



**QUARTERLY REPORT June 30, 2017**

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## DEFINITIONS

In this document:

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

## NOTICE

All financial information in this quarterly report has been prepared in accordance with IFRS and is presented in million of euros. This financial information has not been reviewed by our statutory auditors.

Besides, the consolidated financial statements for Hune and Lavendon have been prepared in accordance with their accounting policies and have not adopted Loxam's accounting policies. These will be adopted at some point in 2017. At last, a purchase price allocation of the goodwill on the assets owned by Lavendon and Hune has not been finalized to date and will be done in the course of 2017.

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

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

### ***Change of accounting policy estimates***

During Q4 2016, LOXAM has taken the decision to change the estimates of the depreciation policy for its entire equipment fleet with effect from 1<sup>st</sup> January 2016. However, the financial statements for Q2 2016 have not been restated to reflect the new depreciation policy.

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

The following discussion and analysis is based on, and should be read in conjunction with, our unaudited interim consolidated financial statements included elsewhere in this quarterly report and our audited annual consolidated financial statements included in our 2016 annual report.

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

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

## CONSOLIDATED FINANCIAL STATEMENTS SUMMARY

<b>Consolidated Income Statement</b> <i>(in millions of euros)</i>	<b>Six months ended June 30,</b>	
	<b>2016</b>	<b>2017</b>
<b>Revenue .....</b>	<b>447.1</b>	<b>653.4</b>
Other income.....	23.9	24.1
Purchases consumed .....	(49.7)	(69.5)
Personnel expenses .....	(124.9)	(176.6)
Other current expenses.....	(152.2)	(213.9)
Taxes and duties .....	(9.2)	(10.0)
Depreciation and amortization.....	(105.9)	(114.3)
<b>Profit from ordinary operations.....</b>	<b>29.0</b>	<b>93.3</b>
Other operating income and expense .....	0.0	(9.3)
<b>Operating profit.....</b>	<b>29.0</b>	<b>83.9</b>
Financial income and expense.....	(56.4)	(59.8)
Share of profit of associates .....	(0.0)	(0.4)
Income tax expense.....	8.4	(4.2)
<b>Net profit.....</b>	<b>(18.9)</b>	<b>19.5</b>
Non controlling interests .....	0.1	(0.1)
<b>Net profit, group share .....</b>	<b>(19.0)</b>	<b>19.6</b>

<b>Consolidated balance sheet</b>	<b>As of</b>	
	<b>December 31, 2016</b>	<b>June 30, 2017</b>
<i>(in millions of euros)</i>		
Intangible assets and goodwill.....	969.0	1,295.3
Property, plant and equipment.....	630.0	1,154.3
Investments in associates .....	9.7	8.4
Financial assets .....	9.9	12.3
Financial derivatives.....	0.8	1.3
Deferred tax assets .....	7.8	12.0
<b>Non-current assets .....</b>	<b>1,627.2</b>	<b>2,483.7</b>
Inventories .....	18.7	28.6
Trade and other receivables.....	224.6	351.1
Other current assets .....	32.7	86.7
Cash and cash equivalents .....	155.9	253.1
<b>Current assets .....</b>	<b>431.9</b>	<b>719.6</b>
<b>TOTAL ASSETS.....</b>	<b>2,059.1</b>	<b>3,203.3</b>
<b>Shareholders' equity .....</b>	<b>480.8</b>	<b>481.8</b>
Provisions for employees benefits.....	18.7	19.4
Deferred tax liabilities .....	25.4	43.7
Borrowings and financial debt – long term portion.....	1,189.2	2,163.8
Financial derivatives.....	4.9	3.8
<b>Non-current liabilities .....</b>	<b>1,238.2</b>	<b>2,230.6</b>
Provisions.....	4.9	6.3
Borrowings and financial debt – current portion.....	107.4	164.9
Supplier and other payables .....	123.1	181.2
Other current liabilities.....	104.6	138.4
<b>Current liabilities.....</b>	<b>340.1</b>	<b>490.9</b>
<b>TOTAL EQUITY AND LIABILITIES .....</b>	<b>2,059.1</b>	<b>3,203.3</b>

<b>Consolidated condensed cash-flow statement</b> <i>(in millions of euros)</i>	<b>Six months ended</b>	
	<b>June 30,</b>	
	<b>2016</b>	<b>2017</b>
Cash flow from operations .....	55.3	88.4
Cash flow from investing activities .....	(100.5)	(984.4)
Cash flow from financing activities.....	35.6	995.4
<b>Change in cash and cash equivalents .....</b>	<b>(9.6)</b>	<b>99.3</b>
<b>Cash and cash equivalents at the end of the period <sup>(1)</sup> .....</b>	<b>149.7</b>	<b>252.9</b>

Note : (1) Including bank overdraft



## MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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

### Overview

With a total pro forma revenue of €1,323 million for the 12-months period ended June 30, 2017, we are a leading European equipment rental group focused primarily on the construction and civil engineering sectors with 719 branches as of June 30, 2017 of which 505 were located in France. We are organized in three business divisions:

- Generalist France division, which includes equipment for earth moving (backhoes and loaders), aerial work (booms and scissors), handling (forklifts and tele-handlers), compaction (compactors and rollers), and building (concrete mixers and saws), as well as hand tools such as power drills, chainsaws and jackhammers. As of June 30, 2017, our generalist network included 424 branches. The generalist network trades under the LOXAM Rental brand;
- Specialist France division, which includes high-access equipment, modular shelters, large compressors and generators, heavy compaction equipment, suspended platforms and scaffolding. As of June 30, 2017, our specialist network in France includes 81 branches. We rent specialist equipment in France under several specific brands, such as LOXAM Access, Lavendon, LOXAM Module, LOXAM Power, LOXAM LahoTEC, LOXAM TP, LOXAM Event;
- International division, which comprises our specialist and generalist equipment offerings in 20 countries outside of France (Denmark, Belgium, the Netherlands, Germany, Spain, the United Kingdom, Ireland, Switzerland, Luxembourg, Norway, Morocco, Portugal, several countries in the Middle East, Colombia and Brazil) with a network of 214 branches as of June 30, 2017. We own joint-ventures in Morocco, the Middle East and Colombia and a minority stake in a Brazilian rental company.

In addition to offering over 1,500 different types of generalist and specialist equipment and tools for rent, we also provide services such as transportation, refueling, damage waiver and retail consumable products to complement and support our rental business. As of June 30, 2017, our rental fleet of approximately 250,000 pieces of equipment (excluding accessories) with a gross book value of €2.8 billion.

### ***Economic conditions over the first six months of 2017***

In June 2017, Euroconstruct confirmed that the French construction market should grow faster in 2017 than in 2016. The market growth should be driven, like in 2016, by the growth in residential construction. Non residential construction should continue to grow healthily in 2017 while the civil engineering market should start to experience a revival after several years of decline.

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

Concerning rental markets, the ERA estimates that European markets should enjoy a year of growth.

In Q2 2017, we have experienced an organic growth of our revenue which we consider to be representative in most cases of the strength of our markets for the full year notably in France.

**Investment in new equipment**

Our gross capital expenditure in the second quarter of 2017 amounted to €145.0 million, of which €137.2 million was fleet Capex compared to €81.6 million, of which €76.0 million was fleet Capex, in the second quarter of 2016. The capex spend in Q2 2017 has been increased in line with the pick-up in the French rental market and to enable Loxam to continue to benefit from a tax break on investments in France.

**Changes in our rental network**

We operated 719 branches as of June 30, 2017, compared to 643 as of December 31, 2016. Over the first six months of 2017, we opened 4 branches, acquired 103 branches thanks to the acquisition of Hune (33 branches) and Lavendon (70 branches), merged or closed 5 branches as part of our network optimization work, and sold 26 branches through the disposal of Lavendon's German subsidiary, Gardemann.

**Significant events of the six month period**

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

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

On February 6, 2017, Loxam bought a 100% interest in the Spanish rental company Hune Rental S.L., that operates in Spain, Portugal, and France, and has two joint-ventures (Saudi Arabia and Colombia).

On February 13, 2017, Loxam took control of the British company Lavendon Group plc, which was listed on the London Stock Exchange. This Group specializes in renting out powered access equipment through 70 branches located in the UK, Germany, France, Belgium and the Middle East.

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

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

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

**Post quarter events**

On July 13th, 2017, Loxam entered into an agreement to acquire the equipment rental operations of Cramo Denmark. This transaction is expected to close on August 31st, 2017.

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

## Explanation of Key Line Items from the Income Statement

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

- **Revenue** includes the fees paid by customers to rent equipment and revenue from related services such as transportation, fuel, damage waivers and the cost of repair and maintenance services charged back to our customers, as well as the retail activities at our branches.
- **Other income** principally includes net capital gains on disposals of fleet and non-fleet assets as well as real estate rent paid by subtenants.
- **Purchases consumed** includes (1) the cost of goods purchased for resale in our retail activity, as well as the cost of fuel and maintenance parts that are rebilled to customers; and (2) the cost of parts used by the workshops in our branches to maintain our equipment.
- **Personnel expenses** relates primarily to the salaries, social security charges and profit sharing expenses for our employees.
- **Other current expenses** include (1) external expenses that are directly related to our rental activity, such as transportation, subcontracted maintenance costs, re-rent (subleasing equipment from external renters to fill customer orders when there is not sufficient quantity at our branches) and costs associated with temporary workers; (2) external expenses related to the group, such as rent on real estate and related expenses, general administrative expenses (including insurance, advisory fees, communications and IT), advertising expenses and other management costs; and (3) losses on bad debts, net of change in provisions on current assets.
- **Taxes and duties** relates mainly to property taxes and local taxes (including the CET or *Contribution Economique Territoriale* paid in France).
- **Depreciation and amortization** principally includes depreciation of fixed assets (fleet and non-fleet). In 2016, LOXAM made a change in its depreciation policy used for the valuation of its fleet equipment. This decision was taken primarily after a review of the economic life of the fleet and the second-hand value of used equipment divested by Loxam. We also benchmarked these new rules with accounting policies used by our main European competitors and From January 1, 2016, Loxam decided to lengthened from 5 to 7 years the depreciation period of its equipment and to introduce a residual value of 10% on certain fleet equipment.
- **Other operating income and expense** includes a limited number of items, unusual, abnormal, and uncommon, with significant amounts, disclosed separately in the income statement to make it easier to appreciate the Group's current operating performance.
- **Financial income** primarily includes interest income on cash balances, while **financial expense** comprises interest charges on bank loans and bonds and hedging expenses. It also includes change in fair value of derivatives instruments.
- **Income tax** consists of current and deferred taxes calculated in accordance with the relevant tax laws in force in the jurisdictions in which we operate. From January 1<sup>st</sup>, 2016, the corporate tax rate in France stands at 34.43% of the profit before tax. We are also subject to tax rates in the other countries in which we operate, which ranged from 12.5% to 33.99% as of that date.
- **Share of profit of associates** includes the result of companies accounted for by the equity method.

## Results of operations

The table below sets out our consolidated income statement for the quarters ended June 30, 2017 and 2016 under IFRS.

Consolidated Income Statement <i>(in millions of euros)</i>	Quarter ended		Six months ended	
	June 30,		June 30,	
	2016	2017	2016	2017
<b>Revenue</b> .....	<b>241.0</b>	<b>356.0</b>	<b>447.1</b>	<b>653.4</b>
Other income <sup>(1)</sup> .....	15.5	13.1	23.9	24.1
Purchases consumed .....	(26.2)	(36.3)	(49.7)	(69.5)
Personnel expenses.....	(62.9)	(92.3)	(124.9)	(176.6)
Other current expenses .....	(77.1)	(112.3)	(152.2)	(213.9)
Taxes and duties.....	(3.5)	(4.0)	(9.2)	(10.0)
Depreciation and amortization .....	(53.8)	(62.7)	(105.9)	(114.3)
<b>Profit from ordinary operations</b> .....	<b>32.9</b>	<b>61.6</b>	<b>29.0</b>	<b>93.3</b>
Other operating income and expense <sup>(2)</sup> .....	0.0	0.8	0.0	(9.3)
<b>Operating profit</b> .....	<b>32.9</b>	<b>62.4</b>	<b>29.0</b>	<b>83.9</b>
Financial income and expense .....	(39.2)	(41.4)	(56.4)	(59.8)
Share of profit of associates.....	(0.1)	(0.3)	(0.0)	(0.4)
Income tax expense .....	2.1	(5.0)	8.4	(4.2)
<b>Net profit</b> .....	<b>(4.2)</b>	<b>15.7</b>	<b>(18.9)</b>	<b>19.5</b>
Non controlling interests.....	0.1	(0.1)	0.1	(0.1)
<b>Net profit, group share</b> .....	<b>(4.3)</b>	<b>15.8</b>	<b>(19.0)</b>	<b>19.6</b>

### Note :

- (1) Other income include capital gains on disposals of fixed assets amounting to €12.9 million and €10.7 million in Q2 2016 and Q2 2017, respectively and €18.6 million and €18.8 million in H1 2016 and H1 2017, respectively.
- (2) Other operating income and expense include in H1 2017 non recurring costs relating to the acquisition of the Lavendon and Hune Groups.

The following table sets out certain key figures in each of the Generalist France, Specialist France and International divisions for the six months period ended June 30, 2016 and 2017 under IFRS.

<i>(in millions of euros)</i>	Quarter ended June 30,		Six months ended June 30,	
	2016	2017	2016	2017
<b>Revenue <sup>(1)</sup></b>				
Generalist France .....	150.5	159.3	279.7	303.1
Specialist France .....	42.2	53.4	77.6	100.1
<b>France.....</b>	<b>192.7</b>	<b>212.7</b>	<b>357.3</b>	<b>403.2</b>
International .....	48.2	143.3	89.7	250.2
<b>Total revenue.....</b>	<b>241.0</b>	<b>356.0</b>	<b>447.1</b>	<b>653.4</b>
<b>EBITDA</b>				
Generalist France <sup>(2)</sup> .....	55.7	59.4	87.5	99.8
Specialist France <sup>(2)</sup> .....	14.6	17.6	23.2	31.0
<b>France.....</b>	<b>70.3</b>	<b>77.0</b>	<b>110.7</b>	<b>130.8</b>
International .....	13.8	45.9	21.3	74.6
Real Estate <sup>(3)</sup> .....	2.6	1.4	2.9	2.2
<b>Total EBITDA .....</b>	<b>86.7</b>	<b>124.3</b>	<b>135.0</b>	<b>207.6</b>
<i>EBITDA margin .....</i>	<i>36.0 %</i>	<i>34.9 %</i>	<i>30.2 %</i>	<i>31.8 %</i>

Notes:

- (1) To present Generalist and Specialist revenue generated in France by division, we aggregate the revenue of each branch assigned to that division. Revenue for Generalist France and Specialist France are presented net of rebates.
- (2) To present Specialist and Generalist EBITDA generated in France by division, we allocate rebates, which are accounted for centrally, pro rata based on revenue, and then allocate direct expenses (which represent the majority of costs) directly to a given branch. Indirect expenses i.e. central or regional head office costs are then allocated to a given branch pro rata its actual revenue, the gross book value of its equipment or the rental value of its equipment depending on the nature of the cost.
- (3) Real estate EBITDA corresponds to rental income from real estate held by the group that is not assigned to a division less direct external costs.

**Quarter ended June 30, 2017 compared to quarter ended June 30, 2016*****Revenue***

Revenue increased by 47.8% to €356.0 million in the second quarter of 2017 from €241.0 million in the second quarter of 2016. On a like-for-like basis and at constant exchange rate, revenue increased by 5.5%.

Revenue from our Generalist France division increased by 5.9% in the second quarter of 2017 to €159.3 million compared to €150.5 million in the second quarter of 2016, in-line with our anticipation of the strength of the recovery of the French rental market since the beginning of the year. The growth of the rental market was itself underpinned by the improvement of the French construction market. Generalist France represented 45% of total revenue in the second quarter of 2017, compared to 62% in the second quarter of 2016.

Revenue from our Specialist France division increased by 26.4% to €53.4 million in the second quarter of 2017 compared to €42.2 million in the second quarter of 2016. Like-for-like, revenue at the Specialist France division grew by 5.6% in Q2 2017 compared to Q2 2016 for the same reason given above. The Specialist France division represented 15% of total revenue in the second quarter of 2017, compared to 18% in the second quarter of 2016.

International revenue increased by 197.1% to €143.3 million in the second quarter of 2017 compared to €48.2 million in the second quarter of 2016, thanks to the acquisition of the Lavendon and Hune and also thanks to the organic growth of our business units. Like-for-like and at constant exchange rate, International revenue increased by 4.2%. Our International division represented 40% of total revenue in the second quarter of 2017, compared to 20% in the second quarter of 2016.

***Other income***

Other income decreased by €2.4 million to €13.1 million in the quarter ended June 30, 2017 from €15.5 million in the quarter ended June 30, 2016. The decrease is primarily due to lower capital gains on fleet and non fleet disposals.

***Purchases consumed***

Purchases consumed increased by 38.4% to €36.3 million for the quarter ended June 30, 2017 compared to €26.2 million for the quarter ended June 30, 2016. Like-for-like, purchases consumed increased by 4.8% as a result of higher retail sales in the quarter (+6.2%).

***Personnel expenses***

Personnel expenses increased by 46.7% to €92.3 million in the quarter ended June 30, 2017 from €62.9 million in the quarter ended June 30, 2016. Personnel expenses increased by 4.0% in France and 210.6%

at the International division. Like-for-like, personnel expenses remained almost stable (-0.1% in France and +3.8% for the International division).

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

Other current expenses increased by 45.6% to €112.3 million in the second quarter of 2017 from €77.1 million in the second quarter of 2016. Like-for-like, other current expenses increased by 8.3% as we experienced on one hand an increase of some variable costs tied to the level of activity such as haulage costs, and also some non recurring costs in re-rent and marketing costs.

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

Loxam has implemented new depreciation rules for its equipment fleet with effect from January 1, 2016 in the fourth quarter of 2016 but the depreciation charge reported for Q2 2016 was calculated based on the former depreciation rules and has not been restated. Besides, the depreciation rules for Lavendon and Hune have not been aligned with those of Loxam yet. Therefore the depreciation charge for Q2 2017 can not be compared with the depreciation charge of Q2 2016. Depreciation and amortization amounted to €62.7 million in the quarter ended June 30, 2017, compared to €53.8 million in the quarter ended June 30, 2016.

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

Net financial expense increased by €2.2 million to €41.4 million in the quarter ended June 30, 2017, compared to €39.2 million in the quarter ended June 30, 2016. Out of this expense, non recurring costs amounted to €13.8 million, relating to the full amortization of the bridge facility's remaining arrangement fees and costs.

### ***Income tax***

Our profit before tax amounted to €20.9 million in the quarter versus a loss before tax of €6.3 million in Q2 2016.

Income tax was an expense of €5.0 million in the quarter ended June 30, 2017, compared to a credit of €2.1 million in the quarter ended June 30, 2016.

### ***Net profit***

As a result of the various factors described above, we recorded a of €15.7 million in the quarter ended June 30, 2017 compared to a net loss of €(4.2) million in the quarter ended June 30, 2016.

**EBITDA**

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

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

<i>(in millions of euros)</i>	<b>Quarter ended</b>		<b>Six Months ended</b>	
	<b>June 30,</b>		<b>June 30,</b>	
	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>
<b>EBITDA</b> .....	<b>86.7</b>	<b>124.3</b>	<b>135.0</b>	<b>207.6</b>
Depreciation of fixed assets .....	(53.8)	(62.7)	(105.9)	(114.3)
Other operating income and expenses .....	-	0.8	-	(9.3)
<b>Operating profit</b> .....	<b>32.9</b>	<b>62.4</b>	<b>29.0</b>	<b>83.9</b>
Financial income and expense .....	(39.2)	(41.4)	(56.4)	(59.8)
Share of profit of associates .....	(0.1)	(0.3)	(0.0)	(0.4)
Income tax expense .....	2.1	(5.0)	8.4	(4.2)
<b>Net profit</b> .....	<b>(4.2)</b>	<b>15.7</b>	<b>(18.9)</b>	<b>19.5</b>

EBITDA amounted to €124.3 million in Q2 2017 increasing by 43.4% from €86.7 million in Q2 2016. The increase of the EBITDA is due primarily to the integration of Lavendon and Hune for five months which added together €37.2 million of EBITDA in Q2 2017.

EBITDA from our Generalist France division amounted to €59.4 million in Q2 2017, compared to €55.7 million in Q2 2016. Our EBITDA margin for Generalist France was slightly up at 37.3% in Q2 2017 compared to 37.0% in Q2 2016.

EBITDA from our Specialist France division amounted to €17.6 million in Q2 2017, compared to €14.6 million in Q2 2016. Our EBITDA margin for Specialist France stood at 32.9% in Q2 2017 compared to 34.6% in Q2 2016.

EBITDA from our International division amounted to €45.9 million in Q2 2017, compared to €13.8 million in Q2 2016. Our EBITDA margin for International was 32.0% in Q2 2017 compared to 28.7% in Q2 2016 benefiting from the contribution of Hune and Lavendon.

Overall, the EBITDA margin in Q2 2017 stood at 34.9% versus an EBITDA margin of 36.0% in Q2 2016 (-1.1 points). . Like for like, the EBITDA margin decreased by 1,7 pts to 34,3% because of the increase of some non recurring costs and lower capital gains on disposals

**Liquidity and Capital Resources**

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



Our sources of liquidity consisted mainly of the following:

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

As of June 30, 2017, the gross financial debt (excluding derivatives) amounted to €2,328.7 million, compared to €1,296.6 million as of December 31, 2016. Our net financial debt (excluding derivatives) as of June 30, 2017 amounted to €2,075.6 million, an increase of €934.9 million compared to December 31, 2016.

As of June 30, 2017, we had €1,738.8 million of outstanding bond debt, after deduction of €21.2 million of issuance costs amortized over the duration of the bonds minus two years using the effective interest rate method. Our bond debt was made of €410.0 million of senior secured notes due in July 2021, €250.0 million of senior secured notes due in May 2023, and €250.0 million of senior subordinated notes due in July 2022, €300.0 million of senior secured notes due in April 2022, €300.0 million of senior secured notes due in April 2024, and €250.0 million of senior subordinated notes due in April 2025. We also had €350.0 million outstanding debt under bilateral facilities from banks, and €224.3 million of finance leases.

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

Cash and cash equivalents net of bank overdrafts on our balance sheet amounted to €252.9 million as of June 30, 2017.

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

We expect to finance future capital expenditures through cash flow from operations, finance leases or bilateral credit facilities. In the six-months period ended June 30, 2017, new bilateral credit facilities and finance leases were entered into for respectively €121.0 million and €107.5 million.

### ***Capital expenditures***

In Q2 2017, gross capital expenditures amounted to €145.0 million, compared to €81.6 million in Q2 2016. Fleet capital expenditure amounted to €137.2 million in Q2 2017, compared to €76.0 million in Q2 2016. The capex spend in Q2 2017 has increased in order to help Loxam seize the opportunity represented by the pick-up of the rental market. Equipment purchased in France before 14 April 2017 will bear a fiscal depreciation charge based on 140% of the original purchase price.

In Q2 2017, the gross book value of disposed rental equipment was €44.6 million, compared to €41.8 million in Q2 2016.

The increase in fleet disposals was mainly due to Lavendon and Hune's contribution while disposals decreased at Loxam's old perimeter.

### 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 movements and acquisitions.

Free cash flow amounted to €(93.5) million for the quarter ended June 30, 2017 compared to €(46.5) million for the quarter ended June 30, 2016. The negative free cash flow is explained by a higher net capital expenditure amounting to €(130.1) million in Q2 2017 versus €(66.1) million in Q2 2016.

The following table presents a reconciliation of the EBITDA to free cash flow for the first quarters of 2017 and 2016.

<i>(in millions of euros)</i>	Quarter		Six months	
	ended June 30,		ended June 30,	
	2016	2017	2016	2017
<b>EBITDA before capital gains on fleet disposals</b> .....	<b>75.5</b>	<b>113.8</b>	<b>118.3</b>	<b>189.5</b>
+ Proceeds from disposals of fixed assets.....	15.5	14.5	22.7	26.1
- Gross capital expenditure .....	(81.6)	(145.0)	(123.0)	(260.8)
- Operating income and expense <sup>(1)</sup> .....	-	0.8	-	(9.3)
- Financial income and expense <sup>(2)</sup> .....	(31.6)	(39.6)	(48.9)	(57.9)
- Income taxes <sup>(3)</sup> .....	(0.1)	(1.7)	(0.1)	(3.6)
+/- Change in working capital requirement .....	(22.3)	(36.1)	(6.7)	(39.1)
Miscellaneous <sup>(4)</sup> .....	(1.4)	(0.1)	(1.0)	(0.5)
<b>Free cash flow</b> <sup>(5)</sup> .....	<b>(46.5)</b>	<b>(93.5)</b>	<b>(38.6)</b>	<b>(155.6)</b>
Acquisitions and disposals <sup>(6)</sup> .....	(0.3)	89.6	(0.3)	(760.7)
Share capital decrease <sup>(7)</sup> .....	-	-	-	(9.6)
Dividends.....	(4.9)	(4.9)	(4.9)	(4.9)
Issue costs amortization and currency variations.....	(7.0)	(3.7)	(7.3)	(4.0)
<b>Change in net debt</b> <sup>(8)</sup> .....	<b>(58.6)</b>	<b>(12.5)</b>	<b>(51.1)</b>	<b>(934.9)</b>

#### Notes:

- (1) Corresponds to non recurring costs related to acquisitions.
- (2) Corresponds to financial income and expense immediately payable (i.e., excluding non-cash items).
- (3) Corresponds to taxes immediately payable (i.e., excluding deferred taxes).
- (4) 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.
- (5) Before payment of dividends, capital increases and acquisitions.
- (6) Corresponds to the acquisitions of Lavendon and Hune in Q1 2017 and the disposal of Lavendon Germany in Q2 2017.
- (7) Corresponds to the completion of the share buyback programme.

(8) Excluding change in derivatives instruments.

**Net debt**

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

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

<i>(in millions of euros)</i>	<b>As of</b>	
	<b>December 31, 2016</b>	<b>June 30, 2017</b>
Senior secured notes .....	660.0	1,260.0
Senior subordinated notes .....	250.0	500.0
Issuance costs related to notes .....	(8.0)	(21.2)
Bridge facilities net of issuance costs	-	-
Bank loans and bilateral facilities .....	244.7	350.0
Accrued interest on debt securities and loans .....	5.0	14.2
Lease liabilities .....	143.7	224.3
Other financial debt .....	1.1	1.1
Bank overdrafts .....	0.2	0.2
<b>Loans and financial debt (gross debt) .....</b>	<b>1,296.6</b>	<b>2,328.7</b>
Cash .....	(90.6)	(253.1)
Marketable investment securities .....	(65.3)	0.0
<b>Cash and cash equivalents .....</b>	<b>(155.9)</b>	<b>(253.1)</b>
<b>Net debt .....</b>	<b>1,140.8</b>	<b>2,075.6</b>

Net debt increased by €934.9 million to €2,075.6 million as of June 30, 2017 from €1,140.8 million as of December 31, 2016, primarily as a result of a €(760.7) million effect of change in the scope of consolidation related to our acquisition of Hune and Lavendon groups, a negative free cash flow of €(155.6) million.

**Debt maturity profile**

The table below provides the maturity profile of our outstanding indebtedness, as of June 30, 2017.

<i>(in millions of euros)</i>	<b>Total</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024 and later</b>
Bilateral loans .....	350.0	40.5	98.0	88.2	75.7	36.9	8.6	1.7	0.3
Lease liabilities .....	224.3	34.6	62.8	49.3	40.5	28.4	7.8	0.8	0.0
<b>Loans and financial debt owed to credit institutions.....</b>	<b>574.4</b>	<b>75.1</b>	<b>160.9</b>	<b>137.5</b>	<b>116.2</b>	<b>65.4</b>	<b>16.4</b>	<b>2.5</b>	<b>0.3</b>
Other financial debt .....	1.1	1.1							
2014 senior secured notes due 2021 .....	407.4					407.4			
2014 senior subordinated notes due 2022	248.1						248.1		
2016 senior secured notes due 2023 .....	247.7							247.7	
2017 senior secured notes due 2022	295.1						295.1		
2017 senior secured notes due 2024	294.9								294.9
2017 senior subordinated notes due 2025	245.7								245.7
<b>Total debt <sup>(1)</sup> .....</b>	<b>2,314.3</b>	<b>76.3</b>	<b>160.9</b>	<b>137.5</b>	<b>116.2</b>	<b>472.8</b>	<b>559.5</b>	<b>250.2</b>	<b>540.9</b>

Note :

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

**Currency and interest rate derivatives**

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

These derivative financial instruments were kept after the entire refinancing of our bank debt in July 2014 and covered a notional amount of €82.1 million at June 30, 2017 for a maximum term in July 2022. These derivatives are recognized in financial liabilities for an amount of €3.8 million at June 30, 2017.

As of June 30, 2017, 86% of our financial debt had a fixed interest rate. As of December 31, 2016, this was 82%.

The majority of our revenue (78% in Q2 2017), expenses and obligations are denominated in euros. However, we are exposed to foreign exchange rate risk, primarily in respect of British Pounds, Danish Krone, Swiss Francs, Moroccan Dirham, Norwegian Krone as well as Middle Eastern currencies. Our foreign exchange rate derivative financial instruments as of June 30, 2017 covered current liabilities denominated in British Pounds for GBP 114.5 million and in Danish Krone for DKK 20.0 million.

**Critical Accounting Policies and Estimates**

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

**APPENDIX :**

**LOXAM GROUP**

**UNAUDITED FINANCIAL STATEMENTS**

**CONSOLIDATED FINANCIAL STATEMENTS AT JUNE 30, 2017****Statement of financial position**

<b>ASSETS (€'000)</b>	<b>Notes</b>	<b>31.12.16</b>	<b>30.06.17</b>
Intangible assets and goodwill	5	968,976	1,295,277
Property, plant and equipment	6	630,044	1,154,299
Investments in associates	7	9,738	8,446
Financial assets	8	9,919	12,309
Financial derivatives	14	765	1,313
Deferred tax assets	22	7,790	12,026
<b>Non-current assets</b>		<b>1,627,233</b>	<b>2,483,670</b>
Inventories	9	18,681	28,645
Trade and other receivables	10	224,636	351,131
Other current assets	11	26,137	71,673
Corporate income tax receivables	11	6,589	15,060
Cash and cash equivalents	12	155,857	253,078
<b>Current assets</b>		<b>431,899</b>	<b>719,587</b>
<b>Total assets</b>		<b>2,059,132</b>	<b>3,203,258</b>

<b>LIABILITIES (€'000)</b>	<b>Notes</b>	<b>31.12.16</b>	<b>30.06.17</b>
Share capital		232,400	230,818
Additional paid-in capital		1,882	1,882
Consolidated reserves		211,313	218,742
Net profit for the period		34,298	19,623
<b>Shareholders' equity (Group share)</b>		<b>479,894</b>	<b>471,065</b>
Non-controlling interests		938	10,692
<b>Total equity</b>	<b>13</b>	<b>480,832</b>	<b>481,756</b>
Employee benefits	16	18,716	19,385
Deferred tax liabilities	22	25,396	43,677
Borrowings and financial debt	15	1,189,195	2,163,783
Financial derivatives	14	4,854	3,763
<b>Non-current liabilities</b>		<b>1,238,161</b>	<b>2,230,609</b>
Provisions	17	4,948	6,301
Borrowings and financial debt	15	107,442	164,944
Trade and other payables	18	123,129	181,209
Other liabilities	18	103,938	132,592
Corporate income tax liabilities	18	683	5,846
<b>Current liabilities</b>		<b>340,139</b>	<b>490,892</b>
<b>Total shareholders' equity and liabilities</b>		<b>2,059,132</b>	<b>3,203,258</b>

## Consolidated income statement and statement of comprehensive income

€'000	Notes	30.06.16	30.06.17
<b>Revenue</b>		447,090	653,449
Other income		23,932	24,150
<b>Operating income</b>		<b>471,022</b>	<b>677,599</b>
Purchases consumed		(49,691)	(69,467)
Personnel expenses	19	(124,919)	(176,561)
Other current expenses		(152,220)	(213,939)
Taxes and duties		(9,241)	(10,033)
Depreciation and amortisation		(105,926)	(114,324)
<b>Profit from ordinary operations</b>		<b>29,025</b>	<b>93,275</b>
Other operating income and expenses	20	17	(9,337)
<b>Operating profit</b>		<b>29,042</b>	<b>83,937</b>
Interest and financing-related expenses		(33,698)	(43,678)
Other financial expenses		(25,234)	(18,895)
Financial income		2,568	2,769
<b>Financial income (expense)</b>	21	<b>(56,364)</b>	<b>(59,804)</b>
<b>Profit before tax</b>		<b>(27,323)</b>	<b>24,133</b>
Share of profit of associates		(19)	(436)
Income tax expense	22	8,441	(4,215)
<b>Net profit</b>		<b>(18,901)</b>	<b>19,482</b>
Non-controlling interests		65	(142)
<b>Net profit, Group share</b>		<b>(18,965)</b>	<b>19,623</b>

	30.06.16	30.06.17
<b>Net profit</b>	<b>(18,901)</b>	<b>19,482</b>
Exchange gains or losses	1,334	(14,637)
<b>Items recycled to profit or loss</b>	<b>1,334</b>	<b>(14,637)</b>
<b>Other comprehensive income</b>	<b>1,334</b>	<b>(14,637)</b>
<b>Comprehensive income</b>	<b>(17,567)</b>	<b>4,845</b>



## Consolidated cash-flow statement

€'000	Notes	31.12.16	30.06.17
<b>Net profit</b>		<b>34,386</b>	<b>19,482</b>
Share of profit of associates	7	1,002	436
Income tax expense (including deferred tax)	22	17,649	4,215
Net finance costs	21	88,148	59,804
Depreciation and provisions, net of reversals		157,809	114,466
Capital gains on asset disposals		(45,686)	(18,766)
<b>Cash flow from operations (before cost of financing and tax)</b>		<b>253,308</b>	<b>179,638</b>
Income tax paid		(12,710)	(3,596)
Financial interest paid		(83,128)	(49,069)
Financial interest received		1,293	453
Change in working capital requirements		6,804	(39,066)
<b>Cash flow from operating activities</b>	<b>A</b>	<b>165,566</b>	<b>88,359</b>
Impact of changes in scope		(2,019)	(749,695)
Acquisitions of fixed assets		(230,857)	(260,797)
Disposals of fixed assets		54,578	26,115
<b>Cash flow from investing activities</b>	<b>B</b>	<b>(178,298)</b>	<b>(984,376)</b>
Dividends paid		(4,906)	(4,941)
Capital movements		(95,542)	(9,554)
Proceeds from loans and borrowings	15	485,483	1,842,607
Repayment of loans and borrowings	15	(377,989)	(832,758)
<b>Cash flow from financing activities</b>	<b>C</b>	<b>7,046</b>	<b>995,353</b>
<b>Change in cash and cash equivalents</b>	<b>A+B+C</b>	<b>(5,686)</b>	<b>99,337</b>
Cash and cash equivalents at the beginning of the period		158,043	155,677
Cash and cash equivalents at the end of the period		155,677	252,872
Impact of exchange rate fluctuations		(3,320)	2,142
<b>Change in cash and cash equivalents</b>		<b>(5,686)</b>	<b>99,337</b>
Other marketable securities		65,262	9
Cash at bank and on hand		90,595	253,070
Current bank borrowings		(180)	(206)
<b>Cash and cash equivalents</b>		<b>155,677</b>	<b>252,872</b>

## Consolidated statement of changes in equity

€'000	Share capital	Additional paid-in capital	Consolidated reserves	Reserves to be recycled (OCI)	Shareholders' equity (Group share)	Non-controlling interests	Total equity
<b>At 31 December 2015</b>	<b>258,223</b>	<b>1,882</b>	<b>288,730</b>	<b>(1,834)</b>	<b>547,000</b>	<b>204</b>	<b>547,204</b>
Net profit for the period			34,298		34,298	87	34,386
Employee benefits				(2,434)	(2,434)	-	(2,434)
Exchange gains or losses			5	1,450	1,455	14	1,469
<b>Comprehensive income</b>			<b>34,303</b>	<b>(984)</b>	<b>33,320</b>	<b>102</b>	<b>33,421</b>
Capital movements	(25,822)		(69,720)		(95,542)	633	(94,910)
Dividends			(4,884)		(4,884)	-	(4,884)
<b>At 31 December 2016</b>	<b>232,400</b>	<b>1,882</b>	<b>248,430</b>	<b>(2,818)</b>	<b>479,894</b>	<b>938</b>	<b>480,832</b>
Net profit for the period			19,623		19,623	(142)	19,482
Exchange gains or losses				(13,957)	(13,957)	(679)	(14,637)
<b>Comprehensive income</b>			<b>19,623</b>	<b>(13,957)</b>	<b>5,666</b>	<b>(821)</b>	<b>4,845</b>
Capital movements	(1,582)		(4,272)		(5,854)	0	(5,854)
Dividends			(4,941)		(4,941)		(4,941)
Changes in scope (a)					-	10,574	10,574
Other changes (b)			(3,700)		(3,700)		(3,700)
<b>At 30 June 2017</b>	<b>230,818</b>	<b>1,882</b>	<b>255,140</b>	<b>(16,775)</b>	<b>471,065</b>	<b>10,692</b>	<b>481,756</b>

(a) Changes in scope correspond to the full integration of Gruas y equipos Hune SAS (Colombia) and Hune Sico LLC (Saudi Arabia)

(b) Other changes correspond to the neutralisation of own shares for €3.7 million

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## Note 1 – Overview

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### 1.1. Presentation of the Group

Loxam is a French simplified joint-stock company (*“société par actions simplifiée”*) with a capital of €230,818,150, governed by all the legislation and regulations for commercial companies in France, and particularly the French commercial code (*Code de commerce*). Its registered office is located at 256 rue Nicolas Coatanlem, 56850 Caudan, France.

The Group is the European equipment rental market leader, with its business focused primarily on construction and civil engineering professionals. The Group operates mainly in Europe, as well as North Africa, and has a 25.7% stake in a rental company in Brazil. Following the acquisitions of Lavendon and Hune, the Group also operates in the United Arab Emirates, Bahrain, Saudi Arabia, Oman, Qatar and Kuwait while Hune has two joint ventures in Saudi Arabia (49%) and Colombia (50%).

### 1.2. Basis of preparation

The interim consolidated financial statements (the *“interim financial statements”*) for the six-month period ended June 30, 2017 include Loxam company and its subsidiaries (overall named as *“the Group”*) and the share of group in associates. The contribution of the joint ventures of Hune in Saudi-Arabia and Colombia has been including for the first time from this quarter.

The consolidated financial statements for Hune and Lavendon have been prepared in accordance with their accounting policies and have not adopted Loxam’s accounting policies. These will be adopted at some point in 2017. At last, a purchase price allocation for the goodwill recorded on the shares of Hune and Lavendon has not been finalized to date and will be done in the course of 2017.

These interim financial statements have been prepared by the Group in a voluntary and non-mandatory basis. It has been prepared in accordance with IAS 34 *“Interim financial reporting”* and should be read in addition to the latest annual consolidated financial statements of the Group for financial year 2016 (*“the latest annual financial statements”*). It does not include all the information mandatory for a complete financial report according to IFRS. However, it includes a selection of notes explaining significant events and major operations to understand the change in statement of financial position and the Group’s performance since the latest annual financial statements.

### 1.3. Functional and reporting currency

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

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**Note 2 – Highlights**

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**Highlights of the period ended June 30, 2017:**

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

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

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

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

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

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

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

## Note 3 - Accounting principles

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### 3.1 Presentation of the financial statements

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

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

### 3.2 Consolidation principle

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

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

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

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

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

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

### 3.3 Comparability of the financial statements

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

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

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

However, the financial statements for Q2 2016 have not been restated to reflect the new depreciation policy.

The consolidated financial statements include five months of results of Lavendon and Hune as at June 30, 2017. Hune's Saudi Arabian and Colombian joint-venture, Hune Specialized International Company and Gruas y Equipos Hune, have been fully consolidated for the first time in June 30, 2017 consolidated statements.

The consolidated financial statements for Hune and Lavendon have been prepared in accordance with their accounting policies and have not adopted Loxam's accounting policies. These will be adopted at some point in 2017. A purchase price allocation for the goodwill recorded on the shares of Hune and Lavendon has not been finalized to date and will be done in the course of 2017.

### **3.4 Accounting judgments and estimates**

To prepare the consolidated financial statements in accordance with IFRS, the Group makes a certain number of estimates and assumptions that are based on historical information and other factors, including expectations for future events that are considered reasonable in view of the circumstances.

The Group's estimates and judgments with the most significant impacts on the financial statements concern the following elements:

- Impairment tests for intangible assets with an indefinite useful life (primarily goodwill) (Note 5),
- Measurement of obligations relating to defined benefit plans (Note 16),
- Measurement of financial instruments at fair value (Note 14),
- Qualification of leases (Note 3.11),
- The revision of depreciation periods, and new management rules on the Group's fleet.

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

### **3.5 Business combinations**

#### **a) Business combinations**

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

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

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

The costs relating to the acquisition are expensed as incurred.

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

Contingent consideration relating to business combinations is measured at fair value on the acquisition date and subsequently measured at fair value at each future reporting date. After a one-year period from the acquisition date, any change in the fair value of the contingent consideration classified as a financial liability will be recognised in profit or loss. During this one-year period, any changes to this fair value explicitly related to events occurring after the acquisition date will also be recognised in profit or loss. Other changes will be recognised as adjustments to goodwill.

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

The conditions for these tests are presented in Section 3.12.

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.

### **3.6 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 30 June 2017 (euro vs. currency) :

1 EUR =	GBP	CHF	DKK	MAD	NOK	BRL
Closing date rate	0.87659	1.09492	7.43480	10.71900	9.53098	3.77730
Average rate	0.86031	1.07631	7.43654	10.66498	9.17465	3.44016
Opening date rate	0.85618	1.07390	7.43440	10.65860	9.08630	3.43050

(*) 1 EUR =	AED	SAR	QAR	BHD	OMR	COP
Closing date rate	4.19190	4.29500	0.42780	0.42800	0.43845	3,424.3000
Average rate	3.97348	4.07081	3.94639	0.40563	0.41562	3,128.31021
Opening date rate	3.87813	4.04400	3.84466	0.39804	0.40645	3,075.0000

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

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

### 3.7 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.

### 3.8 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 3.16 Cash and cash equivalents and Notes 3.17 and 3.18 Financial instruments.

### 3.9 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 3.5.

#### b) Other intangible assets

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

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

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

### 3.10 Property, plant and equipment

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

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

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

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

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

### 3.11 Leases

The Group holds finance leases in accordance with IAS 17.

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

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

Finance-leased assets are depreciated over their useful life in accordance with the accounting policy applicable to the other property, plant and equipment (cf. Note 3.10- Property, plant and equipment).

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

### 3.12 Impairment of intangible assets and property, plant and equipment

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

Goodwill is tested annually and whenever indications of impairments arise.

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

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

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

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

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

Impairments recorded for goodwill are irreversible.

### 3.13 Financial assets

Financial assets include:

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

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

Financial assets are initially recognised at their fair value.

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

### 3.14 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.

### 3.15 Trade receivables and other current assets

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

### 3.16 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.

**3.17 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 3.8. Since the hedging relationship is not documented, changes in fair value are recognised in profit or loss.

**3.18 Derivative financial instruments – relating to the foreign exchange risk**

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

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

Furthermore, the Group bought in 2016 a currency £/€ call option as part of its external development projects. This instrument was valued at fair value on the balance sheet. Changes in fair value are recognised in the income statement. This fair value corresponds to Category 2, according to the definition specified in Note 3.8.

**3.19 Provisions for employee benefits**

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

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

**a) Defined contribution plans**

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

**b) Defined benefits plans**

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

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

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

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

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

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

c) **Other long-term benefits**

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

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

### **3.20 Provisions**

In accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets, a provision is recorded when, on the reporting date, the Group has an obligation (legal or implied), it is probable that an outflow of resources representing economic benefits will be required to extinguish this obligation, and the amount of the obligation can be estimated reliably.

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

### **3.21 Borrowings and financial debt**

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

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

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

### **3.22 Trade payables and related**

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

### **3.23 Tax**

Income tax includes both current and deferred tax.

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

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

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

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

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

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

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

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

### **3.24 Revenue**

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

Income is recognised over the period services are provided.

### **3.25 Other income**

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

### **3.26 Other current expenses**

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

### **3.27 Other operating income and expenses**

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

### **3.28 Financial income and expenses**

Financial income primarily concerns interest on investments.

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

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

**Note 4 - Scope of consolidation**

Legal entities	SIREN number (France) or country	% of control	% of interest	Consolidation method
<b>SAS LOXAM</b>	<b>450776968</b>	<b>100%</b>	<b>100%</b>	<b>Parents</b>
SAS LOXAM MODULE	433911948	100%	100%	Full
SAS LOXAM POWER	366500585	100%	100%	Full
LOXAM ACCESS UK	United Kingdom	100%	100%	Full
LOXAM GMBH	Germany	100%	100%	Full
LOXAM S.A.	Switzerland	100%	100%	Full
LOXAM S.A.	Belgium	100%	100%	Full
LOXAM RENTAL SARL	Luxembourg	100%	100%	Full
LOXAM LTD	Ireland	100%	100%	Full
LOXAM ALQUILER	Spain	100%	100%	Full
LOXAM BV	Netherlands	100%	100%	Full
WORKX HOLDING BV	Netherlands	100%	100%	Full
WORKX MATERIEELVERHUUR BV	Netherlands	100%	100%	Full
WORKX SLOOP EN GRAAFDIENSTEN BV	Netherlands	100%	100%	Full
ATLAS RENTAL	Morocco	100%	51%	Full
LOXAM HOLDING A/S	Denmark	100%	100%	Full
LOXAM A/S	Denmark	100%	100%	Full
LOXAM AS	Norway	100%	100%	Full
DEGRAUS	Brazil	25,7%	25,7%	Equity
SCI AVENUE ARISTIDE BRIAND	384564472	100%	100%	Full
SCI EST POSE	340583160	100%	100%	Full
SAS LOXAM GRANDE ARMEE	572045953	100%	100%	Full
EURL NORLEU	409981024	100%	100%	Full
SCI TARTIFUME	328948013	100%	100%	Full
SCI THABOR	332962125	100%	100%	Full
LOXAMAM	799097944	100%	100%	Full
HUNE RENTAL S.L.	Spain	100%	100%	Full
HUNE ALUGUER LDA	Portugal	100%	100%	Full
HUNE LOCATION FRANCE SAS	537790537	100%	100%	Full
GRUAS Y EQUIPO HUNE (a)	Colombia	100%	50%	Full
HUNE SPECIALIZED INTERNATIONAL COMPANY (a)	Saudi Arabia	100%	49%	Full
LAVENDON HOLDINGS LTD	United Kingdom	100%	100%	Full
ZOOM HOLDINGS LTD	United Kingdom	100%	100%	Full
ACCESS SOLUTIONS LTD	United Kingdom	100%	100%	Full
LAVENDON ACCESS SERVICES LTD	United Kingdom	100%	100%	Full
ZOOM LTD	United Kingdom	100%	100%	Full
NATIONWIDE PLATFORMS LTD	United Kingdom	100%	100%	Full
LOGICAL COMMERCE LTD	United Kingdom	100%	100%	Full
PANTHER PLATFORM RENTALS LTD	United Kingdom	100%	100%	Full
AMP ACCESS LTD	United Kingdom	100%	100%	Full
BLUE SKY TOPCO LTD	United Kingdom	100%	100%	Full
BLUE SKY SOLUTIONS LTD	United Kingdom	100%	100%	Full
RAPID JERSEY (N°1) LTD	Jersey	100%	100%	Full



RAPID JERSEY (N°2) LTD	Jersey	100%	100%	Full
RAPID JERSEY (N°5) LTD	Jersey	100%	100%	Full
ZOOOM STERLING LTD	Jersey	100%	100%	Full
ZOOOM EURO LTD	Jersey	100%	100%	Full
ZOOOM DOLLAR LTD	Jersey	100%	100%	Full
LAVENDON ACCESS SERVICES SAS	France	100%	100%	Full
LAVENDON HOLDINGS GMBH	Germany	100%	100%	Full
GARDEMANN ARBEITSBUHNEN GMBH	Germany	100%	100%	Full
DK RENTAL NV	Belgium	100%	100%	Full
RAPID ACCESS BV	Netherland	100%	100%	Full
RAPID ACCESS LLC (b)	United Arab Emirates	100%	49%	Full
RAPID ACCESS WLL (c)	Bahrain	100%	49%	Full
RAPID ACCESS LTD (d)	Saudi Arabia	100%	52%	Full
RAPID ACCESS LLC (e)	Oman	100%	34%	Full
RAPID ACCESS MIDDLE EAST LLC	United Arab Emirates	100%	100%	Full

(a) The subsidiaries Gruas y equipos hune SAS (Colombia) and Hune SICO LLC (Saudi Arabia) have been fully consolidated for the first time for June closing.

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

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

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

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

**Note 5 – Intangible assets and goodwill****Change in intangible assets and goodwill in the period ended June 30, 2017:**

€'000	Intangible assets	Goodwill	Total
<b>Gross value at year-start</b>	<b>16,906</b>	<b>982,517</b>	<b>999,423</b>
Changes in scope	50,218	344,566	394,784
Increase	1,782		1,782
Decrease / disposals	(765)	(15,375)	(16,140)
Reclassification	391		391
Exchange gains or losses	(938)	(8,097)	(9,035)
<b>Gross value at end of period ended June 30, 2017</b>	<b>67,594</b>	<b>1,303,612</b>	<b>1,371,206</b>
<b>Depreciation and amortisation at year-start</b>	<b>(15,447)</b>	<b>(15,000)</b>	<b>(30,447)</b>
Changes in scope	(45,385)		(45,385)
Depreciation and amortisation for the year	(1,650)		(1,650)
Withdrawals / reversals on withdrawals	765		765
Reclassification	22		22
Exchange gains or losses	767		767
<b>Depreciation and amortisation of the period</b>	<b>(60,929)</b>	<b>(15,000)</b>	<b>(75,929)</b>
<b>Net value at year-start</b>	<b>1,459</b>	<b>967,517</b>	<b>968,976</b>
<b>Net value at end of period ended June 30, 2017</b>	<b>6,665</b>	<b>1,288,612</b>	<b>1,295,277</b>

The decrease of the goodwill in the course of H1 2017 corresponds to the disposal of the German subsidiaries of the Lavendon Group, Lavendon Holding (Deutschland) GmbH and Gardemann Arbeitsbühnen GmbH.

**Change in intangible assets and goodwill in 2016**

€'000	Intangible assets	Goodwill	Total
<b>Gross value at year-start</b>	<b>15,682</b>	<b>981,462</b>	<b>997,145</b>
Changes in scope	2	744	746
Increase	1,544	300	1,844
Decrease / disposals	(543)		(543)
Reclassification	221		221
Exchange gains or losses	(1)	11	11
<b>Gross value at year-end 2016</b>	<b>16,906</b>	<b>982,517</b>	<b>999,423</b>
<b>Depreciation and amortisation at year-start</b>	<b>(14,130)</b>	<b>-</b>	<b>(14,130)</b>
Changes in scope	(2)		(2)
Depreciation and amortisation for the year	(1,828)	(15,000)	(16,828)
Withdrawals / reversals on withdrawals	543		543
Reclassification	(29)		(29)
Exchange gains or losses	0		0
<b>Depreciation and amortisation at year-end</b>	<b>(15,447)</b>	<b>(15,000)</b>	<b>(30,447)</b>
<b>Net value at year-start</b>	<b>1,552</b>	<b>981,462</b>	<b>983,015</b>
<b>Net value at year-end 2016</b>	<b>1,459</b>	<b>967,517</b>	<b>968,976</b>

**Impact of changes of scope on goodwill:**

The entities listed below have been impacted by the change of scope at June 30, 2017:

€'000	Total
Lavendon	319,516
Hune	25,050
<b>30/06/17</b>	<b>344,566</b>

A purchase price allocation of the goodwill recorded on the assets of Hune and Lavendon will be completed at some point in 2017 to categorize the purchase price into the various assets and liabilities acquired.

**Note 6 – Property, plant and equipment****Change in property, plant and equipment for the period ended June 30, 2017:**

€'000	Rental equipment	Other	Total
<b>Gross value at beginning of year</b>	1,783,068	257,195	<b>2,040,264</b>
Changes in scope	912,755	45,085	<b>957,840</b>
Acquisitions	246,321	12,170	<b>258,491</b>
Disposals	(82,791)	(7,153)	<b>(89,944)</b>
Reclassification	(972)	1,092	<b>121</b>
Exchange gains or losses	(24,739)	(1,381)	<b>(26,120)</b>
<b>Gross value at end of period ended June 30, 2017</b>	<b>2,833,642</b>	<b>307,009</b>	<b>3,140,651</b>
<b>Cumulative depreciation at beginning of year</b>	(1,230,346)	(179,874)	<b>(1,410,219)</b>
Changes in scope	(526,793)	(33,167)	<b>(559,964)</b>
Depreciation for the year	(103,200)	(9,473)	<b>(112,673)</b>
Disposals	76,709	6,502	<b>83,211</b>
Reclassifications	(56)	(477)	<b>(533)</b>
Exchange gains or losses	12,700	1,127	<b>13,826</b>
<b>Cumulative depreciation at end of period</b>	<b>(1,770,989)</b>	<b>(215,363)</b>	<b>(1,986,352)</b>
<b>Net value at beginning of year</b>	<b>552,722</b>	<b>77,322</b>	<b>630,044</b>
<b>Net value at end of period ended June 30, 2017</b>	<b>1,062,653</b>	<b>91,646</b>	<b>1,154,299</b>

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

€'000	Rental equipment	Other	Total
<b>Gross value at beginning of period</b>	1,766,238	252,468	<b>2,018,706</b>
Changes in scope	8,141	195	<b>8,337</b>
Acquisitions	197,631	22,750	<b>220,381</b>
Disposals <sup>(a)</sup>	(179,589)	(21,503)	<b>(201,091)</b>

Reclassification	(3,033)	3,397	<b>364</b>
Exchange gains or losses	(6,321)	(113)	<b>(6,433)</b>
<b>Gross value at end of year</b>	<b>1,783,068</b>	<b>257,195</b>	<b>2,040,264</b>
<b>Cumulative depreciation at beginning of period</b>	<b>(1,274,090)</b>	<b>(184,522)</b>	<b>(1,458,612)</b>
Changes in scope	(5,960)	(136)	<b>(6,097)</b>
Depreciation for the year	(127,338)	(14,546)	<b>(141,884)</b>
Disposals	173,453	19,255	<b>192,708</b>
Reclassifications	(573)	18	<b>(555)</b>
Exchange gains or losses	4,162	58	<b>4,220</b>
<b>Cumulative depreciation at end of period</b>	<b>(1,230,346)</b>	<b>(179,874)</b>	<b>(1,410,219)</b>
<b>Net value at beginning of period</b>	<b>492,149</b>	<b>67,946</b>	<b>560,095</b>
<b>Net value at end of period</b>	<b>552,722</b>	<b>77,322</b>	<b>630,044</b>

(a) Including scrapped equipment following the takeover of Hertz for a gross book value of € 8.2 million.

### Note 7 - Investments in associates

€'000	Associates	
	31.12.16	30.06.17
<b>Value at the beginning</b>	<b>8,465</b>	<b>9,738</b>
Group share in earnings for the period	(1,002)	(436)
Dividends paid	(70)	
Changes in scope	254	
Exchange gains or losses	2,090	(855)
<b>Value at the closing</b>	<b>9,738</b>	<b>8,446</b>

**Note 8 - Financial assets****Change of financial assets at June 30, 2017**

€'000	Loans and other borrowings (a)	Other non-current financial assets	Total
<b>Gross and net value at beginning</b>	<b>9,907</b>	<b>12</b>	<b>9,919</b>
Changes in scope	2,346		2,346
Increase	524		524
Decrease	(478)		(478)
Exchange gains or losses	(1)		(1)
<b>Gross and net value at the closing</b>	<b>12,297</b>	<b>12</b>	<b>12,309</b>

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

**Change of financial assets in 2016**

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

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

**Note 9 – Inventories**

€'000 - Net value	31.12.16	30.06.17
Trade	12,705	13,987
Parts and consumables	5,976	14,658
<b>Total</b>	<b>18,681</b>	<b>28,645</b>

**Note 10 – Trade and other receivables**

€'000	31.12.16	30.06.17
Gross value	248,962	404,992
Impairment	(24,326)	(53,861)
<b>Total trade and other receivables</b>	<b>224,636</b>	<b>351,131</b>

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

€'000	31.12.16	30.06.17
Income tax receivables	6,589	15,060
Prepaid expenses	6,923	16,625
Other receivables	19,214	55,048
Other current assets	26,137	71,673
<b>Total income tax receivables and other current assets</b>	<b>32,726</b>	<b>86,733</b>

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

€'000	31.12.16	30.06.17
Other marketable securities	65,262	9
Cash	90,595	253,070
<b>Total</b>	<b>155,857</b>	<b>253,078</b>

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

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

Interest bearing accounts and deposits satisfy the criteria for classification as cash equivalents under IAS 7 (cf. Note 3.16).

**Note 13 – Shareholders' equity**

The share capital amounts to €230,818,150, split into 23,081,815 shares with a par value of €10. It is fully paid up.

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

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

As indicated in Note 3.17, the interest rate swaps entered into by the Group are classified as derivative financial instruments.

At June 30, 2017, these agreements relate to a notional amount of €82,100 k against the 3-month Euribor, with a maximum maturity date of July 2022.

At June 30, 2017, the fair value of these derivative instruments amounts to €3,763 k, compared to €4,854 k at December 31, 2016. The change in fair value between June 30, 2017 and December 31, 2016 is accounted as a financial income for an amount of €1,091 k.

The fair value at each date is determined on the basis of interest rate forecasts observed on the derivatives market. Interest Rate swaps are classified as Level 2 in accordance with the classification presented in Note 3.8.

#### Financial instruments relating to foreign exchange risk:

As indicated in Note 3.18, foreign currency put options entered into by the Group are classified as derivative financial instruments.

Loxam SAS held put options on the British Pound for GBP 114,545 k at June 30, 2017 against GBP 14,845 k at 31 December 2016, and on the Danish Krone for DKK 20,000 k at June 30, 2017, same as at December 31, 2016.

The fair value of these derivative instruments represents an asset of €1,313 k at June 30, 2017, compared to an asset of €24 k at December 31, 2016. The change in fair value between December 31, 2016 and June 30, 2017 is accounted as a financial income for an amount of €1,289 k.

The fair value at each date is determined on the basis of interest rate forecasts observed on the currency market. Exchange rate hedging instruments are classified as Level 2 in accordance with the classification presented in Note 3.8.

#### Change of fair value for financial instruments at June 30, 2017 :

€'000	Interest Rate swaps	Equity warrants	Exchange rate hedging	GBP Option	Financial instruments
Fair value level	Level 2	Level 3	Level 2	Level 2	
<b>Value at beginning of period</b>	<b>4,854</b>	-	<b>(24)</b>	<b>(741)</b>	<b>4,089</b>
Value adjustment	(1,091)	-	(1,289)	741	(1,639)
<b>Value at end of period</b>	<b>3,763</b>	-	<b>(1,313)</b>	<b>0</b>	<b>2,450</b>
<b>Derivatives instruments included in the assets</b>					<b>1,313</b>
<b>Derivatives instruments included in the liabilities</b>					<b>3,763</b>

The currency £/€ call option reached maturity on March 14, 2017. This resulted in a reversal of its value for a charge of €741k in the first half of 2017.

**Change of fair value for financial instruments in 2016 :**

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

**Liquidity risk information**

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

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

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

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



## Credit risk information

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

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

### Note 15 – Borrowings and financial debt

#### Breakdown of current and non-current financial debt:

€'000	31.12.16	30.06.17
Bonds <sup>(1)</sup>	901,969	1,738,792
Bilateral and bridge loans net of issuance costs	191,638	267,833
Lease debt	95,589	157,159
<b>Non-current financial debt</b>	<b>1,189,195</b>	<b>2,163,783</b>
Short-term bilateral loans	53,041	82,211
Short-term lease debt	48,148	67,148
Other financial debt	6,073	15,379
Current bank borrowings	180	206
<b>Current financial debt</b>	<b>107,442</b>	<b>164,944</b>
<b>Financial debt</b>	<b>1,296,637</b>	<b>2,328,728</b>

1) Net of bond issue costs.

#### Breakdown of financial debt by interest rate:

€'000	31.12.16	30.06.17
Variable-rate debt	227,780	336,018
Fixed-rate debt	1,068,382	1,992,208
Bank overdrafts	180	206
Other	295	295
<b>TOTAL</b>	<b>1,296,637</b>	<b>2,328,728</b>

**Breakdown of financial debt by maturity:**

€'000	31.12.16	30.06.17
< 1 year	107,442	164,944
1 to 5 years <sup>(1)</sup>	687,411	1,121,995
> 5 years	501,785	1,041,789
<b>TOTAL</b>	<b>1,296,637</b>	<b>2,328,728</b>

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

**Change in borrowings and financial debt:****Changes in the period ended June 30, 2017**

€'000	Beginning of period	Change in scope	Increase	Decrease	Other	End of period
Bond issues	901,969		834,875		1,949	1,738,792
Bridge loan			779,280	(779,280)		
Bilateral loans	244,679	0	120,956	(15,532)	(60)	350,043
Lease debt	143,737	11,069	107,496	(37,947)	(49)	224,307
Other financial debt	6,252	2			9,331	15,586
<b>TOTAL</b>	<b>1,296,637</b>	<b>11,071</b>	<b>1,842,607</b>	<b>(832,758)</b>	<b>11,171</b>	<b>2,328,728</b>

Loxam entered into a bridge loan on February 10, 2017, due in 2022, for an aggregate amount of €779,3 million in order to finance the Lavendon acquisition. The issuance of new bonds in April 2017 repaid the totality of the bridge.

**Changes in 2016**

€'000	Beginning of year	Change in scope	Increase	Decrease	Other	Year-end
Bond issues	944,840		247,029	(300,000)	10,100	901,969
Bilateral loans	125,543		147,178	(28,094)	52	244,679
Lease debt	100,799	1,509	91,277	(49,895)	48	143,737
Other financial debt	11,536				(5,283)	6,252
<b>TOTAL</b>	<b>1,182,717</b>	<b>1,509</b>	<b>485,483</b>	<b>(377,989)</b>	<b>4,916</b>	<b>1,296,637</b>

**Note 16 – Employees benefit**

€'000	31.12.16	30.06.17
<b>Net Defined Benefit Obligation</b>	<b>18,716</b>	<b>19,385</b>
<b>Reconciliation of the commitment and provisions</b>		
Commitment	31,012	31,682
Plan assets	12,296	12,296
<b>Net Defined Benefit Obligation at the end of period</b>	<b>18,716</b>	<b>19,385</b>
<b>Movement in Defined Benefit Liability</b>		
<b>Net Defined Benefit Liability at the beginning of period</b>	<b>15,044</b>	<b>18,716</b>
Expense for the period	380	670
Recognition of actuarial gains or losses through OCI	3,291	
Changes in scope		
Other		
<b>Net Defined Benefit Obligation at the end of period</b>	<b>18,716</b>	<b>19,385</b>

Provisions for employee benefits include retirement benefits for €18,567 K and long-service awards (médailles du travail) for €819 K at June 30, 2017.

Provisions for employee benefits include retirement benefits for €17,878 K and long-service awards (médailles du travail) for €837 K at 31 December 2016.

Actuarial assumptions used as at June 30, 2017 are the same as those indicated in the annual financial statement at December 31, 2016.

**Note 17 - Provisions****Change in provisions at June 30, 2017**

€'000	Provisions for contingencies	Provisions for charges	Total
<b>Balance at the beginning of the period</b>	<b>3,909</b>	<b>1,039</b>	<b>4,948</b>
Changes in scope	414	1,357	<b>1,771</b>
Allocations	937	418	<b>1,355</b>
Reversals	(1,259)	(504)	<b>(1,763)</b>
Reclassifications	(10)		<b>(10)</b>
<b>Balance at the closing of the period</b>	<b>3,991</b>	<b>2,310</b>	<b>6,301</b>

**Change in provisions in 2016**

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

**Note 18 – Trade payables and other current liabilities**

€'000	31.12.16	30.06.17
Trade payables	82,928	100,770
Payables to fixed asset suppliers	40,201	80,439
<b>Trade payables and related</b>	<b>123,129</b>	<b>181,209</b>
<b>Corporate income tax liabilities</b>	<b>683</b>	<b>5,846</b>
Tax and social security liabilities	89,485	97,140
Other liabilities	12,928	33,938
Accrued income	1,525	1,514
<b>Other liabilities and accruals</b>	<b>103,938</b>	<b>132,592</b>
<b>Total current liabilities</b>	<b>227,750</b>	<b>319,647</b>

**Note 19 - Personnel expenses**

€'000	30.06.16	31.06.17
Salaries	91,454	140,866
Payroll taxes	32,953	35,503
Employee profit-sharing	511	192
<b>Total personnel expenses</b>	<b>124,919</b>	<b>176,561</b>
Average headcount	5,018	7,445

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

**Note 20 - Other operating income and expenses**

In 2017, other operating income includes the acquisition costs of Lavendon and Hune.

**Note 21 - Financial income (expense)**

€'000	30.06.16	30.06.17
Interest and financing-related expenses	(33,698)	(43,678)
Income from cash and cash equivalents	353	4
<b>Net finance costs</b>	<b>(33,345)</b>	<b>(43,674)</b>
Fair value adjustments for financial instruments	1,927	2,316
Financial costs related to early repayment (a)	(24,023)	(13,739)
Other financial expenses	(1,211)	(5,154)
Other financial income	288	447
<b>Financial income (expense)</b>	<b>(56,364)</b>	<b>(59,804)</b>

(a) corresponds in June 2016 to fees for early repayment and accelerated amortization of issuance costs following the repayment of €300 million senior subordinated notes issued in 2013.

Corresponds in June 2017 to fees for early repayment and accelerated amortization of issuance costs following the repayment of the bridge facility.

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

€'000	30.06.16	30.06.17
Current tax	(148)	(3,596)
Deferred tax	8,589	(619)
<b>Total</b>	<b>8,441</b>	<b>(4,215)</b>

**Reconciliation between actual tax and the theoretical tax expense**

€'000	30.06.16	30.06.17
Consolidated income before tax and "CICE" French tax credit	(30,428)	(20,443)
Tax rate (parent)	34.43%	34.43%
<b>Theoretical tax expense</b>	<b>10,477</b>	<b>(7,038)</b>
Difference in parent / subsidiary rates	(481)	3,020
Unused tax losses for the year	(596)	(667)
Use of previously unused losses	24	1,219
Permanent differences	(755)	(261)
French tax on dividends	(147)	(148)
Tax credits and other	(80)	(340)
<b>Actual tax expense</b>	<b>8,441</b>	<b>4,215</b>

**Deferred tax assets and liabilities**

€'000	31.12.16	31.03.17
<b>Opening balance</b>	<b>(13,287)</b>	<b>(17,606)</b>
Income (expense)	(4,939)	(619)
Change in scope	(237)	(13,508)
Recognised in equity	857	-
Other changes	1	81
<b>Closing balance</b>	<b>(17,606)</b>	<b>(31,652)</b>

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

**Note 23 – Operating lease commitments**

This information for the extended group was not prepared as at June 30, 2017.

**Note 24 - Off-balance sheet commitments**

€'000	31.12.16	30.06.17
Guarantee given to banks for payment of real estate rentals	2,106	2,106
Pledging of business assets as collateral	360	360
<b>Total commitments given</b>	<b>2,466</b>	<b>2,466</b>
Bank guarantee received for payment of real estate rentals	7,308	7,308
Other bank guarantees received	450	450
<b>Total commitments received</b>	<b>7,758</b>	<b>7,758</b>

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

- Guarantee from the Loxam parent company on subsidiaries' borrowings for €18,352 K at June 30, 2017.
- Pledge of Loxam Power, Loxam Module and Lavendon Group Ltd shares as well as the Loxam brand as a collateral for €1,260 million of secured senior bonds.
- € 75 million RCF: transfer under the *Dailly Act* : 120% of the outstanding amount drawn on the RCF and pledge of the bank account as a collateral. The RCF of €75 million was not drawn at June 30, 2017 nor during the first half of 2017.

**Note 25 – Related-party transactions**

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

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