



QUARTERLY REPORT September 30, 2018

TABLE OF CONTENTS

DEFINITIONS 3

NOTICE..... 4

CONSOLIDATED FINANCIAL STATEMENTS SUMMARY 6

MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS 9

APPENDIX : UNAUDITED FINANCIAL STATEMENTS..... 21

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.

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.

Comparability of the financial statements

Considering the acquisitions of companies and business completed in 2017, the information provided at constant perimeter for Q3 2018 is compared to Q3 2017 taking into account:

- the elimination of three months of Q3 2018 financial information of Swan, Loxam Access SRL, and Nove businesses which were acquired after September 30, 2017;
- the elimination of three months of Q3 2018 financial information of Degraus, because of a change in consolidation method from January 1, 2018;
- the addition of two months of Q3 2017 of the former Cramo branches in Denmark, acquired in August 2017

As a reminder, in Q4 2017, the Hune Group depreciation rules have been harmonized to the Loxam Rules. This harmonization was not done in Q3 2017. Q3 2017 accounts have not been restated for this.

A purchase price allocation for the Lavendon and Hune acquisitions was completed in Q4 2017 and had not been performed in Q3 2017. Q3 2017 accounts have not been restated for this.

The following discussion and analysis is based on, and should be read in conjunction with, our unaudited quarterly consolidated financial statements included elsewhere in this quarterly report and our audited annual consolidated financial statements included in our 2017 annual report.

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

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

CONSOLIDATED FINANCIAL STATEMENTS SUMMARY

Consolidated Income Statement <i>(in millions of euros)</i>	Nine months ended September 30,	
	2017	2018
Revenue	999.5	1 095.0
Other income.....	38.9	37.5
Purchases consumed	(104.5)	(116.8)
Personnel expenses	(269.0)	(283.0)
Other current expenses.....	(321.9)	(345.4)
Taxes and duties	(14.1)	(15.3)
Depreciation and amortization – Property, plant and equipment	(173.8)	(201.6)
Depreciation and amortization – Intangible assets	(2.6)	(9.0)
Profit from ordinary operations.....	152.6	161.3
Other operating income and expense	(2.9)	(1.4)
Operating profit.....	149.7	159.9
Financial income and expense.....	(89.4)	(77.3)
Share of profit of associates	(0.6)	-
Income tax expense	(11.2)	(14.5)
Net profit.....	48.6	68.1
Non controlling interests	(0.2)	(1.6)
Net profit, group share	48.8	69.6

Consolidated balance sheet

	As of	
	December 31, 2017	September 30, 2018
<i>(in millions of euros)</i>		
Intangible assets and goodwill.....	1,333.9	1,334.5
Property, plant and equipment.....	1,232.6	1,335.4
Investments in associates	-	-
Financial assets	15.6	14.7
Financial derivatives.....	1.2	-
Deferred tax assets	21.6	22.2
Non-current assets	2,604.9	2,706.7
Inventories	29.3	34.0
Trade and other receivables.....	370.8	399.2
Other current assets	84.1	65.9
Cash and cash equivalents	117.5	81.0
Current assets	601.8	580.2
TOTAL ASSETS.....	3,206.7	3,286.9
Shareholders' equity	543.7	607.7
Provisions for employees benefits	16.6	18.3
Deferred tax liabilities	62.1	69.5
Borrowings and financial debt – long term portion.....	2,037.5	2,012.9
Financial derivatives.....	2.9	2.7
Non-current liabilities	2,119.0	2,103.4
Provisions.....	11.2	8.2
Borrowings and financial debt – current portion.....	201.2	245.1
Supplier and other payables	188.2	175.2
Other current liabilities.....	143.4	147.2
Current liabilities.....	544.0	575.7
TOTAL EQUITY AND LIABILITIES	3,206.7	3,286.9

Consolidated condensed cash-flow statement <i>(in millions of euros)</i>	Nine months ended	
	September 30,	
	2017	2018
Cash flow from operations	160.2	242.7
Cash flow from investing activities.....	(1,077.3)	(287.2)
Cash flow from financing activities	852.5	6.2
Change in cash and cash equivalents.....	(64.6)	(38.4)
Cash and cash equivalents at the end of the period ⁽¹⁾	93.3	80.2

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 proforma revenue of €1,479 million for the 12-months period ended September 30, 2018, we are the leading European equipment rental group focused primarily on the construction and civil engineering sectors with 754 branches as of September 30, 2018 of which 496 were located in France. We are organized in three business divisions:

- Generalist France division, which includes equipment for earth moving (backhoes and loaders), aerial work (booms and scissors), handling (forklifts and tele-handlers), compaction (compactors and rollers), and building (concrete mixers and saws), as well as hand tools such as power drills, chainsaws and jackhammers. As of September 30, 2018, our generalist network included 415 branches. The generalist network trades under the LOXAM Rental brand;
- Specialist France division, which includes high-access equipment, modular shelters, large compressors and generators, heavy compaction equipment, suspended platforms and scaffolding. As of September 30, 2018, our specialist network in France includes 81 branches. We rent specialist equipment in France under several specific brands, such as LOXAM Access, LOXAM Module, LOXAM Power, LOXAM Laho TEC, LOXAM TP, LOXAM Event;
- International division, which comprises our specialist and generalist equipment offerings in 21 countries outside of France (Denmark, Belgium, the Netherlands, Germany, Spain, the United Kingdom, Ireland, Switzerland, Luxembourg, Norway, Morocco, Portugal, Italy, several countries in the Middle East, Colombia and Brazil) with a network of 258 branches as of September 30, 2018. We own joint-ventures in Morocco, Brazil, the Middle East and Colombia.

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 September 30, 2018, our rental fleet comprised approximately 270,000 pieces of equipment (excluding accessories) with a gross book value of €3.0 billion.

Economic conditions over the first nine months of 2018

Since the beginning of 2018, the demand for rental services has benefitted from a favorable macro-economic and construction environment in all the geographies where we operate, except for the UK and the Middle East where we observe some economic and political uncertainty.

Investment in new equipment

Our gross capital expenditure during the third quarter of 2018 amounted to €89.5 million, of which €80.8 million was fleet Capex compared to €79.6 million, of which €71.0 million was fleet Capex, in the third quarter of 2017. The Capex spend in Q3 2018 in comparison with the third quarter of 2017 is in line with our Capex budget.

Changes to our rental network

We operated 754 branches as of September 30, 2018, compared to 755 as of December 31, 2017. Over the first nine months of 2018, we opened 4 branches and merged or closed 12 branches as part of our network optimization. We have also integrated 7 branches as part of the acquisition of Nove in Italy (6) and NVA (1).

Significant events of the nine months period

The implementation of some internal reorganization following the acquisitions of Hune and Lavendon has progressed during the first nine months of the year.

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

On February 13, Hune Rental SLU (Spain) acquired 100% of Loxam Alquiler (Spain) shares, from Loxam SAS. Loxam Alquiler has merged into Hune Rental SLU on April 1, 2018.

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

On June 8, Loxam SAS acquired 100% of Negoce de Vehicules Automoteurs (“NVA”), a French company operating a single branch in Paris active in the rental of equipment for music and sports events. NVA has been merged into Loxam SAS on September 1, 2018.

On June 21, Loxam Access Srl acquired 100% of the Italian powered access rental company No.Ve. S.r.l. (“Nove”) from Haulotte Group S.A. The Nove accounts were consolidated in our profit and loss account ending September 30, 2018 for a three month period.

On July 19, Loxam has entered into a conditional agreement with HSS Hire Group Plc with respect to the acquisition of UK Platforms Limited (UKP) by its wholly-owned subsidiary Nationwide Platforms Limited (Nationwide). UKP is specialized in renting powered access equipment from its branch network throughout the United Kingdom. The acquisition is under the process of prior approval by the UK Competition and Mergers Authority and is expected to be completed in the beginning of 2019.

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

Post quarter events

None

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** include (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 include depreciation of fixed assets (fleet and non-fleet). The depreciation policy existing at the Lavendon Group prior to the acquisition has been kept unchanged. The Loxam group depreciation policy has been retrospectively applied to the Hune fleet in the consolidated financial accounts.
Since 2017, it also includes depreciation of intangible assets (trademarks and customer relationships) following a purchase price allocation exercise on the Lavendon and Hune acquisitions.
- **Other operating income and expense** includes a limited number of items, unusual, abnormal, and uncommon, with significant amounts, disclosed separately in the income statement to make it easier to appreciate the Group's current operating performance.
- **Financial income** primarily includes interest income on cash balances, while **financial expense** comprises interest charges on bank loans 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. The corporate tax rate in France stands at 34.43% of the profit before tax. The Finance Law for 2018 provides for a further progressive reduction of the corporate income tax rate to 25% in France; from January 1, 2018, the deferred tax rate in France stands at 32.02%. We are also subject to tax rates in the other countries in which we operate, which ranged from 12.5% to 34.0% 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 the consolidated income statement for the periods ended September 30, 2018 and 2017 under IFRS.

Consolidated Income Statement <i>(in millions of euros)</i>	Quarter ended		Nine months ended	
	September 30,		September 30,	
	2017	2018	2017	2018
Revenue	346.1	377.9	999.5	1,095.0
Other income ⁽¹⁾	14.8	13.8	38.9	37.5
Purchases consumed	(35.1)	(40.1)	(104.5)	(116.8)
Personnel expenses.....	(92.4)	(89.3)	(269.0)	(283.0)
Other current expenses	(108.0)	(117.4)	(321.9)	(345.4)
Taxes and duties.....	(4.1)	(4.7)	(14.1)	(15.3)
Depr. and amortization– Property, Plant and Equip.	(61.1)	(69.1)	(173.8)	(201.6)
Depreciation and amortization – Intangible assets.....	(1.0)	(3.0)	(2.6)	(9.0)
Profit from ordinary operations	59.3	68.3	152.6	161.3
Other operating income and expense ⁽²⁾	6.5	(1.2)	(2.9)	(1.4)
Operating profit	65.8	67.1	149.7	159.9
Financial income and expense	(29.6)	(27.2)	(89.4)	(77.3)
Share of profit of associates.....	(0.1)	-	(0.6)	-
Income tax expense	(6.9)	(6.4)	(11.2)	(14.5)
Net profit	29.1	33.5	48.6	68.1
Non controlling interests.....	(0.1)	(0.4)	(0.2)	(1.6)
Net profit, group share	29.2	34.0	48.8	69.6

Note:

- (1) “Other income” includes capital gains on disposals of fixed assets amounting to €12.3 million and €10.7 million in Q3 2017 and Q3 2018, respectively and €31.1 million and €29.6 million in the first nine months of 2017 and 2018, respectively.
- (2) “Other operating income and expense” for the first nine months of 2017 include non-recurring costs relating to the acquisition of the Lavendon and Hune Groups and the profit on the disposal of Gardemann. For the first nine months of 2018, they relate to the Nove, NVA and UK Platforms acquisitions.

The following table sets out certain key figures in each of the Generalist France, Specialist France and International divisions for the nine months period ended September 30, 2018 and 2017 under IFRS.

<i>(in millions of euros)</i>	Quarter ended September 30,		Nine months ended September 30,	
	2017	2018	2017	2018
Revenue ⁽¹⁾				
Generalist France	153.8	164.7	456.9	484.2
Specialist France	55.9	59.7	156.0	166.9
France.....	209.7	224.5	612.9	651.1
International	136.3	153.5	386.6	443.9
Total revenue.....	346.1	377.9	999.5	1,095.0
EBITDA				
Generalist France ⁽²⁾	53.9	63.4	153.9	166.3
Specialist France ⁽²⁾	18.6	21.8	49.4	57.5
France.....	72.5	85.2	203.3	223.8
International	47.2	53.3	121.8	143.8
Real Estate ⁽³⁾	1.6	1.9	3.8	4.4
Total EBITDA	121.4	140.4	329.0	372.0
<i>EBITDA margin</i>	<i>35.1 %</i>	<i>37.1%</i>	<i>32.9 %</i>	<i>34.0%</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 September 30, 2018 compared to quarter ended September 30, 2017**Revenue**

Revenue increased by 9.2% to €377.9 million during the third quarter of 2018 from €346.1 million in the third quarter of 2017. On a like-for-like basis and at constant exchange rate, revenue increased by 4.0%.

Revenue from our Generalist France division increased by 7.1% in the third quarter of 2018 to €164.7 million compared to €153.8 million in the third quarter of 2017, thanks to the good economic environment and the effect of investment in new fleet. The weight of Generalist France stood at 43% of our group revenue in the third of 2018, compared to 44% in the third quarter of 2017.

Revenue from our Specialist France division increased by 6.8% to €59.7 million in the third quarter of 2018 compared to €55.9 million in the third quarter of 2017. The Specialist France division enjoyed the same positive economic conditions as the Generalist France division. The weight of Specialist France division remained stable at 16% of our group revenue in the third quarter of 2018, compared to the third quarter of 2017.

International revenue increased by 12.6% to €153.5 million in the third quarter of 2018 compared to €136.3 million in the third quarter of 2017. Like-for-like and at constant exchange rate, the division's revenue decreased by 0.6%, due to weak market conditions in the UK and the Middle East. The International division represented 41% of our group revenue in the third quarter of 2018, compared to 40% in the third quarter of 2017.

Other income

Other income decreased by €0.9 million to €13.9 million in the quarter ended September 30, 2018 from €14.8 million in the quarter ended September 30, 2017, mainly due to lower capital gains on fleet disposals.

Purchases consumed

Purchases consumed increased by 14.4% to €40.1 million for the quarter ended September 30, 2018 compared to €35.1 million for the quarter ended September 30, 2017. Like-for-like, purchases consumed increased by 10.2% in line with the higher activity of the quarter.

Personnel expenses

Personnel expenses decreased by 3.4% to €89.3 million in the quarter ended September 30, 2018 from €92.4 million in the quarter ended September 30, 2017. Personnel expenses decreased by 7.6% in France and increased by 2.8% at the International division. Like-for-like, personnel expenses decreased by 7.7% due to the payment of a one-off bonus for Loxam's 50th anniversary to the staff in September 2017, for a total cost of €8.5 million, including social charges.

Other current expenses

Other current expenses increased by 8.7% to €117.4 million in the third quarter of 2018 from €108.0 million in the third quarter of 2017. Like-for-like, other current expenses increased by 5.0 %, as we continued to experience an increase of some variable costs tied to the level of activity such as haulage costs and repair and maintenance expenses, partially offset by a decrease in short term equipment re-hires.

Depreciation and amortization

Depreciation and amortization amounted to €72.1 million in the quarter ended September 30, 2018, compared to €62.0 million in the quarter ended September 30, 2017.

Like-for-like, the depreciation expense increased by 7.7% because of the capex made in 2017 and 2018. Moreover, an amortization expense for trademarks and customer relationships was recorded for €1.9 million in Q3 2018 in accordance with the Purchase Price Allocation of Lavendon and Hune groups completed in Q4 2017.

Financial income and expense

Net financial expense decreased by 2.4 million to €27.2 million in the quarter ended September 30, 2018, compared to €29.6 million in the quarter ended September 30, 2017.

Excluding non recurring costs, the net interest expense decreased by €0.9 million, mainly due to the savings of early repayment of bonds in Q3 2017 and Q3 2018. Non recurring costs (ie : bond redemption premium) and other items (foreign exchange and derivative variations) had a positive impact on the financial expense of €1.6 million.

The gross interest expense amounted to €23.8 million while other financial expense amounted to €3.3 million in Q3 2018.

Income tax

Our profit before tax amounted to €39.9 million in Q3 2018 versus €36.2 million in Q3 2017.

Income tax was an expense of €6.4 million in the quarter ended September 30, 2018, compared to €6.9 million in the quarter ended September 30, 2017.

Net profit

As a result of the various factors described above, we recorded a net profit of €33.5 million for the quarter ended September 30, 2018 compared to a net profit of €29.1 million for the quarter ended September 30, 2017.

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 operating profit and net profit for the mentioned periods.

<i>(in millions of euros)</i>	Quarter ended		Nine months ended	
	September 30,		September 30,	
	2017	2018	2017	2018
EBITDA	121.4	140.4	329.0	372.0
Depreciation of Property, plant and equipment	(61.1)	(69.1)	(173.8)	(201.6)
Depreciation of intangible assets.....	(1.0)	(3.0)	(2.6)	(9.0)
Other operating income and expense	6.5	(1.2)	(2.9)	(1.4)
Operating profit	65.8	67.1	149.7	159.9
Financial income and expense	(29.6)	(27.2)	(89.4)	(77.3)
Share of profit of associates.....	(0.1)	-	(0.6)	-
Income tax expense	(6.9)	(6.4)	(11.2)	(14.5)
Net profit	29.1	33.5	48.6	68.1

EBITDA amounted to €140.4 million in Q3 2018 increasing by 15.7% from €121.4 million in Q3 2017. Like-for-like and at constant exchange rates, EBITDA increased by 12.6%

EBITDA from our Generalist France division amounted to €63.4 million in Q3 2018, compared to €53.9 million in Q3 2017. Our EBITDA margin for Generalist France increased at 38.5% in Q3 2018 compared to 35.1% in Q3 2017 thanks to the effect of additional revenue and lower personnel expenses.

EBITDA from our Specialist France division amounted to €21.8 million in Q3 2018, compared to €18.6 million in Q3 2017. Our EBITDA margin for Specialist France rose at 36.4% in Q3 2018 compared to 33.2% in Q3 2017 thanks to the combination of organic growth, lower re-hires costs and lower personnel expenses.

EBITDA from our International division amounted to €53.3 million in Q3 2018, compared to €47.2 million in Q3 2017. On a like-for-like basis and at constant exchange rate, EBITDA increased by 5.0%, despite stagnating revenue. This performance was achieved thanks to the strong improvement of EBITDA margin by

several Business Units and the capacity to contain costs for the subsidiaries who had a weak revenue evolution . Our EBITDA margin for International division remained stable at 34.7%.

Overall, the EBITDA margin in Q3 2018 stood at 37.1% versus an EBITDA margin of 35.1 % in Q3 2017.

Like for like, the EBITDA margin increase by 2.9 pts to 37.6 %.

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

As of September 30, 2018, the gross financial debt (excluding derivatives) amounted to €2,258.0 million, compared to €2,238.7 million as of December 31, 2017. Our net financial debt (excluding derivatives) as of September 30, 2018 amounted to €2,177.0 million, an increase of €55.9 million compared to December 31, 2017.

As of September 30, 2018, we had €1,550.8 million of outstanding bond debt, after deduction of €13.5 million of issuance costs amortized over the duration of the bonds minus two years, using the effective interest rate method. On July 23, 2018, Loxam redeemed €60 million, out of the €299.3 million outstanding principal amount of the 2021 Senior Secured Notes and €25 million, out of the €250.0 million outstanding principal amount of the 2022 Senior Subordinated Notes. This partial redemption has been funded out of available cash in order to reduce interest expense.

Our bond debt was made of €239.3 million of senior secured notes due in July 2021, €225.0 million of senior subordinated notes due in July 2022, €300.0 million of senior secured notes due in April 2022, €250.0 million of senior secured notes due in May 2023, €300.0 million of senior secured notes due in April 2024, and €250.0 million of senior subordinated notes due in April 2025. We also had €399.3 million of debt outstanding under bilateral facilities from banks, and €281.4 million under finance leases.

We expect to finance future capital expenditures through cash flow from operations, finance leases or bilateral credit facilities. In the nine-months period ended September 30, 2018, new finance leases were entered into for €130.8 million and new bilateral loans were put in place for € 135.2 million.

Capital expenditures

In Q3 2018, gross capital expenditures amounted to €89.5 million, compared to €79.6 million in Q3 2017. Fleet capital expenditure amounted to €80.8 million in Q3 2018, compared to €71.0 million in Q3 2017.

In Q3 2018, the gross book value of disposed rental equipment was €45.8 million, compared to €51.1 million in Q3 2017.

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 €15.6 million for the quarter ended September 30, 2018 compared to €(1.7) million for the quarter ended September 30, 2017. The increase in the free cash flow generation between Q3 2018 and Q3 2017 is mainly explained by the higher EBITDA recorded in Q3 2018. We also note an improvement of the change in working capital requirement and lower financial expenses, but these savings were offset by higher capital expenditures in the quarter.

For the first nine month ended September 30, 2018, free cash flow amounted to €(30.4) million compared to €(156.3) million for the first nine months ended September 30, 2017. This increase of the free cash flow generation is explained by the higher EBITDA, lower capex spend and lower interest expense.

The following table presents a reconciliation of the EBITDA to free cash flow for the mentioned periods of 2018 and 2017.

<i>(in millions of euros)</i>	Quarter ended		Nine months ended	
	September 30,		September 30,	
	2017	2018	2017	2018
EBITDA before capital gains on fleet disposals	109.2	130.1	298.7	344.4
+ Proceeds from disposals of fixed assets.....	16.7	16.0	41.6	45.1
- Gross capital expenditure	(79.6)	(89.5)	(340.3)	(315.2)
- Operating income and expense ⁽¹⁾	(0.0)	(1.2)	(9.3)	(1.4)
- Financial income and expense ⁽²⁾	(26.8)	(24.1)	(84.8)	(72.4)
- Income taxes ⁽³⁾	(2.7)	(1.4)	(6.3)	(7.1)
+/- Change in working capital requirement.....	(19.3)	(13.2)	(56.1)	(20.6)
Miscellaneous ⁽⁴⁾	0.8	(1.0)	0.3	(3.3)
Free cash flow ⁽⁵⁾	(1.7)	15.6	(156.3)	(30.4)
Acquisitions and disposals ⁽⁶⁾	(23.7)	1.4	(789.6)	(17.1)
Share capital decrease ⁽⁷⁾	-	-	(9.6)	-
Dividends	-	-	(4.9)	(6.9)
Issue costs amortization and currency variations.....	(1.6)	(1.5)	(1.5)	(1.4)
Change in net debt ⁽⁸⁾	(27.1)	15.5	(962.0)	(55.9)

Notes:

- (1) Corresponds to non-recurring costs related to acquisitions of the Hune and Lavendon groups for the first nine months of 2017 and acquisitions costs of Nove and UK Platforms in 2018.
- (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 the Danish equipment rental operations of Cramo in Q3 2017, and to the Lavendon and Hune acquisitions and the disposal of Gardemann in the period of nine months to September 30, 2017.
Corresponds to the Nove and NVA acquisitions in 2018.
- (7) Corresponds to the completion of the share buyback programme in 2017.
- (8) Excluding change in derivative 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>	As of	
	December 31, 2017	September 30, 2018
Senior secured notes	1,149.3	1,089.3
Senior subordinated notes	500.0	475.0
Issuance costs related to notes	(17.9)	(13.5)
Bank loans and bilateral facilities	364.6	399.3
Accrued interest on debt securities and loans	18.6	20.9
Lease liabilities	218.7	281.4
Other financial debt	4.4	4.7
Bank overdrafts	1.0	0.8
Loans and financial debt (gross debt)	2,238.7	2,258.0
Cash	(117.5)	(80.8)
Marketable investment securities	(0.1)	(0.2)
Cash and cash equivalents	(117.5)	(81.0)
Net debt	2,121.2	2,177.0

Net debt increased by €55.9 million to €2,177.0 million as of September 30, 2018 from €2,121.2 million as of December 31, 2017, as a result of a negative free cash flow of €(30.4) million, the effect of change in the scope of consolidation related to the acquisitions of Nove and NVA €(17.1) million, and the payment of dividends for €(6.9) million.

Debt maturity profile

The table below provides the maturity profile of our outstanding indebtedness, as of September 30, 2018.

<i>(in millions of euros)</i>	Total	2018	2019	2020	2021	2022	2023	2024	2025 and later
Bilateral loans	399.3	32.7	119.3	106.6	70.7	51.4	17.6	0.9	0.3
Lease liabilities	281.4	22.9	81.2	72.5	58.9	34.8	11.1	0.0	0.0
Loans and financial debt owed to credit institutions.....	680.8	55.6	200.4	179.1	129.6	86.2	28.7	0.9	0.3
Other financial debt	4.7	4.7							
2014 senior secured notes due 2021	238.6				238.6				
2014 senior subordinated notes due 2022	223.9					223.9			
2016 senior secured notes due 2023	248.4						248.4		
2017 senior secured notes due 2022	297.2					297.2			
2017 senior secured notes due 2024	296.1							296.1	
2017 senior subordinated notes due 2025	246.5								246.5
Total debt ⁽¹⁾	2,236.3	60.4	200.4	179.1	368.2	607.3	277.1	297.0	246.8

Note :

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

Currency and interest rate derivatives

Loxam owns a portfolio of derivative financial instruments hedging interest rate variations for a notional amount of €36.6 million at September 30, 2018 for a maximum term in July 2022. These derivatives are recognized in financial liabilities for an amount of €1.5 million at September 30, 2018.

As of September 30, 2018, 84% of our financial debt had a fixed interest rate.

The majority of our revenue (76% in Q3 2018), expenses and obligations are denominated in euros. However, we are exposed to foreign exchange rate risk, primarily in respect of British Pound. Our foreign exchange rate derivative financial instruments as of September 30, 2018 covered current liabilities denominated in British Pounds for 109.9 million and in US dollar for USD 7.0 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 SEPTEMBER 30, 2018**Statement of financial position**

ASSETS (€'000)	Notes	31.12.17	30.09.18
Intangible assets and goodwill	5	1,333,889	1,334,539
Property, plant and equipment	6	1,232,597	1,335,366
Investments in associates	7	0	0
Financial assets	8	15,626	14,654
Financial derivatives	14	1,181	0
Deferred tax assets	22	21,632	22,165
Non-current assets		2,604,925	2,706,724
Inventories	9	29,315	34,003
Trade and other receivables	10	370,842	399,229
Other current assets	11	64,701	56,701
Corporate income tax receivables	11	19,380	9,245
Cash and cash equivalents	12	117,544	80,984
Current assets		601,782	580,161
Total assets		3,206,707	3,286,885
LIABILITIES (€'000)	Notes	31.12.17	30.09.18
Share capital		229,818	229,818
Additional paid-in capital		1,882	1,882
Consolidated reserves		211,953	293,958
Net profit for the period		84,644	69,617
Shareholders' equity (Group share)		528,297	595,275
Non-controlling interests		15,391	12,472
Total equity	13	543,688	607,747
Employee benefits	16	16,608	18,322
Deferred tax liabilities	22	62,064	69,536
Borrowings and financial debt	15	2,037,490	2,012,900
Financial derivatives	14	2,855	2,669
Non-current liabilities		2,119,017	2,103,428
Provisions	17	11,245	8,217
Borrowings and financial debt	15	201,218	245,109
Trade and other payables	18	188,181	175,156
Other liabilities	18	135,400	141,887
Corporate income tax liabilities	18	7,958	5,342
Current liabilities		544,003	575,711
Total shareholders' equity and liabilities		3,206,707	3,286,885

Consolidated income statement and statement of comprehensive income

€'000	Notes	30.09.17	30.09.18
Revenue		999,527	1,095,049
Other income		38,922	37,463
Operating income		1,038,448	1,132,511
Purchases consumed		(104,539)	(116,821)
Personnel expenses	19	(268,956)	(283,049)
Other current expenses		(321,898)	(345,357)
Taxes and duties		(14,105)	(15,317)
Depreciation and amortization - Tangible		(173,761)	(201,638)
Depreciation and amortization - Intangible		(2,611)	(9,008)
Profit from ordinary operations		152,579	161,321
Other operating income and expenses	20	(2,853)	(1,430)
Operating profit		149,726	159,891
Interest and financing-related expenses		(68,407)	(73,143)
Other financial expenses		(23,084)	(6,411)
Financial income		2,103	2,205
Financial income (expense)	21	(89,388)	(77,348)
Profit before tax		60,338	82,542
Share of profit of associates		(577)	0
Income tax expense	22	(11,165)	(14,490)
Net profit		48,596	68,052
Non-controlling interests		(192)	(1,565)
Net profit, Group share		48,788	69,617
		30.09.17	30.09.18
Net profit		48,596	68,052
Exchange gains or losses		(16,355)	3,370
Fair Value adjustments linked to net Investment hedge		(1,407)	605
Items recycled to profit or loss		(17,762)	3,975
Remeasurement of liabilities for defined benefit retirement plans		-	-
Tax		-	-
Items not recycled to profit or loss		0	0
Other comprehensive income		(17,762)	3,975
Comprehensive income		30,834	72,027

Consolidated cash-flow statement

€'000	Notes	31.12.17	30.09.18
Net profit		84,275	68,052
Share of profit of associates	7	1,306	0
Income tax expense (including deferred tax)	22	18,860	14,490
Net finance costs	21	116,714	77,348
Other operating income and expense (non cash)		(14,045)	0
Depreciation and provisions, net of reversals		247,049	209,445
Capital gains on asset disposals		(52,046)	(29,627)
Cash flow from operations (before cost of financing and tax)		402,112	339,710
Income tax paid		(9,323)	(7,056)
Financial interest paid		(92,696)	(71,960)
Financial interest received		1,440	2,584
Change in working capital requirements		(40,727)	(20,582)
Cash flow from operating activities	A	260,805	242,695
Impact of changes in scope		(817,570)	(17,128)
Acquisitions of fixed assets		(432,838)	(315,239)
Disposals of fixed assets		66,643	45,118
Cash flow from investing activities	B	(1,183,764)	(287,249)
Dividends paid		(4,941)	(6,895)
Capital movements		(9,554)	0
Proceeds from loans and borrowings	15	1,918,950	265,936
Repayment of loans and borrowings	15	(1,021,040)	(252,887)
Cash flow from financing activities	C	883,416	6,154
Change in cash and cash equivalents	A+B+C	(39,544)	(38,400)
Cash and cash equivalents at the beginning of the period		155,677	116,583
Cash and cash equivalents at the end of the period		116,583	80,211
Impact of exchange rate fluctuations		(450)	(2,029)
Change in cash and cash equivalents		(39,544)	(38,400)
Other marketable securities		89	162
Cash at bank and on hand		117,455	80,822
Current bank borrowings		(961)	(772)
Cash and cash equivalents		116,583	80,211

Consolidated statement of changes in equity

€'000	Share capital	Additional paid-in capital	Consolidated reserves	Reserves to be recycled (OCI)	Shareholders' equity (Group share)	Non-controlling interests	Total equity
At 31 December 2016	232,400	1,882	248,430	(2,818)	479,894	938	480,832
Net profit for the period			84,644		84,644	(369)	84,275
Employee benefits				2,674	2,674		2,674
Net investment hedge				(842)	(842)		(842)
Exchange gains or losses				(23,458)	(23,458)	(1,157)	(24,615)
Comprehensive income			84,644	(21,626)	63,019	(1,526)	61,492
Capital movements	(2,582)		(6,972)		(9,554)		(9,554)
Dividends			(4,941)		(4,941)		(4,941)
Changes in scope			(120)		(120)	15,979	15,859
At 31 December 2017	229,818	1,882	321,041	(24,444)	528,297	15,391	543,688
Net profit for the period			69,617		69,617	(1,565)	68,052
Employee benefits				0	0		0
Net investment hedge				605	605		605
Exchange gains or losses				3,892	3,892	(522)	3,370
Comprehensive income			69,617	4,497	74,114	(2,087)	72,027
Capital movements					0	0	0
Dividends			(6,895)		(6,895)		(6,895)
Changes in scope			(242)		(242)	(832)	(1,074)
Other changes					0		0
At 30 September 2018	229,818	1,882	383,521	(19,947)	595,274	12,472	607,746

Notes to the financial statements

Note 1 – Overview	27
Note 2 – Highlights	28
Note 3 - Accounting principles	28
Note 4 - Scope of consolidation	41
Note 5 – Intangible assets and goodwill.....	43
Note 6 – Property, plant and equipment.....	44
Note 7 - Investments in associates	44
Note 8 - Financial assets	45
Note 9 – Inventories	45
Note 10 – Trade and other receivables	45
Note 11 – Income tax receivables and other current assets	46
Note 12 – Cash management assets, cash and cash equivalents.....	46
Note 13 – Shareholders’ equity.....	46
Note 14 – Financial risk management - Financial instruments	46
Note 15 – Borrowings and financial debt	49
Note 16 – Employees benefit	51
Note 17 - Provisions	51
Note 18 – Trade payables and other current liabilities	52
Note 19 - Personnel expenses	53
Note 20 - Other operating income and expenses.....	53
Note 21 - Financial income (expense)	53
Note 22 - Corporate income tax	54
Note 23 – Operating lease commitments.....	55
Note 24 - Off-balance sheet commitments	55
Note 25 – Related-party transactions.....	55

Note 1 – Overview

1.1. Presentation of the Group

Loxam is a French simplified joint stock company (“Société par actions simplifiée”) with a capital of €229,818,150 as at 30 September 2018, governed by all of the legislation and regulations for commercial companies in France, and particularly the French commercial code (“Code de commerce”).

Its registered office is located at 256 rue Nicolas Coatanlem, 56850 Caudan, France.

The Group is the European equipment rental market leader, with its business focused primarily on construction and civil engineering professionals. The Group operates mainly in Europe, as well as North Africa, the Middle East (United Arab Emirates, Bahrain, Saudi Arabia, Oman, Qatar and Kuwait) and has a 50.1% stake in a rental company in Brazil and a 50% stake in a rental company in Colombia.

1.2. Basis of preparation

The interim consolidated financial statements (the “interim financial statements”) for the nine-month period ended September 30, 2018 include Loxam SAS and its subsidiaries (together “the Group” or “Loxam Group”), including the Group’s share in equity affiliates and joint ventures.

These interim financial statements have been prepared by the Group in a voluntary and non-mandatory basis. They have 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 2017 (“the latest annual financial statements”). They do not include all the information mandatory for a complete financial report according to IFRS. However, they include 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 Group’s consolidated financial statements are prepared and presented in euros, which is the parent company’s functional currency. All the financial data are presented in thousands of euros, rounded to the nearest thousand euros. The total amounts indicated in the tables may differ from the sum of the various items due to rounding.

Note 2 – Highlights

Highlights of the period ended September 30, 2018:

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

On February 13, Hune Rental SLU (Spain) acquired 100% of Loxam Alquiler (Spain) shares, from Loxam SAS. Loxam Alquiler has merged into Hune Rental SLU on April 1, 2018.

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

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

On June 21, Loxam Access Srl acquired 100% of the Italian powered access rental company No.Ve. S.r.l. (“Nove”) from Haulotte Group S.A. The Nove accounts were consolidated in our profit and loss account ending September 30, 2018 for a three month period.

On July 19, Loxam has entered into a conditional agreement with HSS Hire Group Plc with respect to the acquisition of UK Platforms Limited (UKP) by its wholly-owned subsidiary Nationwide Platforms Limited (Nationwide). UKP is specialized in renting powered access equipment from its branch network throughout the United Kingdom. The acquisition is under the process of prior approval by the UK Competition and Mergers Authority and is expected to be completed early 2019.

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

Note 3 - Accounting principles

3.1 Presentation of the financial statements

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

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

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 Q4 2017, the Hune Group depreciation rules have been harmonized to the Loxam Rules. This harmonization was not done in Q3 2017. Q3 2017 accounts have not been restated for this.

A purchase price allocation for the Lavendon and Hune acquisitions was completed in Q4 2017 and had not been performed in Q3 2017. Q3 2017 accounts have not been restated for this.

Considering the acquisitions of companies and business performed in 2017, the information provided as at September 2017 is taking into account 8 months of activity of Lavendon (including Gardemann sold in June 2017) and Hune groups.

The information provided as at September 2018 is taking into account nine months of financial information of Swan, Loxam Access SRL, Degraus, the former Cramo branches in Denmark and three months of activity of Nove.

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 3.13),

- Purchase price allocation of Hune and Lavendon Groups.

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

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

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

The costs relating to the acquisition are expensed as incurred.

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

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

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

The conditions for these tests are presented in Note 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 September 30, 2018 (euro vs. currency):

1 EUR =	GBP	CHF	DKK	MAD	NOK	BRL	USD
Closing date rate	0.8920	1.1401	7.4575	10.6320	9.4701	4.6961	1.1620
Average rate	0.8840	1.1610	7.4498	10.8608	9.5892	4.2914	1.1948
Opening date rate	0.8881	1.1703	7.4442	11.2218	9.8432	3.9785	1.2005

1 EUR =	AED	SAR	QAR	BHD	OMR	COP
Closing date rate	4.2624	4.3502	4.0673	0.4344	0.4452	3408.0000
Average rate	4.3839	4.4762	4.2015	0.4477	0.4585	3398.8985
Opening date rate	4.4095	4.5018	4.3978	0.4526	0.4622	3586.4100

These currencies are now used following the integration of the Lavendon and Hune Groups:

- 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”.

The Group 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 3.18 (Cash and cash equivalents), Note 3.19 (Derivative financial instruments – relating to the interest rate risk), and Note 3.20 (Derivative financial instruments – relating to the foreign exchange risk).

3.9 Intangible assets and goodwill

a) Goodwill

The goodwill resulting from acquisitions of subsidiaries is included in intangible assets and represents an asset with an indefinite useful life. For the valuation of goodwill, see Note 3.5.

b) Brands and client relationships

The application of IFRS 3 may lead to the allocation of an acquisition price to identified intangible assets such as trademarks and client relationships. Trademarks are depreciated over 5 to 10 years and customer relationships over 8 to 12 years.

c) Other intangible assets

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

The amortization of intangible assets is recorded as an expense on a straight-line basis over their estimated useful life from the moment such 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 revalued.

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

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

- Buildings	10 to 50 years
- Building fixtures and fittings	5 to 20 years
- Tools	3 to 5 years
- Fleet equipment	3 to 15 years
- Other property, plant and equipment	2 to 5 years

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

A residual value is applied to some categories of equipment, in order to take into account the resale value of this equipment at the end of its life.

3.11 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 3.12- Property, plant and equipment).

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

IFRS 16-Leases:

This standard was not applied in advance.

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

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

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.

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

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

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

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

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

Impairments recorded for goodwill are irreversible.

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 recognized in accordance with IAS 39.

Financial assets are initially recognised at their fair value.

Financial assets maturing in less than 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.

IFRS 9-Financial Instruments

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

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

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

The impact of the application of this new standard on the Group accounts is being finalised; no additional impairment has been booked in September 2018 financial statements.

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 in 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.

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

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, mainly on Pound Sterling, Danish krone and US Dollar. 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, except for the Lavendon Group (3.19). These foreign exchange derivative instruments are recognised at fair value on the balance sheet. Fair value adjustments are recognised in profit or loss.

3.19 Net investment hedge (NIH)

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

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

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

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

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

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

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

As of April 1, 2018, the group has decided to stop the net investment hedge following the completion of the Lavendon’s group restructuring. (Lavendon Access Services SAS merged into Loxam SAS on April 1, 2018). From this date, foreign exchange differences are recognized in the income statement.

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

3.20 Employee benefits

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

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

a) Defined contribution plans

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

b) Defined benefits plans

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

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

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

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

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

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

c) Other long-term benefits

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

These benefits primarily concern jubilee awards. Remeasurements of the obligation are recognised in profit or loss.

3.21 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.

3.22 Borrowings and financial debt

Interest-bearing liabilities are initially measured at their fair value, less any directly attributable transaction costs. Subsequently, borrowings and financial debt are measured at their amortized cost using 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 evaluates 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.

3.23 Trade payables and related

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

3.24 Tax

Income tax includes both current and deferred tax.

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

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

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

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

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

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

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

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

3.25 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.

IFRS 15 -Recognition of revenue:

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

This standard has no significant impact on the Group’s income and financial situation.

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

3.26 Other income

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

3.27 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.

3.28 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.

3.29 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
LOXAM SAS	450776968	100%	100%	Parents
LOXAM MODULE SAS	433911948	100%	100%	Full
LOXAM POWER SAS	366500585	100%	100%	Full
LOXAM ACCESS UK	United Kingdom	100%	100%	Full
LOXAM GMBH	Germany	100%	100%	Full
LOXAM A.G	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 (a)	Spain	-	-	-
LOXAM BV	Netherlands	100%	100%	Full
WORKX HOLDING BV (b)	Netherlands	-	-	-
WORKX MATERIEELVERHUUR BV (b)	Netherlands	-	-	-
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	100%	50.1%	Full
SCI AVENUE ARISTIDE BRIAND	384564472	100%	100%	Full
SCI EST POSE	340583160	100%	100%	Full
SAS LOXAM GRANDE ARMEE	572045953	100%	100%	Full
EURL NORLEU	409981024	100%	100%	Full
SCI TARTIFUME	328948013	100%	100%	Full
SCI THABOR	332962125	100%	100%	Full
LOXAMAM	799097944	100%	100%	Full
HUNE RENTAL S.L.	Spain	100%	100%	Full
HUNE ALUGUER LDA	Portugal	100%	100%	Full
GRUAS Y EQUIPO HUNE	Colombia	100%	50%	Full
HUNE SICO LLC	Saudi Arabia	100%	49%	Full
LAVENDON HOLDINGS LTD	United Kingdom	100%	100%	Full
ZOOM HOLDINGS LTD	United Kingdom	100%	100%	Full
ACCESS SOLUTIONS LTD	United Kingdom	100%	100%	Full
LAVENDON ACCESS SERVICES LTD	United Kingdom	100%	100%	Full
ZOOM LTD	United Kingdom	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
ZOOM STERLING LTD	Jersey	100%	100%	Full

ZOOM EURO LTD	Jersey	100%	100%	Full
ZOOM DOLLAR LTD	Jersey	100%	100%	Full
LAVENDON ACCESS SERVICES SAS (c)	France	-	-	-
DK RENTAL NV	Belgium	100%	100%	Full
RAPID ACCESS BV	Netherlands	100%	100%	Full
RAPID ACCESS LLC (d)	United Arab Emirates	100%	49%	Full
RAPID ACCESS WLL (e)	Bahrain	100%	49%	Full
RAPID ACCESS LTD (f)	Saudi Arabia	100%	52%	Full
RAPID ACCESS LLC (g)	Oman	100%	34%	Full
RAPID ACCESS MIDDLE EAST LLC	United Arab Emirates	100%	100%	Full
LOXAM ACCESS SRL	Italy	100%	80%	Full
NOVE SRL (h)	Italy	100%	80%	Full
SWAN	Ireland	100%	100%	Full
LIR HOLDINGS LTD	Ireland	100%	100%	Full

(a) Merger of Loxam Alquiler into Hune Rental SLU on April 1st, 2018.

(b) Merger of Workx Materieelverhuur BV and Workx Holding with Loxam BV on June 1st, 2018.

(c) Merger of Lavendon Access Services SAS (“Lavendon France”) into Loxam SAS on April 1st, 2018.

(d) 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 as such treats Rapid Access LLC (UAE) as a wholly owned subsidiary for the group’s accounting purposes.

(e) 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 as such treats Rapid Access WLL as a wholly owned subsidiary for the group’s accounting purposes.

(f) Rapid Access WLL and Lavendon Access Services LTD jointly own 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 as such treats Rapid Saudi Arabia LTD as a wholly owned subsidiary for the group’s accounting purposes.

(g) 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 as such treats Rapid Access LLC (Oman) as a wholly owned subsidiary for the group’s accounting purposes.

(h) Loxam Access Srl acquired No.Ve. S.r.l. (“Nove”) on June 21st, 2018.

Note 5 – Intangible assets and goodwill**Change in intangible assets and goodwill in the period ended September 30, 2018**

€'000	Intangible assets	Goodwill	Total
Net value at year-start	81,255	1,252,634	1,333,889
Changes in scope (a)	11	6,259	6,270
Increase	3,816	575	4,391
depreciation	(9,008)	0	(9,008)
Decrease / disposals/ Withdrawals	(1,087)	0	(1,087)
Other movements (b)	595	46	641
Exchange gains or losses	260	(817)	(557)
Net value at end of period ended September 30, 2018	75,842	1,258,697	1,334,539

(a) Preliminary goodwill related to the acquisition of Nove : € 6,259 k and NVA : € 450 k

(b) Adjustment on Swan goodwill based on the final version of the financial statements at acquisition date : €46k

Change in intangible assets and goodwill in 2017

€'000	Intangible assets	Goodwill	Total
Net value at year-start	1,459	967,517	968,976
Changes in scope	91,555	300,743	392,298
Increase	4,049	0	4,049
depreciation	(13,471)	0	(13,471)
Decrease / disposals/ Withdrawals (a)	0	(5,934)	(5,934)
Other movements	603	0	603
Exchange gains or losses	(2,941)	(9,691)	(12,632)
Net value at year-end 2017	81,255	1,252,634	1,333,889

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

Trademarks and customer relationships related to acquired Groups

According to the purchase price allocation of Lavendon and Hune Groups, the intangible assets of each group have been identified as at December 31, 2017 and valued as follows at September 30, 2018:

€'000	Customer		Total
	Trademarks	Relationships	
Lavendon Group	14,684	44,753	59,437
Hune Group	1,840	5,150	6,990
Net value at end of period ended September 30, 2018	16,524	49,903	66,427

Note 6 – Property, plant and equipment**Change in property, plant and equipment for the period ended September 30, 2018**

€'000	Rental equipment	Other	Total
Net value at beginning of year	1,134,278	98,319	1,232,597
Changes in scope	7,616	371	7,988
Acquisitions	289,860	20,689	310,549
Depreciation	(185,543)	(16,233)	(201,776)
Disposals	(12,394)	(2,192)	(14,586)
Other movements	1,123	(619)	504
Exchange gains or losses	(28)	120	92
Gross value at end of period ended September 30, 2018	1,234,912	100,454	1,335,366

Change in property, plant and equipment in 2017

€'000	Rental equipment	Other	Total
Net value at beginning of year	552,722	77,322	630,044
Changes in scope	400,231	13,020	413,251
Acquisitions	420,584	30,642	451,227
Depreciation for the year (a)	(208,164)	(19,716)	(227,880)
Disposals	(12,148)	(1,745)	(13,893)
Other movements	(200)	(401)	(602)
Exchange gains or losses	(18,747)	(803)	(19,550)
Net value at end of period	1,134,278	98,319	1,232,597

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

Note 7 - Investments in associates

€'000	Associates	
	31.12.17	30.09.18
Value at the beginning	9,738	-
Group share in earnings for the period	(1,306)	-
Dividends paid	-	-
Changes in scope	(8,432)	-
Exchange gains or losses	-	-
Value at the closing	-	-

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

Note 8 - Financial assets**Change of financial assets at September 30, 2018**

€'000	Loans and other borrowings (a)	Other non-current financial assets	Total
Net value at beginning	15,614	12	15,626
Changes in scope	270		270
Increase	299		299
Decrease	(1,170)		(1,170)
Exchange gains or losses	(371)		(371)
Net value at the closing	14,642	12	14,654

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

Change of financial assets in 2017

€'000	Loans and other borrowings (a)	Other non-current financial assets	Total
Net value at the beginning of 2017	9,907	12	9,919
Changes in scope	4,692		4,692
Increase	1,887		1,887
Decrease	(863)		(863)
Exchange gains or losses	(8)		(8)
Net value at the closing of 2017	15,614	12	15,626

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

Note 9 – Inventories

€'000 - Net value	31.12.17	30.09.18
Trade	12,534	14,547
Parts and consumables	16,781	19,456
Total	29,315	34,003

Note 10 – Trade and other receivables

€'000	31.12.17	30.09.18
Gross value	436,264	482,658
Impairment	(65,422)	(83,429)
Total trade and other receivables	370,842	399,229

Note 11 – Income tax receivables and other current assets

€'000	31.12.17	30.09.18
Income tax receivables	19,380	9,245
Prepaid expenses	14,988	14,951
Other receivables	49,712	41,750
Other current assets	64,701	56,701
Total income tax receivables and other current assets	84,081	65,946

Note 12 – Cash management assets, cash and cash equivalents

€'000	31.12.17	30.09.18
Other marketable securities	89	162
Cash	117,455	80,822
Total	117,544	80,984

Marketable securities comprise cash investment funds (SICAV) included in the AMF's "short-term money market" category, as well as term accounts and deposits in line with the IAS 7 definition of cash and cash equivalents (cf. Note 3.16).

Note 13 – Shareholders' equity

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

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.

No new contracts were entered into in 2017 and 2018.

At September 30, 2018, these agreements relate to a notional amount of €36,600 k against the 3 month Euribor, with the next maturity date in January 2019 and a maximum maturity date of July 2022.

At September 30, 2018, the fair value of these derivative instruments amounts to €1,507 k, compared to €2,855 k at December 31, 2017. Fair value adjustments are accounted for in financial income for an amount of € 1,348 k, in Q3 2018.

The fair value is estimated based on forecasts of observable interest rates on the derivatives market and classified as Level 2 in accordance with the classification presented in Note 3.8.

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 Pound Sterling for GBP 109,872 k at September 30, 2018, vs GBP 100,000 k at December 31, 2017; and on the US Dollar for USD 7,000 K at September 30, 2018 vs USD 16,000 k at December 31, 2017. Loxam SAS has stopped the covering on the Danish Krone during the period (DKK 15,000 k at December 31, 2017).

The fair value of these financial instruments is a liability of €1,161 k at September 30, 2018, compared to an asset of €1,181 k at December 31, 2017. The change in fair value between December 31, 2017 and September 30, 2018 is accounted as a financial loss for an amount of €2,343 k.

The fair value is estimated based on forecasted exchange rates observable on the currency market and is classified as Level 2 in accordance with the classification presented in Note 3.8.

Change of fair value for financial instruments at September 30, 2018

€'000	Interest Rate swaps	Exchange rate hedging	Financial instruments
Fair value level	Level 2	Level 2	
Value at beginning of period	2,855	(1,181)	1,674
Value adjustment	(1,348)	2,343	995
Value at end of period	1,507	1,161	2,669
Derivatives instruments included in the assets			0
Derivatives instruments included in the liabilities			2,669

Change of fair value for financial instruments in 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	
Value at beginning of year	4,854		(24)	(741)	4,089
Value adjustment	(1,999)		(1,157)	741	(2,415)
Value at end of year	2,855		(1,181)	0	1,674
Derivatives instruments included in the assets					1,181
Derivatives instruments included in the liabilities					2,855

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

Net investment hedge

As indicated in Note 3.19, upon the acquisition of the Lavendon Group, the Loxam Group has maintained the net investment hedge applied in the Lavendon “foreign operations” sub-group until March 31, 2018.

The amount recorded in OCI as net investment hedge amounted to € (237) k at September 30, 2018 and concerned the period from January 1, 2018 to March 31, 2018. From this date, exchange differences are recognized in the income statement.

Liquidity risk information

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

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

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

Transfers between the parent company and its subsidiaries are covered by cash management agreements or loan agreements. The group is subject to financial ratios pursuant to its bond issuances. At September 30, 2018, the Group is in compliance with these ratios.

Credit risk information

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

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	31.12.17	30.09.18
Bonds ⁽¹⁾	1,631,419	1,550,796
Bilateral and bridge loans net of issuance costs	256,027	265,509
Lease debt	150,043	196,595
Non-current financial debt	2,037,490	2,012,900
Short-term bilateral loans	108,584	133,823
Short-term lease debt	68,610	84,843
Other financial debt	23,064	25,671
Current bank borrowings	961	772
Current financial debt	201,218	245,109
Financial debt	2,238,708	2,258,009

1) Net of bond issue costs.

Breakdown of financial debt by interest rate:

€'000	31.12.17	30.09.18
Variable-rate debt	349,049	367,512
Fixed-rate debt	1,888,402	1,889,430
Bank overdrafts	961	772
Other	296	295
TOTAL	2,238,708	2,258,009

Breakdown of financial debt by maturity:

€'000	31.12.17	30.09.18
< 1 year	201,218	245,109
1 to 5 years ⁽¹⁾	1,242,959	1,468,603
> 5 years	794,531	544,297
TOTAL	2,238,708	2,258,009

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

Change in borrowings and financial debt:**Changes in the period ended September 30, 2018**

€'000	Beginning of period	Change in scope	Increase	Decrease	Other	End of period
Bond issues	1,631,419			(85,000)	4,376	1,550,796
Bilateral loans	364,611		135,175	(100,258)	(196)	399,332
Lease debt	218,653		130,760	(67,629)	(345)	281,439
Other financial debt	24,024				2,419	26,443
TOTAL	2,238,708	0	265,936	(252,887)	6,253	2,258,009

Changes in 2017

€'000	Beginning of year	Change in scope	Increase	Decrease	Other	Year-end
Bond issues	901,969		834,781	(110,700)	5,370	1,631,419
Bridge loan			779,280	(779,280)	0	0
Bilateral loans	244,679	2,288	174,503	(56,559)	(301)	364,611
Lease debt	143,737	19,211	130,386	(74,500)	(181)	218,653
Other financial debt	6,252	3,422		(1)	14,351	24,024
TOTAL	1,296,637	24,921	1,918,950	(1,021,040)	19,239	2,238,708

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.

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

On July 23, 2018, Loxam partially redeemed €60 million out of the €299.3 million outstanding nominal of the Senior Secured Notes due 2021 and €25 million out of the €250 million outstanding nominal of the Senior Subordinated Notes due 2022. This partial redemption was funded out of the Group available cash.

Note 16 – Employees benefit

€'000	31.12.17	30.09.18
Net Defined Benefit Obligation	16,608	18,322
Reconciliation of the commitment and the provision		
Commitment	30,178	31,892
Plan assets	(13,570)	(13,570)
Net Defined Benefit Obligation at year-end	16,608	18,322
Movement in Defined Benefit Liability		
Net Defined Benefit Liability at beginning of year	18,716	16,608
Expense for the financial year	1,143	891
Recognition of actuarial gains or losses through OCI	(3,568)	-
Benefits or contributions paid by the employer	(1,025)	(318)
Exchange gains or losses	(111)	27
Changes in scope	1,454	1,114
Net Defined Benefit Obligation at year-end	16,608	18,322
Breakdown of the expense for the financial year		
Current service cost	779	657
Other	52	14
Interest cost	312	221
Expense for the year	1,143	891

The provisions for employee benefits concern retirement benefits for €17,442 k at September 30, 2018 vs €15,745 K at December 31, 2017, and jubilee awards for €881 k at September 30, 2018 vs €863K at December 31, 2017.

Note 17 - Provisions**Change in provisions at September 30, 2018**

€'000	Provisions for contingencies	Provisions for charges	Total
Balance at the beginning of the period	6,857	4,388	11,245
Changes in scope	3	(49)	(46)
Allocations	669	531	1,200
Reversals	(1,116)	(2,445)	(3,562)
Reclassifications	(404)	(215)	(620)
Balance at the closing of the period	6,009	2,208	8,217

Change in provisions in 2017

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

Note 18 – Trade payables and other current liabilities

€'000	31.12.17	30.09.18
Trade payables	120,615	121,673
Payables to fixed asset suppliers	67,566	53,483
Trade payables and related	188,181	175,156
Corporate income tax liabilities	7,958	5,342
Tax and social security liabilities	111,149	123,652
Other liabilities	22,412	16,563
Accrued income	1,839	1,672
Other liabilities and accruals	135,400	141,887
Total Trade payables and other current liabilities	331,540	322,385

Note 19 - Personnel expenses

€'000	30.09.17	30.09.18
Salaries	208,702	216,072
Payroll taxes	59,919	66,397
Employee profit-sharing	335	580
Total personnel expenses	268,956	283,049
Average headcount	7,368	7,893

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

Note 20 - Other operating income and expenses

At 30/09/18, other operating income and expenses amounted to € (1,430) k and were related to the acquisition costs of Nove, NVA and UK Platforms.

At 30/09/17, other operating revenues and expenses reached € (2,853) k and were related to the acquisition costs of the Hune and Lavendon groups partially offset by the capital gain on Gardemann disposal.

Note 21 - Financial income (expense)

€'000	30.09.17	30.09.18
Interest and financing-related expenses	(68,407)	(73,143)
Income from cash and cash equivalents	4	1
Net finance costs	(68,403)	(73,142)
Fair value adjustments for financial instruments (a)	(180)	(995)
Financial costs related to early repayment (b)	(17,140)	(1,938)
Foreign exchange	(3,583)	(1,660)
Other financial expenses	(263)	(393)
Other financial income	182	780
Financial income (expense)	(89,388)	(77,348)

(a) mainly corresponds to the fair value adjustments of financial instruments

(b) In September 2017, corresponds to fees for early repayment and accelerated amortization of issuance costs following the repayment of the bridge facility and following the reimbursement of €110.7 million of €410 million senior secured notes issued in 2014.

In September 2018, corresponds to fees for early repayment and accelerated amortization of issuance costs following the reimbursement of €65 million of €299.3 million of the 2021 Senior Secured Notes issued in 2014 and €25 million of the €250.0 million of the 2022 Senior Subordinated Notes.

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

€'000	30.09.17	30.09.18
Current tax	(6,340)	(7,056)
Deferred tax	(4,824)	(7,434)
Total	(11,165)	(14,490)

Different tax rates were used for the calculation of deferred taxes on accelerated amortizations (28%) and employee benefits (25.85%) in France. Long term rates have also been used for the calculation of deferred taxes on intangible assets resulting from the Purchase Price Allocation.

Reconciliation between actual tax and the theoretical tax expense

€'000	30.09.17	30.09.18
Consolidated income before tax and "CICE" French tax credit	54,728	77,942
Tax rate (parent)	34,43%	32,02%
Theoretical tax expense	(18,843)	(24,957)
Difference in parent / subsidiary rates	5,661	5,936
Unused tax losses for the year	(759)	(1,673)
Use of previously unused losses	1,916	24
Permanent differences	1,800	4,126
Withholding taxes on dividends	(148)	-
Tax credits and other	(792)	2,054
Actual tax expense	(11,165)	(14,490)

Deferred tax assets and liabilities

€'000	31.12.17	30.09.18
Opening balance	(17,606)	(40,432)
Income (expense)	(9,537)	(7,434)
Change in scope	(12,480)	511
Recognised in equity	(860)	-
Other changes	51	(16)
Closing balance	(40,432)	(47,372)

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 was not updated as at September 30, 2018.

Note 24 - Off-balance sheet commitments

€'000	31.12.17	30.09.18
Guarantee given to banks for payment of real estate rentals	2,106	2,106
Pledging of business assets as collateral	360	360
Total commitments given	2,466	2,466
Bank guarantee received for payment of real estate rentals	7,308	7,308
Other bank guarantees received	450	450
Total commitments received	7,758	7,758

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

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

- Guarantee from the Loxam SAS parent company on subsidiaries' borrowings for €14,7 million at September 30, 2018.
- Pledge of Loxam Power, Loxam Module and Lavendon Group Ltd shares as well as the Loxam brand as a collateral to guarantee €1,089.3 million of secured senior bonds.
- € 75 million RCF: transfer under the Dailly Act: 120% of the outstanding amount drawn on the revolving loan and pledging of a bank account as collateral to guarantee the revolving loan. The revolving loan was not drawn during the period.

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, 2017.

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