benchmark reform	15.01.2020	01.01.2020
Amendments to IFRS 3 – Definition of a Business	Not adopted	01.01.2020
The conceptual framework for financial reporting	Not adopted	01.01.2021
IFRS 17 – Insurance Contracts	Not adopted	01.01.2021
Amendments to IFRS 10 & IAS 28 – Sale of contribution of assets between an investor and its associate or joint venture	Postponed	Postponed

3.3. Presentation of the financial statements

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

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

3.4. Consolidation principle

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

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

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

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

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

An associate is an entity over 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.

A joint venture or joint activity is the result of a contractual arrangement whereby two or more parties agree to carry out an economic activity under joint control. For joint activities, which give each of the co-participants direct rights to assets and obligations for liabilities, assets and liabilities,

expenses and income are recognized based on the interests in the joint activity. Joint ventures that confer interests in net assets are accounted for using the equity method.

3.5. Comparability of the financial statements

Considering the acquisitions of companies completed in 2019, Loxam's consolidated financial statements for the period ended December 31, 2019 include:

- 12 months of activity of UK Platforms, acquired on January 14, 2019
- 5 months of activity of Ramirent, acquired on July 24, 2019 and consolidated as of August 1, 2019.

The impact of the acquisition of Ramirent group in 2019 is presented in Note 28 and enables a comparison of 2018 and 2019 financial statements for the historical Loxam scope.

In addition, in order to provide a comparable basis for future years, a "pro forma" analysis of the main items of income as of December 31, 2019 is presented in Note 29, taking into account 12 months of activity of the Ramirent group. The 2018 comparative period has not been restated.

The purchase price allocation of Ramirent group reflected in the financial statements at the end of 2019 is preliminary. The valuation of intangible assets and goodwill is therefore not final.

Depreciation rules at Ramirent group are still under analysis and were not modified at year end 2019.

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);
- Purchase price allocation related to the acquisition of UK Platforms and Ramirent group;
- Measurement of obligations relating to defined benefit plans (Note 16);
- Measurement of financial instruments at fair value (Note 14);
- Qualification of lease contracts (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.

- 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 December 31, 2019 (euro vs. currency):

1 EUR =		Closing period rate	Average rate	Opening period rate
AED	Arabic Emirates dirham	4,1128	4,1093	4,2116
BHD	Bahraini dinar	0,4222	0,4197	0,4323
BRL	Brazilian real	4,5111	4,4111	4,4465
CHF	Swiss franc	1,0874	1,1128	1,1255
COP	Colombian peso	3 683,83	3 651,8755	3 726,2700
CZK	Czech koruna	25,4309	25,6262	25,7240
DKK	Danish krone	7,4693	7,4664	7,4663
GBP	Pound sterling	0,8533	0,8772	0,8990
MAD	Moroccan dirham	10,6140	10,5773	10,9579
NOK	Norwegian krone	9,8582	9,8478	9,9034
OMR	Omani rial	0,4311	0,4298	0,4415
PLN	Polish zloty	4,2575	4,3007	4,3014
QAR	Qatari riyal	4,0934	3,9489	4,1917
SAR	Saudi riyal	4,2012	4,1957	4,3021
SEK	Swedish krona	10,4449	10,6450	10,2548

3.9. Breakdown of current / non-current assets and liabilities

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

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

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

3.10. Fair value of financial assets and liabilities

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

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

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

3.11. Intangible assets and goodwill

a) Goodwill

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

b) Trademarks and customer relationships

The application of IFRS 3R may lead to the allocation of an acquisition price to identified intangible assets such as trademarks and client relationships. These intangible assets could be depreciated over 5 to 12 years. Trademarks are depreciated over 5 to 12 years and customer relationships over 8 to 15 years.

c) 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 revalued.

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 into account the resale value of this equipment at the end of its life.

3.13. Leases

As stated in Note 3.2 Changes in Accounting Policies, as of January 1, 2019, leases contracts are governed by IFRS 16 which modifies the accounting treatment of leases. The standard removes the distinction previously made between simple leases and finance leases for the lessee; the lessee recognizes a right-of-use asset and a financial debt representing the rental obligation.

Leases previously classified as financial leases under IAS 17 have not been analysed at the transition date and have not been restated. The corresponding leased assets are accounted for as “Tangible assets” in accordance with prior year classification.

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 to which the goodwill is allocated 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.

The Group is also performing impairment tests for investments in joint ventures and associates by determining their fair value using the same discounted cash flow (DCF) method and comparing it with their recoverable amount.

Following the implementation of these tests for the year ended 2019, the Group recognised a loss of €10 million allocated to the value of the goodwill of Loxam A/S (Denmark) and presented in other operating expenses. Operational assumptions are based on business projections and EBITDA targets. These have been revised in the light of past performance and the outlook for Denmark, which explains the impairment loss recorded as such.

3.15. Financial assets

Financial assets include:

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

Financial assets are measured and recognised in accordance with IAS 32 and IFRS 9.

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.

The Group has also adopted an expected credit loss impairment model from January 1, 2018 following the simplified method allowed by the IFRS 9 standard.

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.

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, mainly on Pound Sterling, Norwegian krone and Swedish krona since the acquisition of Ramirent.

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.

3.21. 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 (informed by 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.

3.22. 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.

3.23. 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.

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

3.24. Trade payables and related

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

3.25. 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.

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.

As specified in Note 3.2, the Group has assessed the application of IFRIC 23 «Uncertainty over income tax treatments», which clarifies the provisions of IAS12 «Income taxes» related to recognition and measurement when there is uncertainty over income tax treatments.

3.26. Revenue

Revenue comprises income from equipment rental, services and sales related to rental activities (transportation, damage waivers, labor charges invoiced for repairs) and sales of goods.

Rental revenue

Revenue generated from equipment rental is recognised straight line over the rental period. Contract durations can vary from one day to a few months but are mostly short-term. The contract ends upon the equipment return.

Additional services to the equipment rental and other services

Additional services mainly concern transportation, damage waivers, labor charges invoiced for repairs. Other services comprise training and repair recharges (including spare parts). These services are recognised at the end of the service completion. Revenue linked to fuel consumption is recognised upon the equipment return.

The Group is also offering a wide range of different kind of services thanks to the acquisition of Ramirent group: worksite planning, logistics, on-site support, assembly and disassembly services. The

revenue is recognized in accordance with IFRS 15 «Revenue from contracts with customers», when the services are rendered to the customer over time or when the customer controls the work in progress.

Retail revenue and sale of equipment

Revenue from retail activities and sale of equipment is recognised upon delivery to the customer.

3.27. Other income

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

3.28. Other current expenses

Other current expenses primarily include external services (particularly subcontracted maintenance and transportation costs, property and real estate rentals that are not in the scope of the new IFRS 16 standard, and general administrative costs), in addition to losses on receivables net of changes in provisions.

3.29. Other operating income and expenses

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

3.30. Financial income and expenses

Financial income primarily concerns interest on investments.

Financial expenses primarily concern interest on bonds, bilateral loans and leasing, amortized cost related to bonds, as well as changes to the fair value of financial instruments. It also includes the interest cost related to the lease liability since the first time application IFRS 16 as of January 1, 2019. 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%	Parents
SAS LOXAM MODULE	433911948	100%	100%	Full
SAS LOXAM POWER	366500585	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 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	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
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
GRUAS Y EQUIPOS HUNE	Colombia	100%	50%	Full
HUNE SICO LLC	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	-	-	Liquidated
NATIONWIDE PLATFORMS LTD	United Kingdom	100%	100%	Full
UK PLATFORMS LTD	United Kingdom	100%	100%	Full
LOGICAL COMMERCE LTD	United Kingdom	-	-	Liquidated
PANTHER PLATFORM RENTALS LTD	United Kingdom	-	-	Liquidated
AMP ACCESS LTD	United Kingdom	-	-	Liquidated
BLUESKY TOPCO LTD	United Kingdom	100%	100%	Full
BLUESKY SOLUTIONS LTD	United Kingdom	100%	100%	Full
RAPID JERSEY (N°2) LTD	United Kingdom	-	-	Liquidated
ZOOM STERLING LTD	Jersey	-	-	Liquidated
ZOOM EURO LTD	Jersey	-	-	Liquidated
ZOOM DOLLAR LTD	Jersey	-	-	Liquidated
DK RENTAL NV	Belgium	100%	100%	Full
RAPID ACCESS BV	Netherland	100%	100%	Full
RAPID ACCESS LLC (a)	United Arab Emirates	100%	49%	Full
RAPID ACCESS Holdings S.P.C	Bahrain	100%	100%	Full

RAPID Saudi Arabia Ltd	Saudi Arabia	100%	100%	Full
RAPID ACCESS LLC (b)	Oman	100%	70%	Full
RAPID ACCESS MIDDLE EAST LLC	United Arab Emirates	100%	100%	Full
RAPID ACCESS TRADING WLL (c)	Bahrain	100%	49%	Full
LOXAM ACCESS SRL	Italia	100%	80%	Full
SWAN	Ireland	100%	100%	Full
LIR HOLDINGS LTD	Ireland	100%	100%	Full
RAMIRENT OYJ	Finland	100%	10%	Full
RAMIRENT INTERNAL SERVICES AB	Sweden	100%	100%	Full
SAFETY SOLUTIONS JONSEREDS AB	Sweden	100%	96,4%	Full
RAMIRENT AB	Sweden	100%	100%	Full
RAMIRENT SAFE ACCESS AB	Sweden	100%	100%	Full
RENTSAFE SVERIGE AB	Sweden	100%	100%	Full
RAMIRENT FINLAND OY	Finland	100%	100%	Full
KOY NUMMELANRINNE	Finland	100%	100%	Full
FORTRENT OY	Finland	50%	50%	Equity
FORTRENT LLC	Russia	50%	50%	Equity
FORTRENT LLC	Ukraine	50%	50%	Equity
RAMIRENT AS	Norway	100%	100%	Full
BAUTAS AS	Norway	100%	100%	Full
FEHMARNBELT SOLUTION SERVICES A/S	Denmark	50%	50%	Equity
RAMIRENT BALTIC AS	Estonia	100%	100%	Full
RAMIRENT MODULAR FACTORY AS	Estonia	100%	100%	Full
RAMIRENT AS VILNIAUS FILIALAS	Lithuania	100%	100%	Full
RAMIRENT AS RIGAS FILIALE	Latvia	100%	100%	Full
RAMIRENT SHARED SERVICES AS	Estonia	100%	100%	Full
RAMIRENT S.A.	Poland	100%	100%	Full
RAMIRENT S.R.O.	Czech Republic	100%	100%	Full
RAMIRENT SPOL S.R.O.	Slovakia	100%	100%	Full
STAVDAL AB	Sweden	100%	100%	Full
STAVDAL AS	Norway	100%	100%	Full
STAVDAL BOD AB	Sweden	100%	100%	Full
STAVDAL I JONKOPING AB	Sweden	100%	100%	Full
HYRCITY I KARLSTAD AB	Sweden	100%	100%	Full
STAVDAL I SKOVDE AB	Sweden	100%	66%	Full

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

(b) Rapid Access Holding SPC 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 thus is considered to have control. Rapid Access LLC (Oman) is treated as a wholly owned subsidiary for the group's accounting purposes.

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

Note 5 – Intangible assets and goodwill

Changes in intangible assets and goodwill in 2019

€'000	Intangible assets	Goodwill	Total
Net book value at beginning of year	75,009	1,252,277	1,327,286
Changes in scope	373,152	668,171	1,041,324
Increase	4,574	-	4,574
Amortization and depreciation of the year			
(a)	(26,648)	(10,000)	(36,648)
Decrease / disposals	(10)	-	(10)
Reclassification	966	-	966
Exchange gains or losses (b)	3,474	12,639	16,113
Net book value at end of the period	430,516	1,923,088	2,353,604

(a) Corresponds to the depreciation on goodwill for Loxam A/S (Denmark), cf. Note 3.14.

(b) Exchange variations mainly concern the Lavendon group.

Changes in intangible assets and goodwill in 2018

€'000	Intangible assets	Goodwill	Total
Net book value at beginning of year	81,255	1,252,634	1,333,889
Changes in scope (a)	11	4,680	4,691
Increase	4,107	275	4,382
Amortization and depreciation of the year (b)	(12,051)	(608)	(12,659)
PPA allocation (Loxam Access SRL)	2,500	(2,000)	500
Decrease / disposals (c)	(1,695)	(138)	(1,833)
Reclassification	1,725	-	1,725
Exchange gains or losses	(843)	(2,566)	(3,409)
Net book value at end of the year	75,009	1,252,277	1,327,286

(a) The change in scope mainly concerns Nove (merged on December 31, 2018 into Loxam Access SRL) and NVA, which accounted for impacts of €4,071k and €450k, respectively.

(b) The impairment of goodwill relates to Hune Pronto Rental for €608k.

(c) The liquidation of Workx Sloop-en Graafdiensten BV resulted in the write-off of its goodwill for €138k.

Impact of changes in scope on goodwill:

The impact of the changes in scope concerns the following entities at December 31, 2019:

€'000	Total
UK Platforms	16,011
Ramirent (a)	652,160
FY 2019	668,171

(a) Preliminary valuation of goodwill as at December 31, 2019.

The goodwill related to the transactions of UK Platforms and Ramirent has been calculated as follows:

€'000	UK Platforms	Ramirent Group (a)
Intangibles assets (including trademarks & customer relationships)	7,073	366,079
Tangible assets	46,079	712,514
Other non-current assets	-	15,867
Current assets	8,816	156,290
Non-current liabilities	(9,880)	(242,914)
Current liabilities	(18,218)	(637,484)
Nets assets at fair value	33,871	370,352
Non-controlling interest share	-	(2)
Share of net assets acquired	33,871	370,350

€'000	UK Platforms	Ramirent Group (a)
Consideration transferred	49,882	1,022,510
Net assets acquired	33,871	370,350
Goodwill	16,011	652,160

(a) Preliminary valuation and allocation of the purchase price

Trademarks and customer relationships in 2019

The purchase price for the following acquisitions was allocated to intangible assets and valued as follows at December 31, 2019:

€'000	Trademarks	Customer Relationships	Total
Lavendon Group	13,264	47,003	60,267
Hune Group	1,151	4,135	5,287
Loxam Access SRL	550	1,187	1,737
Ramirent Group (a)	95,844	250,283	346,127
Net value at end of period	110,810	302,608	413,419

(a) Preliminary valuation and allocation of the purchase price

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	31.12.18	31.12.19
France	839,830	839,830
International	412,448	1,083,258
FY 2019	1,252,278	1,923,088

Goodwill is tested at least once a year and whenever indications of impairment arise. The last test was performed in December 2019.

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.

Following the result of this test, the goodwill of Loxam A/S (Denmark) was depreciated for an amount of €10,000k.

The assumptions used are as follows:

%	31.12.18	31.12.19
Discount rate	6,36%	6,00%
Compound annual growth rate (CAGR)	2,9%	1,7%
Perpetuity growth rate	1,5%	1,5%

For the other entities of the group, no impairments were recorded 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:

	31.12.18		31.12.19	
%	Perpetuity growth rate	Discount rate	Perpetuity growth rate	Discount rate
France	1.5%	6.61%	1.5%	6.61%
International	1.5% to 7%	6.2% to 13.3%	1.5% to 7%	6.0% to 13.3%

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:

	31.12.18		31.12.19	
	Perpetuity growth rate	Discount rate	Perpetuity growth rate	Discount rate
%				
France	-2.8%	9.7%	-3,3%	9,7%
International	-7.8%	12.5%	-6,4%	11,3%

Note 6 – Property, plant and equipment

As stated in Note 3.2 Change in accounting policy and 3.13 Leases, the Group presents the “right-of-use” assets within “Property, plant and equipment” on the same line as the underlying assets of same nature of which it has full ownership.

Change in property, plant and equipment in 2019

At December 31, 2019, the gross book value of the Group’s fleet amounts to € 4,492,690k.

€'000	Rental equipment	Other	Total
Net value at beginning of year	1,247,993	106,708	1,354,701
Changes in scope	624,622	133,970	758,592
Increase	344,915	113,973	458,888
Impact of first time application IFRS 16 ^(a)	-	224,887	224,887
Amortization and depreciation of the year	(320,800)	(108,019)	(428,819)
Decrease / disposals	(21,281)	(2,373)	(23,653)
Reclassification	(2,200)	(772)	(2,972)
Exchange gains or losses	17,972	2,883	20,855
Net value at end of the period (b)	1,891,220	471,257	2,362,477

(a) The group has applied IFRS16 for the first time on January 1, 2019, using the modified retrospective approach. The breakdown of gross values by assets’ category is the following at January 1, 2019:

€'000	Real Estate	Heavy vehicles	Light vehicles & other	Total
Right-of-use assets	175,311	17,847	31,728	224,887

(b) Property acquired under finance leases and historically accounted for in accordance with IAS 17 are almost entirely included in the "Rental Equipment" column and amount to €375,123k of net book value.

At December 31, 2019, the gross value of right-of-use amounts to €426,063k as a result of the acquisition of Ramirent, and of the new head office lease in France.

Change in property, plant and equipment in 2018

At December 31, 2018, the Group's fleet had a gross book value of € 3,045,712k.

€'000	Rental equipment	Other	Total
Net value at beginning of year	1,134,278	98,319	1,232,597
Changes in scope	10,893	469	11,362
Increase	373,414	33,861	407,274
Amortization and depreciation of the year	(255,107)	(22,237)	(277,345)
Decrease / disposals	(16,718)	(2,124)	(18,841)
Reclassification	1,543	(1,697)	(154)
Exchange gains or losses	(310)	117	(193)
Net value at end of year	1,247,993	106,708	1,354,701

Note 7 – Investments in associates

Following the acquisition of the Ramirent Group, investments in associates relate to Fortrent Oy in Finland (with subsidiaries operating in Russia and Ukraine) and to Fehmarnbelt Solution Services A/S in Denmark (Note 4 Scope of consolidation).

Ramirent Group applies IFRS 11 to all joint arrangements. Under IFRS 11, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. Ramirent has assessed the nature of its joint arrangements and determined them to be joint ventures.

€'000	31.12.18	31.12.19
Value at beginning of the period	-	-
Changes in scope		8,734
Increase in capital of associates		-
Group share in earnings for the year		899
Dividends paid		-
Exchange gains or losses		182
Value at end of the period	-	9,815

As mentioned in Note 3.14, investment in associates and joint ventures are subject to an annual impairment test.

Note 8 – Financial assets

Change of Financial assets in 2019

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

€'000	Deposits and guarantees	Loans and other non-current financial assets	Total
Net value at beginning of period	13,284	1,097	14,381
Changes in scope (a)	-	7,133	7,133
Increase	507	1,878	2,385
Decrease	(515)	(1,983)	(2,498)
Reclassification	(1)	1	-
Exchange gains or losses	(32)	(0)	(33)
Net value at end of the period	13,244	8,125	21,369

(a) Relates to Ramirent.

Change of Financial assets in 2018

€'000	Deposits and guarantees	Loans and other non-current financial assets	Total
Net value at beginning of period	14,535	1,091	15,626
Changes in scope	104	-	104
Increase	566	5	572
Decrease	(1,826)	-	(1,826)
Reclassification	175	-	175
Exchange gains or losses	(269)	-	(269)
Net value at end of period	13,284	1,097	14,381

Note 9 – Inventories

€'000 - Net value	31.12.18	31.12.19
Trade	12,024	20,606
Parts and consumables	18,759	28,696
Total	30,782	49,302

Note 10 – Trade and other receivables

€'000	31.12.18	31.12.19
Gross value	474,295	596,657
Impairment	(85,798)	(100,076)
Total trade and other receivables - net	388,497	496,581
Not due	60%	67%
Due < 30 days	18%	18%
Due from 30 to 60 days	8%	5%
Due > 60 days	14%	10%

Note 11 – Income tax receivables and other current assets

€'000	31.12.18	31.12.19
Income tax receivables	12,256	22,570
Prepaid expenses	15,371	26,096
Other receivables	40,843	26,370
Other current assets	56,215	52,466
Total income tax receivables and other current assets	68,470	75,036

Note 12 – Cash management assets, cash and cash equivalents

€'000	31.12.18	31.12.19
Other marketable securities	352	102,269
Cash	143,437	127,818
Total	143,789	230,087

Marketable securities comprise cash investment funds (SICAV) as well as term accounts and deposits in line with the IAS 7 definition of cash and cash equivalents (cf. Note 3.18).

Note 13 – Shareholders' equity

The share capital amounts to €229,818,150, split into 22,981,815 shares with a par value of €10 at December 31, 2019. It is fully paid up.

Note 14 – Financial risk management - Financial instruments

Financial instruments relating to interest rate risk:

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

At December 31, 2019, these agreements relate to a notional amount of €206,100k against the 3 month Euribor, with next maturity date in February 2024 (concerning mainly the Ramirent Group for €185,000k).

At December 31, 2019, the fair value of these derivative instruments amounts to €3,168k compared to €1,400k at December 31, 2018. Fair value adjustments are accounted for in financial income for an amount of €1,459k at December 31, 2019.

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 forward contracts on the Pound Sterling for GBP 46,290k at December 31, 2019, against GBP 74,872k at December 31, 2018.

The fair value of these financial instruments is a liability of €4,410k at December 31, 2019, compared to a liability of €913k at December 31, 2018. The change in fair value is accounted as a financial loss for an amount of €3,791k at December 31, 2019.

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 2019:

€'000	Interest Rate swaps	Exchange rate hedging	Financial instruments
Fair value level	Level 2	Level 2	
Value at beginning of year	1,400	913	2,313
Changes in scope	3,227	(264)	2,963
Value adjustment in P&L	(1,459)	3,791	2,332
Value at end of the period	3,168	4,440	7,608
Derivatives instruments included in the assets			-
Derivatives instruments included in the liabilities			7,608

Change in the valuation of financial instruments in 2018:

€'000	Interest Rate swaps	Exchange rate hedging	Financial instruments
Fair value level	Level 2	Level 2	
Value at beginning of year	2,855	1,181	1,674
Changes in scope			-
Acquisition			-
Value adjustment	(1,455)	2,095	640
Value at end of year	1,400	913	2,313
Derivatives instruments included in the assets			-
Derivatives instruments included in the liabilities			2,313

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.

The group is subject to financial ratios pursuant to its bond issuances. At December 31, 2019, the Group is in compliance with these ratios.

Credit risk information

The Loxam Group has a credit management policy in place enabling it to evaluate the creditworthiness of the customers.

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

Note 15 – Borrowings and financial debt

Following the application of IFRS 16 standard, as explained in Note 3.2 Changes in accounting policy and Note 3.13 Leases, the Group is presenting separately the “lease debt” related to finance leasing and the “lease liability” related to operating lease contracts.

Breakdown of current and non-current financial debt:

€'000	31.12.18	31.12.19
Bond (a)	1,552,170	2,969,877
Bilateral and bridge loans net of issuance costs	305,570	366,912
Lease debt	205,289	191,542
Lease liability	-	242,790
Other financial debt	-	514
Non-current financial debt	2,063,029	3,771,635
Commercial papers	-	115,000
Short-term bilateral loans	103,523	119,337
Short-term lease debt	88,043	96,975
Short-term lease liability	-	93,354
Other financial debt	22,567	48,455
Current bank borrowings	2,371	1,052
Current financial debt	216,504	474,173
Financial debt	2,279,533	4,245,808

(a) Net of bond issuance costs.

Breakdown of financial debt by interest rate

€'000	31.12.18	31.12.19
Variable-rate debt	379,967	571,948
Fixed-rate debt	1,896,900	3,671,441
Bank overdrafts	2,371	1,052
Other	295	1,367
TOTAL	2,279,533	4,245,808

Breakdown of financial debt by maturity

€'000	31.12.18	31.12.19
< 1 year	216,504	474,173
1 to 5 years	1,518,329	1,628,641
> 5 years	544,700	2,142,995
TOTAL	2,279,533	4,245,808

Change in borrowings and financial debt

Changes in 2019

€'000	Beginning of year	Change in scope (a)	First time application IFRS 16	Increase	Decrease	Other (a)	31.12.19
Bond issues	1,552,170	-	-	1,873,774	(464,300)	8,233	2,969,877
Bilateral loans	409,093	232,945	-	174,495	(337,279)	6,995	486,249
Commercial papers	-	280,000	-	-	(165,000)	-	115,000
Lease debt	293,332	66	-	113,336	(118,360)	144	288,517
Lease liability	-	102,934	224,887	83,004	(75,498)	817	336,145
Other financial debt	24,938	20,706	-	-	-	4,375	50,020
TOTAL	2,279,533	636,651	224,887	2,244,609	(1,160,437)	20,565	4,245,808

(a) Including exchanges gains or losses.

Changes in 2018

€'000	Beginning of year	Change in scope	Increase	Decrease	Other	31.12.18
Bond issues	1,631,419	-	-	(85,000)	5,751	1,552,170
Bilateral loans	364,611	-	325,630	(279,459)	(1,690)	409,093
Lease debt	218,653	795	166,640	(92,384)	(372)	293,332
Other financial debt	24,024	-	-	-	914	24,938
TOTAL	2,238,708	795	492,270	(456,843)	4,603	2,279,533

Note 16 – Employee benefits

€'000	31.12.18	31.12.19
Net Defined Benefit Obligation	11,111	44,188

Reconciliation of the commitment and the provision

Commitment	13,271	46,072
Plan assets	(2,160)	(1,884)
Net Defined Benefit Obligation at year-end / period	11,111	44,188

Movement in Defined Benefit Liability

Net Defined Benefit Liability at beginning of year	16,608	11,111
Expense for the financial year	(3,378)	2,063
Recognition of actuarial gains or losses through OCI	(2,269)	(498)
Benefits or contributions paid by the employer	(906)	(1,025)
Exchange gains or losses	58	656
Changes in scope and other (a)	997	31,881
Net Defined Benefit Obligation at year-end / period	11,111	44,188

(a) At December 31, 2019, concerns the defined benefit pension plan "ITP2" of Ramirent Sweden.

Breakdown of the expense for the financial year	31.12.18	31.12.19
Current service cost	1,046	1,583
Other	(41)	89
Interest cost	202	391
Gain related to contract amendment (a)	(4,585)	-
Expense for the year / period	(3,378)	2,063

(a) Since January 1, 2018, employees of Loxam BV have been transferred to a defined contribution plan (DC). All financial risks of the old defined benefit plan (DB) have been outsourced. There is no longer commitment on this plan and the gain related to the amendment of the contract was recorded into the other operational income for €4,585k.

The provisions for employee benefits concern:

- retirement benefits for €43,222k at December 31, 2019 compared to €10,220k at December 31, 2018;
- jubilee awards for €966k at December 31, 2019 compared to €891k at December 31, 2018.

	31.12.18		31.12.19	
Actuarial assumptions used	France	International	France	International
Discount rate (a)	2.00	1.00 to 2.00	1.00	0.20 to 1.75
Salary increase rate	1.50	0.00 to 4.6	1.50	0.00 to 4.6
Inflation rate	1.75	0.60 to 1.75	1.75	0.70 to 2.00
Mortality table	THTF 00-02	Depending on the country	THTF 00-02	Depending on the country
Retirement age	65	62 to 70	65	62 to 70

(a) Discount rate retained at 31/12/2019: Mercer Pension Yield Curve Eurozone.

Schedule of future payments over ten years	31.12.18	31.12.19
Less than 1 year	324	747
More than 1 year	5,614	13,160

Sensitivity Analysis - Changes in the defined benefit obligation as %	31.12.18	31.12.19
Discount rate +0.5%	-10%	-11%
Discount rate -0.5%	4%	10%

Note 17 – Provisions

Change in provisions in 2019

€'000	Provisions for contingencies	Provisions for charges	Total
Balance at beginning of year	6,959	4,139	11,098
Changes in scope	3,676	578	4,254
Allocations	8,364	1,116	9,481
Reversals	(2,664)	(968)	(3,632)
Exchange gains or losses and other	(247)	(1,486)	(1,733)
Balance at end of year / period	16,088	3,380	19,468

Change in provisions in 2018

€'000	Provisions for contingencies	Provisions for charges	Total
Balance at beginning of year	6,857	4,388	11,245
Changes in scope	7	(49)	(42)
Allocations	2,086	906	2,993
Reversals	(1,706)	(2,005)	(3,712)
Exchange gains or losses and other ^(a)	(285)	899	614
Balance at end of year	6,959	4,139	11,098

(a) Related to exchange differences (mainly Degraus) and a provision for refurbishment work for €1,106k.

Note 18 – Trade payables and other current liabilities

€'000	31.12.18	31.12.19
Trade payables	132,547	178,598
Payables to fixed asset suppliers	69,663	26,666
Trade payables and related	202,210	205,265
Corporate income tax liabilities	3,706	11,942
Tax and social security liabilities	115,035	160,102
Other liabilities	19,094	32,086
Accrued income	1,333	1,227
Other liabilities and accruals	135,462	193,415
Total current liabilities	341,378	410,621

Note 19 – Segments information

Revenue by division

€'000	31.12.18	% of total	31.12.19	% of total
Generalist France	655,752	44.2	681,479	36.4
Specialist France	228,530	15.4	242,774	13.0
Total France	884,282	59.6	924,254	49.4
International	598,300	40.4	947,179	50.6
Total Revenue	1,482,583		1,871,433	

EBITDA by division

EBITDA is not a measure of financial performance under IFRS and should not be considered as an alternative to net profit as an indicator of the operating performance or any other measures of performance derived in accordance with IFRS.

EBITDA is defined by the Group as profit from ordinary operations plus depreciation and amortization of tangible and intangible assets.

€'000	31.12.18 ^(a)	EBITDA margin	31.12.19	EBITDA margin
Generalist France	225,493	34.4%	269,821	39.6%
Specialist France	78,186	34.2%	86,240	35.5%
Total France	303,679	34.3%	356,061	38.5%
International	195,312	32.6%	331,141	35.0%
Real estate	1,693	n.a.	6,562	n.a.
Total EBITDA	500,685	33.8%	693,764	37.1%

a) The Group has applied IFRS 16 for the first time on January 1, 2019, using the modified retrospective approach: the comparative information has not been restated.

b) 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.

Profit from ordinary operations by division

€'000	31.12.18 ^(a)	% of total	31.12.19	% of total
Generalist France	111,909	52.6	112,609	47.1
Specialist France	30,216	14.2	31,165	13.0
France	142,125	66.7	143,775	60.2
International	69,268	32.5	92,002	38.5
Real estate	1,531	n.a.	3,087	n.a.
Total Profit from ordinary operations	212,923		238,864	

(a) The Group has applied IFRS 16 for the first time on January 1, 2019, using the modified retrospective approach: the comparative information has not been restated.

Note 20 – Personnel expenses

€'000	31.12.18	31.12.19
Salaries	284,777	350,223
Payroll taxes	88,140	109,047
Personal benefits	100	647
Incentive and employee profit-sharing	8,281	7,557
Total personnel expenses	381,298	467,475
Average headcount	7,928	11,358

Until year 2018 the French tax credit, “Crédit d’Impôt Compétitivité Emploi (C.I.C.E.)”, was deducted from payroll taxes. From January 1, 2019 the C.I.C.E has been replaced by a relief of employer’s social contribution on the lower salaries.

Note 21 – Other operating income and expenses

At December 31, 2019 other operating expenses amount to €(29,020)k. They mainly concern the acquisition costs relating to UK Platforms and Ramirent for a total of €(12,900)k, the depreciation of the goodwill of Loxam A/S (Denmark) for €(10,000)k, as well as a restructuration plan of the Swedish activities of Ramirent for €(5,200)k.

Other operating income mainly concern an exceptional profit related to a tax relief program in Brazil.

At December 31, 2018 other operating incomes amounted to €5,530k and were related to the gain on pension contribution contracts requalification at Loxam BV.

Other operating expenses amounted to €(5,302)k and were related to the acquisition costs of Nove, NVA and UK Platforms, some non-recurring depreciations on fleet equipment, depreciation on goodwill of Hune Pronto Rental and the depreciation of Lavendon France trademark.

Note 22 – Financial income (expense)

€'000	31.12.18	31.12.19
Interest and financing-related expenses ^(a)	(97,177)	(125,882)
Income from cash and cash equivalents	1	49
Net finance costs	(97,176)	(125,833)
Fair value adjustments of interest rate Swaps	(640)	(2,332)
Exceptional financial costs ^(b)	(1,902)	(28,310)
Foreign exchange gains or losses	(3,198)	(2,244)
Other financial expenses	(486)	(730)
Other financial income	1,267	1,145
Financial income (expense)	(102,135)	(153,817)

(a) At December 31, 2019, includes expenses related to lease financial debt €(5,721)k and interest related to lease liabilities €(9,495)k, as presented in Note 15.

(b) At December 31, 2019, mainly concern the costs related to the follow-up loan of €1,500 million contracted for Ramirent acquisition and the accelerated amortization of issuance cost following the reimbursement of April 2019.

At December 31, 2018 mainly concerned early repayment and accelerated amortization of issuance costs following the reimbursement of €60 million of the €299.3 million outstanding principal amount of the 2021 Senior Secured Notes issued in 2014 and €25 million of the €250.0 million outstanding principal amount of the 2022 Senior Subordinated Notes.

Note 23 – Corporate income tax

Analysis of tax expense

€'000	31.12.18	31.12.19
Current tax	(8,927)	(4,718)
Deferred tax	(11,644)	(4,979)
Total	(20,571)	(9,697)

Reconciliation between actual tax and theoretical tax expense

€'000	31.12.18	31.12.19
Consolidated income before tax and "CICE" French tax credit, and share of result in associates	(104,503)	(56,974)
Tax rate (parent)	32,02%	32,02%
Theoretical tax expense	(33,462)	(18,243)
Difference in parent / subsidiary rates	8,617	4,166
Unused tax losses for the year	(3,295)	(2,094)
Use of previously unused losses	289	786
Permanent differences	7,588	6,906
Tax credits and other	(309)	(1,218)
Actual tax expense	(20,571)	(9,697)
Effective tax rate	19,68%	17,02%

Deferred tax assets and liabilities

€'000	31.12.18	31.12.19
Opening balance	(40,432)	(52,006)
Income (expense)	(11,644)	(4,979)
Change in scope	300	(117,254)
Own funds allocation	(441)	316
Other changes	211	1,380
Closing balance	(52,006)	(172,543)
Deferred tax assets	18,394	18,461
Deferred tax liabilities	(70,400)	(191,004)

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 and to intangibles assets from the PPA.

Note 24 – Off-balance sheet commitments

€'000	31.12.18	31.12.19
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:

- Guarantees from Loxam SAS on subsidiaries' borrowings (bilateral loans and finance leases) for €31,101k at December 31, 2019.
- Pledge of Loxam Power, Loxam Module, Lavendon Group Ltd and Ramirent OYJ shares as well as the Loxam brand as collateral to guarantee €2,300 million of Senior Secured 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 drawn during the period.

In addition, following the application of IFRS 16, as stated in Note 3.2 Changes in accounting methods, the Group applies the exemptions provided by the standard (low-value equipment and short-term contracts) and therefore keeps contractual operating lease commitments.

Note 25 – Related-party transactions

The remuneration of key governing bodies is comprised of the following:

€'000	31.12.18	31.12.19
Executive Committee compensation	3,084	3,293
Executive Committee benefits in kind	31	43
Attendance fees paid to directors	44	42
Total amount of compensation and benefits paid to executives and directors	3,159	3,378

The parent company SAS Loxam concluded a services contract with the company DPZ Partners which holds part of the share capital of SAS Loxam. This contract was concluded under normal market conditions. The services provided to this contract were billed to SAS Loxam for an amount of €1,700 million in 2019 against €1,100 million in 2018.

On July 4, 2019, SCI Ellipse acquired Le Cap, an office building based in La Défense. Loxam SAS entered into a ten-year lease agreement with SCI Ellipse starting from January 1, 2020. Loxam SAS will rent the entirety of the building (approximately 9,515 sqm) for an annual rent of €4.1 million and related taxes. Loxam SAS will support the costs related to the renovation of the building before moving in during the summer of 2020.

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

Note 26 – Statutory Auditors’ Fees

€'000	Constantin/Deloitte	KPMG	Other
Accounts certification	231	228	-
Other subsidiaries	671	339	481
Other services	498	492	159
Overall fees of statutory Auditors	1,401	1,059	641

Note 27 – Impact of the first application of IFRS 16 on financial statements

Reconciliation between lease commitments considered under IAS 17 to lease liabilities recognized following the first time application of IFRS 16

€'000	
Total lease commitments (not discounted) as at 31.12.2018	246,517
Exclusion of low value equipment	(9,489)
Exclusion of short-term contracts	(5,875)
Total retained commitments (not discounted)	231,153
Discounting impact	(6,266)
Total lease liabilities recognized as at 01.01.19	224,887

In accordance with Notes 3.2 Changes in Accounting Policies and 3.13 Leases, the Group presents the right-of-use assets within "Property, Plant and Equipment", on the same line as the underlying assets of the same nature of which it has full ownership and lease liabilities within "Borrowings and financial debts" in the statement of financial position.

The impact of the application of IFRS 16 on the interim financial statements as of December 31, 2019 is presented below, in order to detail the restatement of operating leases as from January 1, 2019, since finance leases are already accounted for in accordance with IAS 17.

Statement of financial position

ASSETS (€'000)	31.12.19 (excluding IFRS 16)	IFRS 16 Impact*	31.12.19
Intangible assets and goodwill	2,353,604	-	2,353,604
Property, plant and equipment	2,032,868	329,610	2,362,477
Investments in associates	9,815	-	9,815
Financial assets	21,369	-	21,369
Deferred tax assets	18,461	-	18,461
Non-current assets	4,436,117	329,610	4,765,726
Inventories	49,302	-	49,302
Trade and other receivables	496,581	-	496,581
Other current assets	52,466	-	52,466
Corporate income tax receivables	22,570	-	22,570
Cash and cash equivalents	230,087	-	230,087
Current assets	851,006	-	851,006
Total assets	5,287,123	329,610	5,616,732
LIABILITIES (€'000)	31.12.19 (excluding IFRS 16)	IFRS 16 Impact*	31.12.19
Share capital	229,818	-	229,818
Additional paid-in capital	1,882	-	1,882
Consolidated reserves	407,887	(447)	407,439
Net profit for the year	53,661	(4,272)	49,389
Shareholders' equity (Group share)	693,247	(4,720)	688,528
Non-controlling interests	9,535	(28)	9,507
Total equity	702,782	(4,747)	698,035
Employee benefits	44,188	-	44,188
Deferred tax liabilities	192,791	(1,787)	191,004
Borrowings and financial debt	3,528,845	242,790	3,771,635
Financial derivatives	7,608	-	7,608
Non-current liabilities	3,773,433	241,003	4,014,436
Provisions	19,468	-	19,468
Borrowings and financial debt	380,818	93,354	474,173
Trade and other payables	205,265	-	205,265
Other liabilities	193,415	-	193,415
Corporate income tax liabilities	11,942	-	11,942
Current liabilities	810,907	93,354	904,262
Total shareholders' equity and liabilities	5,287,123	329,610	5,616,732

* impact of restatement of operating leases

Consolidated income statement

€'000	31.12.19 (excluding IFRS 16)	IFRS 16 Impact*	31.12.19
Revenue	1,871,433	-	1,871,433
Other income	59,466	5	59,472
Operating income	1,930,899	5	1,930,905
Purchases consumed	(193,407)	-	(193,407)
Personnel expenses	(467,475)	-	(467,475)
Other current expenses	(641,455)	84,787	(556,668)
Taxes and duties	(19,591)	-	(19,591)
Depreciation and amortization – Property, plant and equipment	(346,981)	(81,270)	(428,251)
Depreciation and amortization – Intangibles assets	(26,648)	-	(26,648)
Profit from ordinary operations	235,343	3,522	238,864
Other operating incomes	947	-	947
Other operating expenses	(29,020)	-	(29,020)
Operating profit	207,269	3,522	210,791
Interest and financing-related expenses	(116,338)	(9,495)	(125,833)
Other financial expenses	(31,691)	-	(31,691)
Financial income	3,708	-	3,708
Financial income (expense)	(144,322)	(9,495)	(153,817)
Profit before tax	62,947	(5,974)	56,974
Share of result in associates and joint ventures	899	-	899
Income tax expense	(11,371)	1,673	(9,697)
Net profit	52,476	(4,300)	48,176
Non-controlling interests	(1,185)	(28)	(1,213)
Net profit, Group share	53,661	(4,272)	49,389
EBITDA	608,971	84,792	693,764

* impact of restatement of operating leases

Consolidated cash-flow statement

€'000	31.12.19 (excluding IFRS 16)	IFRS 16 Impact*	31.12.19
Net profit	52,476	(4,300)	48,176
Share of result in associates and joint ventures	(899)	-	(899)
Income tax expense (including deferred tax)	11,371	(1,673)	9,697
Net finance costs	153,817	-	153,817
Other operating income and expense	5,139	-	5,139
Depreciation and provisions, net of reversals	384,875	81,270	466,145
Capital gains on asset disposals	(48,450)	(5)	(48,455)
Cash flow from operations (before cost of financing and tax)	558,329	75,291	633,620
Income tax paid	(4,718)	-	(4,718)
Financial interest paid	(140,546)	-	(140,546)
Financial interest received	1,194	-	1,194
Change in working capital requirements	(35,047)	-	(35,047)
Cash flow from operating activities	379,212	75,291	454,503
Impact of changes in scope	(1,052,667)	207	(1,052,460)
Acquisitions of fixed assets	(383,082)	(83,004)	(466,086)
Disposals of fixed assets	73,234	-	73,234
Cash flow from investing activities	(1,362,516)	(82,797)	(1,445,313)
Dividends paid	(6,895)	-	(6,895)
Proceeds from loans and borrowings	2,161,605	83,004	2,244,609
Repayment of loans and borrowings	(1,084,938)	(75,498)	(1,160,437)
Cash flow from financing activities	1,069,772	7,506	1,077,278
Change in cash and cash equivalents	86,468	-	86,468
Cash and cash equivalents at beginning of period	141,418	-	141,418
Cash and cash equivalents at end of period	229,035	-	229,035
Impact of exchange rate fluctuations	(1,150)	-	(1,150)
Change in cash and cash equivalents	86,468	-	86,468
Other marketable securities	102,269	-	102,269
Cash at bank and on hand	127,818	-	127,818
Current bank borrowings	(1,052)	-	(1,052)
Cash and cash equivalents	229,035	-	229,035

* impact of restatement of operating leases

Note 28 – Impacts of changes in scope on the financial statements

ASSETS (€'000)	31.12.18	Loxam without Ramirent	Ramirent Group	31.12.19
Goodwill	1,252,277	1,270,928	652,160	1,923,088
Trademarks and customer relationships	65,734	67,373	346,127	413,500
Intangible assets	9,275	9,000	8,016	17,015
Property, plant and equipment	1,354,701	1,660,409	702,069	2,362,477
Investments in associates	-	-	9,815	9,815
Financial assets	14,381	14,339	7,030	21,369
Neutralization of securities	-	1,022,510	(1,022,510)	-
Deferred tax assets	18,394	18,461	-	18,461
Non-current assets	2,714,762	4,063,019	702,707	4,765,726
Inventories	30,782	32,537	16,766	49,302
Trade and other receivables	388,497	371,539	125,041	496,581
Other current assets	56,215	40,855	11,611	52,466
Corporate income tax receivables	12,256	15,911	6,659	22,570
Cash and cash equivalents	143,789	215,886	14,201	230,087
Current assets	631,539	676,729	174,277	851,006
Total assets	3,346,301	4,739,748	876,984	5,616,732

LIABILITIES (€'000)	31.12.18	Loxam without Ramirent	Ramirent Group	31.12.19
Share capital	229,818	229,818	-	229,818
Additional paid-in capital	1,882	1,882	-	1,882
Consolidated reserves	292,489	428,008	(20,569)	407,439
Net profit for the year	95,658	26,633	22,756	49,389
Non-controlling interests	10,621	9,506	-	9,507
Total equity	630,468	695,847	2,188	698,035
Employee benefits	11,111	12,026	32,163	44,188
Deferred tax liabilities	70,400	74,374	116,630	191,004
Borrowings and financial debt	2,063,029	3,320,601	451,034	3,771,635
Financial derivatives	2,313	4,630	2,978	7,608
Non-current liabilities	2,146,853	3,411,630	602,805	4,014,436
Provisions	11,098	9,659	9,809	19,468
Borrowings and financial debt	216,504	321,764	152,408	474,173
Trade and other payables	202,210	160,955	44,310	205,265
Other liabilities	135,462	134,978	58,437	193,415
Corporate income tax liabilities	3,706	4,915	7,027	11,942
Current liabilities	568,980	632,271	271,991	904,262
Total shareholders' equity and liabilities	3,346,301	4,739,748	876,984	5,616,732

€'000	31.12.18	Loxam without Ramirent	Ramirent Group	Impact Acquisition- Refinancing*	31.12.19
N. of months in consolidation		12 months	5 months		
Revenue	1,482,583	1,544,506	326,927	-	1,871,433
Other income	56,712	52,605	6,867	-	59,472
Operating income	1,539,295	1,597,111	333,794	-	1,930,905
Purchases consumed	(162,769)	(171,456)	(21,950)	-	(193,407)
Personnel expenses	(381,298)	(399,150)	(68,325)	-	(467,475)
Other current expenses	(475,283)	(425,778)	(130,891)	-	(556,668)
Taxes and duties	(19,261)	(19,591)	-	-	(19,591)
Depreciation and amortization – Property, plant and equipment	(275,710)	(367,315)	(60,936)	-	(428,251)
Depreciation and amortization – Intangibles assets	(12,051)	(12,993)	(13,655)	-	(26,648)
Profit from ordinary operations	212,923	200,828	38,036	-	238,864
Other operating incomes/expenses	228	(10,510)	(6,639)	(10,924)	(28,074)
Operating profit	213,152	190,318	31,398	(10,924)	210,791
Financial income (expense)	(102,135)	(104,842)	(6,438)	(42,538)	(153,817)
Profit before tax	111,017	85,476	24,960	(53,462)	56,974
Share of result in associates and joint ventures	-	-	899	-	899
Income tax expense	(20,571)	(6,594)	(3,103)	-	(9,697)
Net profit	90,446	78,882	22,756	(53,462)	48,176
Non-controlling interests	(5,212)	(1,213)	-	-	(1,213)
Net profit, Group share	95,658	80,095	22,756	(53,462)	49,389
EBITDA	500,685	581,136	112,628	-	693,764

* The impact related to the acquisition and the refinancing is shown separately to present a comparative basis of the results for the historical Loxam scope between 2018 and 2019 as well as five months of Ramirent's activity in the consolidated statements as at December 31, 2019.

Note 29 - Business Combination-Comparative Information

In order to have a comparable basis for the upcoming years, we present below a "pro-forma" analysis of the main income statement items.

€'000	Loxam consolidated Income statement 31.12.19	Additional Contributions Ramirent Group -7 months- Note 1	Combined Income statements -12 months- Note 2	Restatements related to financing activities Note 2	Homogenization according to Group's standards Note 3	Presentation reclassifications Note 4	Pro Forma 31.12.19
Revenue	1,871,433	436,267	2,307,700	-	-	(12,624)	2,295,076
Other income	59,472	4,387	63,858	-	-	9,387	73,246
Operating income	1,930,905	440,654	2,371,559	-	-	(3,237)	2,368,322
Purchases consumed	(193,407)	(4,775)	(198,181)	-	-	(23,465)	(221,647)
Personnel expenses	(467,475)	(105,670)	(573,145)	-	-	8,320	(564,824)
Other current expenses	(556,668)	(203,142)	(759,811)	-	1,689	27,664	(730,457)
Taxes and duties	(19,591)	-	(19,591)	-	-	-	(19,591)
D&A - Tangible	(428,251)	(81,425)	(509,676)	-	(1,617)	8	(511,284)
D&A – Intangible	(26,648)	(4,005)	(30,653)	-	(14,113)	-	(44,766)
Share of result in associates and joint ventures	-	900	900	-	-	(900)	-
Profit from ordinary operations	238,864	42,539	281,403	-	(14,041)	8,390	275,752
Other operating income and expenses	(28,074)	1,411	(26,662)	-	-	(9,291)	(35,953)
Operating profit	210,791	43,950	254,741	-	(14,041)	(900)	239,799
Financial income /expense	(153,817)	(6,811)	(160,628)	(26,276)	(204)	-	(187,108)
Profit before tax	56,974	37,139	94,113	(26,276)	(14,245)	(900)	52,691
Share of result in associates and joint ventures	899	-	899	-	-	900	1,800
Income tax expense	(9,697)	(8,352)	(18,049)	8,543	2,963	-	(6,543)
Share of result from activities to be sold	-	368	368	-	-	-	368
Net profit	48,176	29,155	77,330	(17,733)	(11,282)	(0)	48,315
Non-controlling interests	(1,213)	-	(1,213)	-	-	-	(1,213)
Net profit, Group share	49,389	29,155	78,543	(17,733)	(11,282)	(0)	49,528
EBITDA	693,764	127,968	821,731	-	1,689	8,382	831,802
Expected synergies (Note 5)							18,000
EBITDA Pro forma with synergies							849,802

Note 1: Additional contribution for acquired entities relates to: 7 months of Ramirent's activity (from January 1, 2019 to July 31, 2019), including Stavdal (from January 1, 2019 to June 30, 2019).

These data were derived from the audited financial statements of Ramirent Group. The impacts related to Stavdal were based on the information available, but were not audited. The average tax rate used for Ramirent group was 20.8%.

Note 2: Restatements related to financing

These restatements reflect the impact of the new financing arrangements for the acquisition of Ramirent. They are detailed as follows:

- New bonds for €1,400 million as from 01/01/19 : addition of the related financial interests from 01/01/2019 to 22/07/2019;
- Neutralization of interests paid on the historical debt of Ramirent, replaced by a financing by current accounts;
- Refinancing of bonds issued in July 2014 by new bonds for €500 million as from 01/01/2019. Consideration of the saving related to financial interests starting from 01/01/2019.

Note 3: Adjustments according to Group accounting rules

- Amortization of intangible assets following the Purchase Price Allocation of Ramirent as from 01/01/2019 (preliminary PPA as at 31/12/2019);
- Neutralization of intangible assets amortization from previous acquisitions made by Ramirent Group ;
- Calculation of IFRS 16 impacts for Stavdal from 01/01/2019 to 30/06/2019.

Note 4: Presentation reclassifications

- Reclassification of the capital gains on sale of equipment to other income;
- Reclassification of the share of result in associates and joint ventures after profit before tax;
- Reclassification of non-recurring costs related to the sale of activities in Denmark and Temporary Space business, related to the Stavdal acquisition and Loxam's take-over to other operating income and expenses.

Note 5: Expected synergies

- At Ramirent level, the annual synergies to be extracted from the Stavdal acquisition are estimated at approximately €6 million from 2020;
- For the Loxam group, synergies related to the acquisition of Ramirent, including the delisting of Ramirent, certain central costs reduction and geographic reorganizations are estimated at approximately €12 million.