LOXAM

INVESTOR REPORT December 31, 2018

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DEFINITIONS

In this document:

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

NOTICE

All financial information in this report relating to the financial year have been prepared in accordance with IFRS and are presented in millions of euros. This financial information has been subject to an audit by our statutory auditors. All financial information in this report relating to the quarters have been prepared in accordance with IFRS and have not been subject to an audit by our statutory auditors. The notes to the financial statements presented from page 48 to page 84 are unaudited at the date of this report.

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

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

Change in accounting policy

Loxam has applied from January 1, 2018 the following new IFRS standards :

IFRS 15: IFRS 15 specifies how and when to recognize revenue. The standard provides a single, principles-based five-step model to be applied to all contracts with customers. Revenue recognition in accordance with IFRS 15 has not resulted in any material differences in the timing of the revenue recognition or in the amounts to be recognized, compared to the previous principles. Loxam has adopted IFRS 15 using the simplified retrospective method, which retains the comparable financial figures from the year ended December 31, 2017 as originally prepared.

IFRS 9: The new IFRS 9 requires us to recognize an allowance for future expected credit losses at initial recognition and throughout the life of the trade receivable. Loxam has adopted an expected credit loss impairment model from January 1, 2018. The impact of the adoption of IFRS 9 was recognized as a transition adjustment to the opening equity at January 1, 2018 for an amount of €(1.2) million. No variation to this opening balance was booked at December 31, 2018.

Additionally, Loxam is in the process of finalizing a first assessment of the likely impact of the new IFRS 16 standard for leases, which Loxam will apply from January 1, 2019. We anticipate that most of our contracts to be impacted by this change will be property leases.

Comparability of the financial statements

Changes in the size of our rental network as a result of acquisitions and of opening or acquiring new branches and closing existing ones can have a significant impact on our revenue from one period to the next. This change in scale affects the comparability of our results during those periods by increasing both revenue and expenses.

Considering the acquisitions of companies and business completed in 2018, Loxam's consolidated financial statements for 2018 include :

- 4 months of activity of NVA, acquired in June 2018 and merged into Loxam SAS on September 1, 2018;
- 6 months of activity of Nove, acquired on June 21, 2018 and merged into Loxam Access SRL on December 21, 2018;
- 12 months of activity of Degraus, which has been consolidated based on the full consolidation method from January 1, 2018.

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

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

The information provided at constant perimeter for both the full year 2018 and the quarter ended December 31, 2018 is compared to the information in 2017 taking into account the complete elimination of financial information of Swan, Loxam Access SRL, Nove and Degraus for both years.

As a reminder, in Q4 2017, we recalculated the depreciation charge for Hune according to the Loxam Group rules since the acquisition date of Hune. The calculated depreciation charge booked in the quarter ended December 31, 2017 for Hune took into account the full year impact of the new depreciation policy.

A purchase price allocation for the Lavendon and Hune acquisitions was completed in Q4 2017; the calculated depreciation charge of the related intangible assets booked in Q4 2017 took into account 11 months of depreciation. In Q4 2018, we allocated some of the goodwill recorded at Loxam Access SRL to the Nacanco brand and its customers' relationships.

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

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

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

CONSOLIDATED FINANCIAL STATEMENTS SUMMARY

Consolidated Income Statement according to IFRS *(in millions of euros)*	**Year ended December 31,**	
	2017	**2018**
Revenue	**1,367.7**	**1,482.6**
Other income	62.6	56.7
Purchases consumed	(144.4)	(162.8)
Personnel expenses	(360.1)	(381.3)
Other current expenses	(443.3)	(475.3)
Taxes and duties	(18.5)	(19.3)
Depreciation and amortization – Property, plant and equipment	(227.9)	(275.7)
Depreciation and amortization – Intangibles assets	(10.5)	(12.1)
Profit from ordinary operations	**225.6**	**212.9**
Other operating income and expense	(4.5)	0.2
Operating profit	**221.2**	**213.2**
Financial income and expense	(116.7)	(102.1)
Share of profit of associates	(1.3)	-
Income tax expense	(18.9)	(20.6)
Net profit	**84.3**	**90.4**
Non-controlling interests	(0.4)	(5.2)
Net profit, group share	**84.6**	**95.7**

Consolidated balance sheet under IFRS	As of	
(in millions of euros)	December 31, 2017	December 31, 2018
Intangible assets and goodwill	1,333.9	1,327.3
Property, plant and equipment	1,232.6	1,354.7
Financial assets	15.6	14.4
Financial derivatives	1.2	-
Deferred tax assets	21.6	18.4
Non-current assets	**2,604.9**	**2,714.8**
Inventories	29.3	30.8
Trade and other receivables	370.8	388.5
Other current assets	84.1	68.5
Cash and cash equivalents	117.5	143.8
Current assets	**601.8**	**631.5**
TOTAL ASSETS	**3,206.7**	**3,346.3**
Shareholders' equity	**543.7**	**630.5**
Provisions for employees benefits	16.6	11.1
Deferred tax liabilities	62.1	70.4
Borrowings and financial debt – long term portion	2,037.5	2,063.0
Financial derivatives	2.9	2.3
Non-current liabilities	**2,119.0**	**2,146.9**
Provisions	11.2	11.1
Borrowings and financial debt – current portion	201.2	216.5
Supplier and other payables	188.2	202.2
Other current liabilities	143.4	139.2
Current liabilities	**544.0**	**569.0**
TOTAL EQUITY AND LIABILITIES	**3,206.7**	**3,346.3**

Consolidated condensed cash-flow statement according to IFRS	**Year ended December 31,**	
(in millions of euros)	**2017**	**2018**
Cash flow from operations	260.8	361.9
Cash flow from investing activities...	(1,183.8)	(366.9)
Cash flow from financing activities...	883.4	28.5
Change in cash and cash equivalents	**(39.5)**	**23.5**
Cash and cash equivalents at the end of the period [(1)]	**116.6**	**141.4**

Note : (1) Including bank overdraft.

RISK FACTORS

We face various risks in the ordinary course of our business that, individually or collectively, could have a material adverse effect on our business, financial condition and results of operations. These include risks related to the performance of the construction and engineering markets, macroeconomic conditions, political and regulatory environments, currency exchange rates, the availability of sources of financing, the integration of acquired companies and the security of our equipment fleet and information systems, among other risks, including risks currently unknown to us. We believe that our known risks remained relatively stable in the year ended December 31, 2018 and that we have continued to adapt our strategy and operations as needed in order to minimize risks.

As we have a significant presence in the United Kingdom following our acquisition of the Lavendon Group in 2017, we are monitoring the evolution of plans for the United Kingdom’s anticipated departure from the European Union (“Brexit”) in 2019. While we do not anticipate that Brexit will substantially disrupt our operations in the United Kingdom, there is significant uncertainty as of the date of this report about the nature and timing of Brexit and it is difficult to predict the ultimate direct or indirect impact that Brexit may have on our business moving forward.

BUSINESS

Overview

We are one of the world's leading equipment rental groups for the construction, industry, public works and events sectors. Our activity is split in three business divisions:

- Generalist France division, which includes equipment for earth moving (excavators, loaders, and dumpers), aerial work (booms and scissors), handling (forklifts and tele-handlers), compaction, and building (concrete mixers and saws), as well as hand tools such as power drills, chainsaws and jackhammers. As of December 31, 2018, our Generalist network included 417 branches. Our Generalist network trades under the LOXAM Rental brand;

- Specialist France division, which includes high-access equipment, modular buildings, large compressors and generators, heavy compaction equipment, suspended platforms and scaffolding. As of December 31, 2018, our specialist network in France includes 80 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 other countries outside of France (Denmark, Belgium, the Netherlands, Germany, Spain, the United Kingdom, Ireland, Switzerland, Luxembourg, Norway, Morocco, Portugal, Italy, several countries in the Middle East, Colombia and Brazil) with a network of 261 branches as of December 31, 2018. We have a majority share and full operating control of joint ventures in Morocco, Brazil and the Middle East and have a 50% share of a joint venture in Colombia.

We rent over 1,500 different types of equipment and tools. We also provide services such as transportation, refueling, damage waiver and retail consumable products to complement and support our rental business. As of December 31, 2018, our rental fleet consisted of approximately 290,000 pieces of equipment (excluding accessories) with a gross book value of €3.0 billion.

We generated revenue of €1,482.6 million and EBITDA of €500.7 million for the year ended December 31, 2018, representing an EBITDA margin of 33.8%. In 2018, 44.4% of our revenue was generated from our Generalist France division, 15.2% by our specialist France division and 40.4% by our International division.

History and Development

Our company was founded in 1967 in Hennebont (Brittany), France under the name "SAM Location." Since our creation, we have been a generalist equipment rental company. In the early 2000s, we decided to create a specialist network in order to address the growing demand from our customers in France for specialist equipment (such as access equipment, power equipment, assembled modular buildings, heavy earthmoving equipment and scaffolding). Around the same time, we began our international expansion through a combination of acquisitions and new branch openings. These three principle areas of our group's development are further described below.

Our company was the subject of a management buy-out starting in 1994 following the acquisition of our main shareholder by Holderbank, a building materials company, which had decided to exit the equipment rental sector in order to refocus on its core business. In 2011, private equity investors 3I plc and Pragma Capital each took a minority stake in Loxam. In December 2016, the funds managed by 3I plc tendered their shares as Loxam effected a buy-back on 11% of its share capital to optimize its capital structure. As a result of the share buy-back, Mr. Déprez and his family with the management of Loxam and its employees own approximately 95.2% of Loxam's shares and Pragma Capital owns 4.8% at the date of this Report.

Generalist market expansion

We began expanding nationally in France almost 20 years ago, both organically and through a number of small and large strategic acquisitions. We opened our 100th branch in 1991. In 2004, we acquired Loueurs de France, an equipment rental company focused on the construction and civil engineering sectors with approximately 50 branches concentrated in Paris and in northern and southeastern France. In 2007, we acquired Laho, which was at the time a major general construction equipment rental firm in France with a similar range of equipment. Laho's approximately 120 branches across France significantly increased the size our network. In September 2011, we strengthened our presence in the Eastern part of France with the acquisition of Locarest. Until January 1, 2014, we operated branches under the Loueurs de France, Laho and Locarest names. Since the beginning of 2014 we have combined our networks into a single organization, operating under the Loxam Rental name. In December 2014, we acquired most of the assets of Phocomex, a French rental company based near Marseilles which had filed earlier in the year for bankruptcy. In October 2015, the Hertz Equipment acquisition expanded our Generalist network in France by 60 branches. In October 2016, we acquired Salmat Nord, a French rental company with one branch in Dunkirk. In 2018, we opened 4 branches, and merged or closed 6 branches. As of December 31, 2018, our Generalist network in France consisted in 417 branches taking into account the branch opening and closures in the network.

Specialization to meet client needs

We began developing activities in specialist markets as early as the 1980s in order to address our clients' needs for large quantities of specific equipment, such as access equipment, or very specialized needs, such as high access with operators, assembled modular constructions, temperature control, high end power and large capacity compressors, which we believed presented targeted opportunities for growth. In 1988, we acquired LMI (since named Loxam Power), which specializes in air compressors and generators. In 2001, we solidified this segment by establishing three business units to address the increasing demand for specialist equipment: Loxam Access, which specializes in powered-access equipment, Loxam TP, which specializes in heavy equipment for civil engineering and demolition, and Loxam Module, which specializes in modular shelters. As of December 31, 2018, we had 80 specialist branches located in France.

International development

We established our international presence in 1996 with the acquisition of two branches in Switzerland. Between 1997 and 2002, we entered the markets of Belgium, Germany, the United Kingdom, Ireland and Spain, mostly by external growth. During the years 2000, the most notable acquisitions carried out were DNE and JJ in Denmark, and Realsa in Spain, both during the year 2007.

In 2011, our international revenue represented 20% of our consolidated revenue.

Between 2012 and 2016, our international development accelerated, through the acquisitions of Dansk Lift in Denmark (2013) and Workx in the Netherlands (2014). We also entered Brazil in 2015, with the acquisition of a 25% stake in Degraus.

In 2017, we acquired the Lavendon Group, specialized in renting out powered access equipment through 64 branches located in the UK, Germany, Belgium and the Middle East, and acquired the Hune Group (33 branches) which operates in Spain, Portugal, and has two joint ventures (Saudi Arabia and Colombia). During that year, we also acquired the Danish equipment rental operations of Cramo Plc, the activities of the Italian powered access equipment rental company Nacanco SpA, through a newly created subsidiary Loxam Access SRL, and the Irish company Swan Plant Hire, with 2 branches in Dublin.

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

As of December 31, 2018, we had 261 generalist and specialist branches in our International network, which generated 40% of our consolidated revenue.

Products and Services

Our business is organized into three divisions:

- Generalist France division, which comprises our generalist rental operations in France;
- Specialist France division, which comprises our specialist rental operations in France; and
- International division, which is composed of our generalist and specialist rental operations in 21 countries other than France.

In each of our divisions, our principal activity is equipment rental, which accounted for approximately 71% of total revenue in 2018. We also provide rental services (approximately 24% of total revenue in 2018), such as transportation of equipment and assembly related to modular rentals, that complement and support our rental offerings and, to a lesser extent, engage in retail activity at our branches (approximately 5% of total revenue in 2018).

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

Generalist France

Our generalist offering in France is focused on equipment principally used in construction and civil engineering projects. These projects encompass a wide range of activities, including new buildings in the residential, industrial, commercial and governmental sectors, renovation, utilities, roadwork and infrastructure. We also provide equipment for general industrial, landscaping and other activities. We rent generalist equipment under the Loxam Rental brand. Our main product lines include:

- earth moving equipment, including excavators, loaders and dumpers, which are designed for digging, lifting, loading, moving and building materials and are frequently used in construction and civil engineering projects;
- aerial work platforms, including booms, scissors and vehicle-mounted platforms, which are mechanical elevation equipment used in various activities, including general industrial and service works and facility management;
- handling equipment, such as forklifts and telescopic handlers, which are used to lift and transport materials and are often used in the construction, manufacturing and warehousing industries;
- compaction equipment, including compactors, rammers, rollers and vibrating plates, which are used to compact soil, gravel or asphalt in the construction of roads and foundations or to reduce the size of waste material;
- energy equipment, including compressors and generators, which are used to power machinery or construction sites;
- building equipment, such as drillers, concrete mixers, trowels and saws;
- other equipment, including hand-operated tools such as power drills, chainsaws, and jackhammers as well as scaffolding, trucks, pumps, site surveillance systems and traffic management equipment , among others, which are mainly used in construction and renovation projects.

Specialist France

Our specialist equipment offerings in France serve specific client needs in terms of performance (such as power or reach) or quantity of equipment. Our different lines of specialist equipment are marketed and rented through dedicated subsidiaries and business units, as described below:

- powered-access elevation equipment, with or without operators, rented by Loxam Access and Loxam Access PL, includes truck-mounted booms, telescopic and articulated booms and other platforms for reaching significant heights, used in construction, landscaping, events and by utilities and media customers;
- modular buildings, rented by Loxam Module, include portable accommodation, workspaces and containers, often used on major construction or civil engineering sites, for special events, schools, administrative offices and for other applications;
- large compressors, generators and temperature control units, rented by Loxam Power, include air compressors used to provide power to construction machinery and electrical generators that convert mechanical energy into electrical energy to power heavy machinery or to provide electricity where the grid is not available, as well as welding and pumping equipment;
- heavy civil engineering equipment, rented by Loxam TP, is used for excavating, grading and compacting, principally for earthworks, road and railway construction, landscaping and demolition;

- equipment such as forklifts, super-silent generators and platforms, rented by Loxam Event for use in the production and logistical coordination of cultural, sporting and public events, concerts, exhibitions and television productions,
- temporary suspended platforms, mobile and fixed scaffolding, modular portable formwork and lifting equipment, rented by TEC.

We continue to add new products to our rental catalogue, including temperature controls and cooling equipment, deconstruction equipment and accessories, bi-energy equipment (such as excavators and access equipment) and site elevators, reflecting our ongoing innovation and response to customer needs.

International

In addition to our generalist and specialist offerings in France, we offer equipment rental services in Western Europe, which we consider as our core market, via subsidiaries located in the United Kingdom, Spain, Denmark, Belgium, the Netherlands, Germany, Ireland, Switzerland, Luxembourg, Norway, Italy, and Portugal.

We are also present in the Middle East, with operations in Saudi Arabia, United Arab Emirates, Qatar, Koweit, Oman and Bahrein. In this region, we specialize almost entirely in powered access equipment, except for our subsidiary Hunesico which has a generalist equipment range. In Brazil and Morocco, our subsidiaries offer generalist equipment.

Rental services and retail

In all three of our divisions, we offer a variety of services that complement and support our rental offerings. Rental services, which accounted for approximately 24% of total revenue in 2018, include transportation of equipment to a site and assembly of modular equipment, damage waivers, which act like a product warranty against theft and breakage, rebilling of other services such as equipment maintenance and fuel. The cost of providing these services is passed on to customers. Our rental services activity supports our core rental business and is not a separate division.

We also sell supplies, work site accessories and tools at our branches, including replacement parts, safety equipment and cleaning tools used by our end-customers. Retail activity accounted for approximately 5% of our total revenue in 2018. We consider retail to be an activity that supports our primary rental activity.

Customers

We have a broad customer base of over 200,000 clients across all divisions, ranging from individuals to large international companies. Our customers operate in many sectors, including residential, industrial, commercial and governmental construction, civil engineering such as transportation and infrastructure, utilities, building renovation, distribution, logistics, retail, environmental, events and media. A significant portion of our customers are large construction and civil engineering groups with national operations. These customers operate through a large number of divisions with whom our relationships are established locally at the branch level by our branch managers and sales executives (and supported by key accounts managers within our headquarters), providing multiple entry points in our contacts with customers and contributing to the diversification and stability of our customer base. In 2018, construction and civil engineering customers represented approximately 38% and 25% of our sales in France, respectively.

Our network of branches and our specialist equipment offerings enable us to provide tailored and attentive service to local and regional customers, while our developed full-service infrastructure allows us to effectively service large national and international customers. These large and diversified groups are significant operators in the construction and civil engineering sectors, as well as in road building, industrial maintenance and electrical works. They operate through hundreds of companies whom we serve through our network of 497 branches in France. Our top ten customers in France, all of which operate in the civil engineering, construction or utilities sectors, accounted for approximately 12% of our revenue in France for 2018 and no single customer on a group basis accounted for more than 5% of our revenue in 2018. In 2018, as a result of our diversification efforts, we have continued to increase the percentage of our revenue generated from smaller customers, including small- and medium-sized enterprises (SMEs) and craftsmen.

With our largest customers, we negotiate framework agreements establishing pricing policies for our equipment. These agreements typically have a duration of 12 months but do not include exclusivity or volume commitments. Smaller and more localized customers are typically subject to our standard terms and conditions. While rental rates and pricing guidelines are established centrally, branches negotiate directly with their customers and generally have flexibility to make certain price adjustments as needed.

We monitor counterparty risk, particularly in respect of our smaller customers, and are attentive to signs of liquidity problems among our customers so that we can react quickly if needed. Our bad debt ratio was approximately 1.2% of our revenue in 2018.

Sales and Marketing

We have a strong sales and marketing organization, which we believe allows us to expand our customer base and maintain loyalty with existing customers. Our sales and marketing organization operates at three levels: (i) locally, at the branch level; (ii) regionally, through commercial managers operating under the regional managers; and (iii) centrally, through our dedicated sales and marketing team. Branch managers and regional commercial managers develop relationships with local customers and assist them in planning their equipment and rental requirements, while our centralized sales and marketing team works with our largest customers and targets new customers to identify their needs and propose comprehensive solutions. In addition, we maintain an in-house call center staffed only with experienced sales staff, providing additional points of contact for our customers.

To stay informed about local markets, sales agents track rental opportunities in the area through industry reports and local contacts. In addition, our specialist branches, due to the nature of the equipment they supply, are often in contact with customers at the early phases of large construction or civil engineering projects, which we believe creates opportunities for cross-selling and cross-promotion that also benefit our generalist branches. We also offer training programs for our customers at all of our branches, which we believe improves customer satisfaction and loyalty.

We have also implemented marketing and service initiatives at a centralized level to prioritize strong relationships with our customers. These initiatives include:

- LoxCall, our dedicated call center that provides a 24/7 one-stop service to clients by phone and coordinates order fulfilment through our branches, with guaranteed equipment availability. This service is targeted to our larger clients that need to source equipment in a number of locations and prefer centralized handling of their accounts;
- Loxam Drive, a service that allows customers to use our website to reserve any piece equipment in our catalogue, to be collected at the branch of the customer's choice within 24 hours;
- Loxam Global Solutions, a turn-key solution for major civil engineering and industrial sites, which can provide for a dedicated fleet of equipment, an on-site branch and optimized local service; and
- loyalty programs, including our specialty programs such as Loxam Club, which targets SMEs.

We also leverage our quality, safety and environmental certifications, including ISO 14001 for environmental commitment, ISO 9001 for product quality and MASE for employee safety, which we believe are factors used by some of our larger customers in selecting their rental partners. In October 2015, we became a member of the UN Global Compact program, the world's largest corporate sustainability initiative.

We have also issued a brochure called "Responsible Rental" providing information about our corporate responsibility initiatives.

In 2017 and 2018, the quality of our customer service received recognition in France through the "Customer Service of the Year" award in the "Equipment Rental" category. This award recognizes the very best in customer care and was earned following anonymous surveys. This standard is reported as covering most of the criteria from ISO 18295-1.

Rental Fleet

We have a well-maintained fleet consisting of approximately 290,000 pieces of equipment (excluding accessories) as of December 31, 2018, with approximately 165,000 pieces of equipment in our Generalist France division, approximately 30,000 in our Specialist France division and approximately 90,000 in our International division. We strive to offer a large variety of equipment and we believe that our rental fleet is one of the most extensive fleets in the European market, representing over 1,500 different types of generalist and specialist equipment and tools. All of the equipment in our fleet is branded and painted in Loxam colors or those of the relevant business unit. As of December 31, 2018, our fleet had a gross book value of €3.0 billion, of which Generalist France accounted for €1,146 million, Specialist France accounted for €535 million and International accounted for €1,364 million.

Our combined fleet is composed of the following principal equipment ranges and equipment types:

- earth moving: excavators, backhoes, loaders, dumpers;
- aerial work platforms: booms, scissors, van mount, truck mount;
- handling: forklifts and tele-handlers;
- compaction: compactors, rammers, rollers;
- energy: compressors, generators, coolers, heaters;
- modular: modular spaces, containers, sanitaries; and
- building and other: concrete mixers, scaffolding, pumps, tools and other equipment, such as trucks and traffic management.

Together, earth moving and aerial work platform equipment represented approximately 65% of our 2018 rental revenue while the remainder was divided among handling, compaction, energy, modular, building and other equipment.

Fleet management

Our approach with respect to fleet management is to provide regional and branch managers with wide autonomy to develop their business and manage their own equipment with the objective of maximizing its own profitability, but with central fleet managers able to monitor and assist in fleet management across branches and regions and to ensure overall efficiency. Managers of our generalist branches are encouraged to maintain and rent a diverse and balanced portfolio. Large customer orders may require cooperation among branches to provide the quantities required, but equipment is not pooled at the regional or group level. If a branch is unable to answer its own demand for a major construction site, for example, it notifies the regional manager. The regional manager then decides whether to temporarily grant equipment to other branches. If the request is approved, the regional manager notifies the branches concerned and the relevant equipment is transferred from one branch to the other for the required duration. We believe this approach helps to ensure that each branch acts as its own profit center.

Our budget for fleet investment is established annually by management, which sets out the Group's orientation in terms of capital expenditure for the year. The investment budget is then allocated by region. Each branch manager gives his or her equipment needs (the number and types of machines) for the coming year to the regional manager. Regional managers, in consultation with branch managers, set commercial objectives and adapt the requests to the budget, allowing them to respond to trends at the local level. The consolidated requests are given to Group management for review, which makes any required adjustments and delivers approvals to the regional managers. Purchase orders are then centralized and new equipment is delivered directly to the branches.

Our approach to fleet management assumes the replacement of a fleet item upon the expiration of its useful rental life, which is usually when it is obsolete or no longer capable of generating revenue in excess of maintenance costs. Most of the equipment in our fleet is depreciated on a straight-line seven-year basis while a residual value of 10% of the original cost is kept in our books. The high height equipment and larger machines are depreciated on a straight-line ten-year basis with a 10% residual value. The disposal of a piece of equipment from the fleet is a technical decision made by a technical manager at the regional level. We have established metrics and guidelines for each category of equipment that help determine the desired replacement cycle. Most metrics are based on repair costs relative to rental income, utilization rate and age. We determine whether to use equipment that has been removed from our fleet for parts, sell it for scrap or sell it at auction. We estimate that auction sales of our used equipment are made to buyers outside of our principal markets, which avoidsthe risk of reducing demand for rentals in the areas where we operate.

We monitor fleet utilization and other metrics to measure branch performance and maintain appropriate inventory levels and to manage fleet allocation across our networks as well as capital expenditures.

Maintenance and daily checks of equipment in the fleet are performed at each branch. Minor repairs and parts replacement, such as windshields, tires and hydraulic fittings, are outsourced to approved specialized suppliers, while major repairs are performed by manufacturer-approved dealers.

Suppliers

We purchase the equipment in our rental fleet from large, recognised original equipment manufacturers who we believe have the best product quality and support, and we typically choose to work with two or three manufacturers per equipment range. We have no long-term agreements with our fleet suppliers and no volume commitments or exclusivity clauses apply to these relationships. Furthermore, we typically bundle our purchases and solicit bids through a tender process with selected manufacturers. We believe this policy towards our fleet suppliers allows us to apply competitive pressure and optimize the prices we pay for our fleet equipment. We also work in cooperation with our suppliers to adapt our fleet equipment to client needs and limit maintenance costs. We remove all manufacturers' branding from our equipment and paint it according to our corporate colors, under which it will be offered to customers. We also purchase goods and services, principally non-fleet vehicles and equipment, fuel, lubricants, insurance and transportation, as well as the goods sold in our retail activities, from a number of third-party suppliers. Our arrangements with service suppliers are typically governed by two- or three-year framework agreements.

Our Network of Branches

As of December 31, 2018, we had a network of 758 branches, primarily located in Western Europe. The table below shows the number of branches we operate in each country :

	Number of branches as of December 31, 2018
Country	
France	497
Spain	43
The Netherlands	44
Denmark	31
United Kingdom	30
Brazil	22
Germany	21
Italy	20
Belgium	17
Middle East	10
Switzerland	7
Ireland	4
Morocco	4
Norway	4
Portugal	2
Colombia	1
Luxembourg	1
Total	**758**

Our business model combines a centrally-determined strategy, budget and back-office with wide autonomy for regional and branch managers to develop their business and spend their budget allocation, which allows us to adapt at the local level to meet our clients' needs in different markets. Each branch manages its own fleet, budget and financial reporting and is responsible for bringing in business by developing local relationships and monitoring local construction sites. Branches serve as a continuous source of information about the latest market opportunities, such as planned construction projects, allowing us to offer our services early and to the right client. A typical branch includes a branch manager, a rental consultant, a sales representative, one or more mechanics and one or more drivers. At the regional level, technical managers, commercial managers and administrative managers support the branches in their region, under the oversight of a regional manager. Our branches are deeply embedded in the local markets in which they operate, and we emphasize building and maintaining close relationships with clients at the local level. Our decentralized business model allows us to adapt our equipment fleet at the branch level in order to meet our clients' needs in various markets, offering them a value-added alternative to owning and maintaining equipment in-house. Our dense network in several markets allows us to meet customer demand by moving equipment across branches.

Our branch network is dynamic, and in any given year we both open and close a number of branches. The decision to open a branch is driven by our analysis of the interaction of the proposed branch with our existing network, the conditions in the local market and the competition in that market. Whether we open a new branch or acquire an existing network depends on the level of saturation in that market and whether acquisitions can provide us a level of penetration that would take too long to develop organically. Branches may be merged or closed based on the market environment (if, for example, a large construction project concludes or an industrial site closes) or excess proximity to another branch following an acquisition. Closures have also resulted from the consolidation of branches. We may also relocate branches in light of the development of cities, the evolution of infrastructure or to optimize our geographical coverage.

We conduct periodic network optimization plans to enhance profitability of our network.

Branches in France and International Branches

Most of our branches are located in France. Of our 497 branches in France as of December 31, 2018, 417 were Generalist branches and 80 were Specialist branches. Our branches are located typically in industrial zones in or near medium and large metropolitan areas. Our broad geographical coverage in France reduces our exposure to regional variations in economic activity.

Our Generalist branches in France operate under the Loxam Rental name. Our Specialist branches operate under the names Loxam Access (44 branches), Loxam Power (15 branches), Loxam Module (11 branches), Loxam Laho TEC (2 branches), Loxam TP (6 branches), Loxam Access PL (1 branch) and Event (1 branch).

In the UK, Spain, Denmark, the Benelux and Switzerland, where we operate dense networks, we compete at a national level and enjoy strong competitive positioning. In other countries we generally compete at the regional level. Our International branches operate under the Loxam brand, with the exception of the Lavendon Group, Hune, Nacanco, Degraus and Swan Plant Hire branches.

Loxam City

In 2011, we opened Loxam City, the first store in our urban branch initiative, in Paris. Loxam City offers a wide range of immediately available and easily transportable generalist equipment, such as portable power tools that are often used in urban construction, renovation and other projects. Loxam City also provides service and support, including advice and solutions to tackle specific urban construction site challenges, and is adapted in terms of location, selection and operating hours to the needs of smaller customers, including craftsmen and individuals. As at December 31, 2018, we operated 14 Loxam City branches in Paris.

Branch ownership and leasing

We lease the vast majority of our facilities in order to maintain flexibility in growing and developing our network and to be able to respond to demographic and other changes in the areas where we operate and the customers we serve. As of December 31, 2018, we owned the premises of approximately 10% of our branches, which were owned by companies we acquired, and leased the rest. Most of these leases provide for standard terms and renewal options.

Most of our French branches are leased pursuant to "commercial leases" ("baux commerciaux") which grant significant rights under French law to lessees compared to leases in many other jurisdictions, in particular the lessee's right of renewal, which the lessor can avoid only by indemnifying the lessee. Most of these commercial leases are for nine-year terms (the statutory minimum) and provide termination rights for the tenant at the end of each three-year period upon six-months' prior notice. The rent paid under most of our commercial lease agreements is a fixed sum which is annually reviewed relative to national rental indices. In addition, in accordance with applicable regulations governing commercial leases, commercial rents can be adjusted upon the renewal of the lease in certain cases, and if not mutually agreed, may be determined by a competent court. In the year ended December 31, 2018, following the acquisitions of the year, our real estate rental expense at group level was €60 million, compared to €56 million for the corresponding period in 2017.

In other countries, our leases generally provide for standard terms under the relevant national laws and regulations. We tend to negotiate these leases with a view towards maintaining a certain level of flexibility so that we can fine tune our network as needed from time to time. Generally, rent adjustment upon renewal of our leases is based on market value.

Administrative premises

In addition to the branches in our rental network, we lease a small number of premises for administrative and logistics purposes. Our corporate headquarters are located in Paris, France.

Employees

As of December 31, 2018 we had 7,914 employees (including apprentices and trainees), nearly all of which were salaried personnel. At this date, approximately 54 % of our employees were based in France. Our employees perform the following functions, amongst others: sales operations, parts operations, rental operations, technical service and office and administrative support.

Developing quality rental equipment staff is one of our priorities and staff training plays a key role in ensuring a consistent customer experience across our branches and the adoption of common internal procedures. Our group-wide training center is available to all members of our staff and provides training in areas such as customer relations, sales methods, group processes, regulation, quality and environmental management, technical expertise and management.

Information Technology

Our IT strategy is designed to reinforce our overall business strategy, and in particular, to optimize the management of our fleet and improve synergies as we expand our network. We have IT teams in France and in the UK to maintain our hardware and to service the softwares we use.

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

We have taken steps to enhance the safety of our IT systems. We have a disaster recovery program to protect most of our operations and IT systems, including our ERP systems, which includes duplicate synchronized back-ups of our servers hosted by a third party.

Intellectual Property

We use several trademarks including "Loxam", "Nationwide Platforms", "Rapid Access", "DK Rental", "Hune", "Degraus" and "Nacanco", which enjoy high brand recognition in their home markets. "Loxam" is protected in the countries where we do business, including France and the other members of the European Economic Community.

Environmental and Safety Matters

We are subject to comprehensive and frequently changing local, national and European Community-level laws and regulations, including those relating to discharges of substances to the air, water and land, the handling, storage, transportation, use and disposal of hazardous materials and wastes and the cleanup of properties affected by pollutants. Under these laws and regulations, we may be liable for, among other things, the cost of investigating and remediating contamination at our sites and fines and penalties for non-compliance. Our operations generally do not raise significant environmental risks, but we use hazardous materials to clean and maintain equipment and dispose of solid and hazardous waste and wastewater from equipment washing.

To our knowledge, there is no pending or likely remediation and compliance cost that could have a material adverse effect on our business. We cannot be certain, however, as to the potential financial impact on our business if new adverse environmental conditions are discovered or compliance or remediation costs are imposed that we do not currently anticipate.

We have obtained certifications under ISO 14001 for environmental commitment and MASE for employee safety. In October 2015, we became a member of the UN Global Compact program, the world's largest corporate sustainability initiative. Following an in-depth audit among customers, suppliers, staff members and other stakeholders conducted in December 2015 by SGS, the world's leading inspection and certification body, LOXAM's corporate social and environmental responsibility policy has been rewarded in France with a performance rating of level 3 (on a scale of 5) in the ISO 26000:2010 standard.

We issued our first corporate and social responsibility report entitled "Responsible Rental" in 2014 and released an updated report in 2018. "Responsible Rental" summarizes our commitment to customer service, safety, the environment, and ethical corporate governance.

Competition

Our main competitors include medium-sized and large regional and national, and to a certain extent, international equipment rental groups, but we also compete at a local level with smaller competitors, including those that operate just in a single location.

Competition in our business tends to be based primarily on geographic proximity and availability of equipment, as well as on equipment quality, price, quality of sales relationships, delivery times, quality of service and, for our largest clients, possession of relevant health and safety certifications. We believe our extensive network of branches in France and our decentralized approach give us an advantage over competitors. Our main competitor in France is Kiloutou, which has an estimated 14% market share (vs Loxam's market share of 21%) and competes with us on a national scale. We also have a few regional competitors and many more local competitors.

Insurance

We maintain the types and amounts of insurance customary in our industry and countries of operation. Our group insurance policies, which may be supplemented locally in certain countries where we operate, comprise, in particular, our automotive fleet policy, civil liability policy, multi-risks industrial policy, direct or indirect loss crime and data policy and include coverage for, among other things, employee-related occupational accidents and injuries, property damage, fraud, theft of vandalism of equipment, machinery break-down, and damage and injury that could be caused to third parties by poorly-maintained equipment. We have also subscribed to directors and officers insurance. We consider our insurance coverage to be adequate both as to risks and amounts for our business. We have not had any material claims that were not covered under our insurance policies.

Legal Proceedings

We are party to certain pending legal proceedings arising in the ordinary course of business. We cannot estimate with certainty our ultimate legal and financial responsibility or obligations with respect to such pending matters. Based on our examination of these matters and the provisions we have made, we believe that any ultimate liability we may have for such matters will not have a material adverse effect on our business or financial condition.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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

Overview

We generated revenue of €1,482.6 million in 2018, representing an increase of 8.4% compared to revenue of €1,367.7 million in 2017. At constant perimeter and at constant exchange rates, revenue has increased in 2018 by 3.7%. In France, revenue increased by 5.8% in 2018 due to the continuing recovery of the French construction sector and positive macro-economic conditions. Our International division's revenue increased by 12.4%, due to the full year impact in 2018 of the acquisitions made in 2017, including those of the Lavendon and Hune groups, Loxam Access SRL and Swan, our new business in Ireland, as well as due to the full consolidation of Degraus into our accounts from January 1, 2018. At constant perimeter and at constant exchange rates, our International division's revenue increased by 1.0%.

In 2018, 44.4% of our revenue was generated from our Generalist France division (down from 45.5% in 2017), 15.2% was generated from our Specialist France division (down from 15.6% in 2017), with our International division contributing 40.4% (up from 38.9% in 2017).

We generated EBITDA of €500.7 million in 2018, representing an increase of 7.9% compared to €464.0 million in 2017. At constant perimeter and at constant exchange rates, our EBITDA grew by 4.2%. Our EBITDA margin remained stable at 33.8% of our revenue in 2018 compared to 33.9% in 2017. In our Generalist division, EBITDA grew by 5.6% to €225.4 million from €213.4 million in 2017. Our Specialist division EBITDA grew by 12.5% to €76.9 million from €68.3 million in 2017, thanks to organic growth and a lower amount of rehire costs (machines sourced from other rental companies in order to serve our customers). Our International division EBITDA increased by 8.7% to €192.4 million from €177.0 million in 2017, due to the contributions of our new businesses. At constant perimeter and at constant exchange rates, the EBITDA of our International Division decreased by 1.0%, due to lower capital gains on fleet disposals.

Our net financial expense decreased from €116.7 million in 2017 to €102.1 million in 2018 as we recorded one-off costs related to the bridge facility we entered into to finance our acquisition of Lavendon in 2017. Our gross debt financial expense increased by €3.9 million to €97.2 million, mostly because of the full year of interest paid on the €850 million aggregate principal amount of new bonds issued in 2017 to finance the Lavendon and Hune acquisitions.

Profit before tax increased to €111.0 million from €104.4 million in 2017. Income tax increased slightly from €18.9 million in 2017 to €20.6 million in 2018, as Loxam benefits from a tax incentive in France on most of its capital expenditures made since 2015.

As a result of the factors detailed above, the group share of net profit increased by 13.0% from €84.6 million in 2017 to €95.7 million in 2018.

Key Factors Affecting Results of Operations

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

Cyclicality, seasonality and economic conditions

Demand for our products is dependent on the industries in which our customers operate, the general economy, the stability of the global credit markets and other factors. The construction and civil engineering sectors in France and in Europe generally, which are the primary markets for our rental equipment, are cyclical industries with activity levels that tend to increase during periods of economic growth and decline during economic downturns. Demand for our products is correlated to conditions in these industries and in the general economy. Additionally, the amount of construction and civil engineering activity tends to decrease in winter and during extended periods of inclement weather while increasing in the summer and during extended periods of mild weather. There is typically, on average, a lower demand for our rental equipment in the first quarter as a result of this seasonality.

Conditions in the construction and civil engineering markets have an impact on both the utilization rate of our equipment and on prices. As demand increases, utilization follows and we can then, subject to fixed pricing arrangements, choose to allocate equipment to customers who are willing to pay higher prices. When demand decreases, the opposite occurs, and we may reduce prices to preserve utilization levels. Demand can be affected by short-term factors that affect the utilization rates and prices for a brief period, such as the adverse weather conditions, or by general economic trends that can have an impact (positive or negative) over a longer period. We seek to manage the impact of medium and long-term trends through the adjustment of our investments in new equipment, increases or decreases in sales of our equipment, and the management of our branch network.

Investment in new equipment and asset sales

The management of our level of capital expenditure, by increasing or decreasing the amount of investment in our fleet, is an important factor in our results of operations and cash flow. Decisions about investment in new equipment are based on the condition and remaining useful life of our existing equipment as well as on our views of future demand. We sell assets in our fleet when we believe that these assets have reached the end of their useful life because they have become obsolete or when the cost of maintaining them in proper condition for customer use is too high. We also sell assets in our fleet before the end of their useful life if we believe a decline in demand in a given market is likely to last for a significant period of time. We believe that our experience in the rental equipment market allows us to recognize inflection points (the points at which demand is poised to level off or change direction) in the cycles affecting the construction and civil engineering sectors, so that we can increase investment just before the bottom of the cycle (before we expect demand to expand), and decrease investment just before the top of the cycle (before we expect demand to contract). We believe that our anticipation of trends in the construction and civil engineering cycle has helped us to control our levels of investment and related debt, and thus maintain strong levels of cash flow and positive net income during the periods under review.

The investments allocation in our rental fleet is determined by the type of equipment and the requirements of our business units. In 2018, our fleet capital expenditure decreased slightly from €399.6 million to €373.4 million as the environment remained favorable in 2018 in France and due to capital expenditure to rejuvenate the fleet of our recently acquired businesses.

Operating expenses

Our business, like that of all equipment rental groups, is capital-intensive with a predominantly fixed cost structure that principally relates to the depreciation of our equipment fleet, as well as other operating expenses that are fixed for short or long periods of time, such as certain personnel charges and rent on real estate. The management of our costs is an important factor in our results of operations and cash flow. To the extent possible we seek to deploy our fleet so as to match increases and decreases in demand.

Acquisitions

We make acquisitions to take advantage of opportunities for consolidation, to increase the density of our network in our existing markets, or to enter new geographical or specialist markets. During the period under review, we made the following acquisitions, which subsequently entered our accounting perimeter as of the dates indicated below:

- On June 8, Loxam SAS acquired 100% of Negoce de Vehicules Automoteurs (“NVA”), a French rental company operating a single branch in Paris targeting events organizers. NVA has been legally merged into Loxam SAS on September 1, 2018 and is part of our Specialist France division.
- On June 21, Loxam Access SRL acquired 100% of the Italian powered access rental company No.Ve S.r.l. (“Nove”) from Haulotte Group S.A. Nove merged into Loxam Access SRL on December 21, 2018.

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

Explanation of Key Line Items from the Income Statement

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

- ***Revenue*** includes the fees paid by customers to rent equipment and revenue from related services such as transportation, fuel, damage waivers and the cost of repair and maintenance services charged back to our customers, as well as the retail activities at our branches.
- ***Other income*** principally includes net capital gains on disposals of fleet assets and real estate rent paid by subtenants.
- ***Purchases consumed*** includes (1) the cost of goods purchased for resale in our retail activity, as well as the cost of fuel and maintenance parts that are rebilled to customers; and (2) the cost of parts used by the workshops in our branches to maintain our equipment.
- ***Personnel expenses*** relates primarily to the salaries, social security charges, and profit sharing expenses for our employees.
- ***Other current expenses*** include (1) external expenses that are directly related to our rental activity, such as transportation, subcontracted maintenance costs, re-rent (subleasing equipment from external renters to fill customer orders when there is not sufficient quantity at our branches) and costs associated with temporary workers; (2) external expenses related to the group, such as rent on real estate and related expenses, general administrative expenses (including insurance, advisory fees, communications and IT), advertising expenses and other management costs; and (3) losses on bad debts, net of change in provisions on current assets.
- ***Taxes and duties*** relate mainly to property and local taxes (including the CET or *Contribution Economique Territoriale* paid in France).
- ***Depreciation and amortization*** principally include depreciation of fixed assets (fleet and non-fleet).

  Since 2017, it also includes depreciation of newly intangible assets (trademarks and customer relationships) follow a purchase price allocation exercise on the Lavendon, Hune and Loxam Access SRL acquisitions.
- ***Other operating income and expense*** includes a limited number of unusual, abnormal, and uncommon items, with significant amounts, which are disclosed separately in the income statement to make it easier to appreciate the Group's current operating performance.
- ***Financial income*** primarily includes interest income on cash balances, while ***financial expense*** comprises interest charges on bank loans, bonds and hedging expenses. It also includes change in the fair value of derivative instruments.
- ***Income tax*** consists of current and deferred taxes calculated in accordance with the relevant tax laws in force in the jurisdictions in which we operate. As of December 31, 2018, the corporate tax rate in France was 32.02%. We are also subject to tax rates in the other countries in which we operate, which ranged from 0% to 34% as of that date.
- ***Share of associates*** includes the group's share of the result of companies accounted for by the equity method.

Results of operations

The table disclosed below sets out our results of operations for the years and quarters ended December 31, 2017 and 2018.

Consolidated Income Statement	Year ended December 31, (IFRS)		Quarter ended December 31, (IFRS)	
(in millions of euros)	**2017**	**2018**	**2017**	**2018**
Revenue	**1,367.7**	**1,482.6**	**368.2**	**387.5**
Other income [(1)]	62.6	56.7	23.7	19.2
Purchases consumed	(144.4)	(162.8)	(39.9)	(45.9)
Personnel expenses	(360.1)	(381.3)	(91.2)	(98.2)
Other current expenses	(443.3)	(475.3)	(121.4)	(129.9)
Taxes and duties	(18.5)	(19.3)	(4.4)	(3.9)
Depreciation and amortization – Property, Plant and Equip.	(227.9)	(275.7)	(54.1)	(74.1)
Depreciation and amortization – Intangible assets	(10.5)	(12.1)	(7.9)	(3.0)
Profit from ordinary operations	**225.6**	**212.9**	**73.0**	**51.6**
Other operating income and expense [(2)]	(4.5)	0.2	(1.6)	1.7
Operating profit	**221.2**	**213.2**	**71.4**	**53.3**
Financial income and expense	(116.7)	(102.1)	(27.3)	(24.8)
Share of profit of associates	(1.3)	-	(0.7)	-
Income tax expense	(18.9)	(20.6)	(7.7)	(6.1)
Net profit	**84.3**	**90.4**	**35.7**	**22.4**
Non-controlling interests	(0.4)	(5.2)	(0.2)	(3.6)
Net profit, group share	**84.6**	**95.7**	**35.9**	**26.0**

Note :

(1) Other income include capital gains on fleet disposals amounting to €50.6 million and €41.5 million in 2017 and 2018 respectively, and to €20.4 million and € 13.0 million in the quarters ended December 31, 2017 and 2018, respectively.

(2) Other operating income and expense included in 2017 non-recurring costs relating to acquisitions for €(9.6) million and a €5.1 million profit on the Gardemann disposal, after deduction of the write-off on the goodwill and intangible assets of Gardemann. See Notes 2 and 20 to the Financial Statements included herein. In 2018, other operating income and expense mainly consisted of the settlement gain on IAS 19 contracts for €4.6 million; these were offset by non-recurring costs relating to 2018 acquisitions of €(2.0) million, an impairment on fleet of €(1.5) million, a depreciation on goodwill of €(0.7) million and the depreciation of the Lavendon France trademark of €(0.6) million.

We consider revenue and EBITDA (despite the fact that they are non-IFRS financial measures) to be key measures in analyzing our business. We do not present financial information by segment in our financial statements, but we consider our business to have three divisions: Generalist France, Specialist France and International. Each of our branches is assigned to one of these divisions, and as of December 31, 2018 we had 417 branches in Generalist France, 80 in Specialist France and 261 in International. The following table sets out these key figures in each of the Generalist France, Specialist France and International divisions for the years ended December 31, 2017 and 2018 and the quarters ended December 31, 2017 and 2018.

	Year ended December 31, (IFRS)		Quarter ended December 31, (IFRS)	
(in millions of euros)	**2017**	**2018**	**2017**	**2018**
Revenue				
Generalist France	622.6	658.7	165.7	174.5
Specialist France	212.8	225.6	56.8	58.6
France	**835.4**	**884.3**	**222.5**	**233.1**
International	532.3	598.3	145.7	154.4
Total revenue	**1,367.7**	**1482.6**	**368.2**	**387.5**
EBITDA				
Generalist France (1)	213.4	225.4	59.5	59.1
Specialist France (1)	68.3	76.9	18.9	19.3
France	**281.8**	**302.3**	**78.4**	**78.4**
International	177.0	192.4	55.2	48.6
Real Estate (2)	5.2	6.0	1.5	1.6
Total EBITDA	**464.0**	**500.7**	**135.0**	**128.7**
EBITDA margin	*33.9 %*	*33.8%*	*36.7 %*	*33.2%*

Notes:

(1) To present Specialist and Generalist EBITDA generated in France by division, we allocate rebates pro rata based on revenue, which are accounted for centrally, and then allocate direct expenses (which represent a majority) directly to a given branch. Indirect expenses are allocated centrally or regionally and are then allocated to a given branch according to a factor that is based on that branch's revenue, the gross value of its equipment or the rental value of its equipment.

(2) Real estate EBITDA corresponds to rental income from real estate held by the group that is not assigned to a division.

Year ended December 31, 2018 compared to year ended December 31, 2017

Construction Market in France and Europe in 2018

Euroconstruct confirmed in its latest report its estimate of a robust growth of the French construction market in 2018, at 3.2%. The market growth has been driven by all construction sub-segments, particularly civil engineering.

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

Concerning rental markets, the European Rental Association estimated in its latest report that all European markets should enjoy a year of growth in 2018. Among those markets, the French rental market was expected to grow among the fastest with a growth of 6%.

Revenue

Our revenue increased by 8.4% to €1,482.6 million in 2018 compared to revenue of €1,367.7 million in 2017. At constant perimeter and at constant exchange rates, revenue increased by 3.7% in 2018.

Revenue from our Generalist France division increased by 5.8% from €622.6 million in 2017 to €658.7 million in 2018. This growth was fully organic and was fueled by our fleet capital expenditure.

Revenue from our Specialist France division increased by 6.0% to €225.6 million from €212.8 million as the division continued to benefit from the momentum of its network growth of the past years.

In our International division, revenue increased by 12.4% at current exchange rate at €598.3 million from €532.2 million, due to the enlarged scope of consolidation in 2018 of acquisitions completed in the last two years. At constant perimeter and at constant exchange rates, International revenue increased by 1.0% in 2018 as we experienced a decrease of our revenue in the UK and more volatile trading conditions in the Middle East in the second part of the year.

In 2018, 44.4% of our revenue was generated from our Generalist France division (down from 45.5% in 2017), 15.2% was generated from our Specialist France division (down from 15.6% in 2017), with our International division contributing to 40.4% (up from 38.9% in 2017).

Other income

Other income decreased by 9.4% from €62.6 million in 2017 to €56.7 million in 2018, mainly due to lower gains on fleet disposals. The decrease of capital gains was the result of the decrease of the volume of equipment sold.

EBITDA

We generated EBITDA of €500.7 million in 2018, representing an increase of 7.9% compared to EBITDA of €464.0 million in 2017. Our EBITDA margin was stable at 33.8% of our revenue in 2018 compared to 33.9 % in 2017. The increase in EBITDA is in line with the growth of our revenue but was offset by fewer capital gains. Excluding capital gains, our EBITDA margin increased by 0.7% in 2018.

In our Generalist France division, EBITDA grew by 5.6% to €225.4 million from €198.0 million and EBITDA margin was 34.2%, down slightly from 34.3% in 2017. In our Specialist France division, EBITDA grew by 12.5% to €76.9 million in 2018 and EBITDA margin increased from 32.1% of the revenue in 2017 to 34.1% in 2018.

EBITDA from our International division increased by 8.7% to €192.4 million in 2017 from €177.0 million in 2017. At constant perimeter and exchange rates, EBITDA decreased by 1.0% due to fewer capital gains.

Purchases consumed

Purchases consumed increased by 12.7% from €144.4 million in 2017 to €162.8 million. At constant perimeter and at constant exchange rates, purchases consumed increased by 8.4% as a consequence of the 10.5% growth of retail sales in 2018 and an increase in fuel costs which are subsequently recharged to customers.

Personnel expenses

Personnel expenses increased by 5.9% to €381.3 million in 2018 from €360.1 million in 2017. At constant perimeter and at constant exchange rates, personnel expenses increased by 1.9%, in line with the average number of staff.

Other current expenses

Other current expenses increased by 7.2% to €475.3 million in 2018 from €443.3 million in 2017. At constant perimeter and at constant exchange rates, other operating expenses increased moderately by 2.3%, as we benefitted from a reduction in external rehires due to our capital expenditures. On the other hand, we continued to experience an increase of some variable costs including haulage costs and also in bad debt at all our divisions.

Depreciation and amortization

Depreciation and amortization increased by 20.7% to €287.8 million in 2018 compared to €238.4 million in 2017. Fleet depreciation increased by 21.8% because of capital expenditure in 2017 and 2018 and also reflects the effect of the alignment of the depreciation policies for the businesses acquired in 2017 and 2018.

Other operating income and expense

Other operating income, including non-recurring items, amounted to €0.2 million in 2018 compared to an expense of €4.4 million in 2017. In 2018 we benefitted from the positive impact of the transfer of employees of our Dutch subsidiaries from a defined benefit plan to a defined contribution plan; this resulted in a gain of €4.6 million under IAS 19. Besides, we recorded acquisition costs of €2.0 million.

Financial income and expense

Our net financial expense decreased from €116.7 million in 2017 to €102.1 million in 2018. Our gross debt financial expense increased from €93.3 million to €97.2 million, principally because of the full year of interest charges on the €850 million of bonds issued in 2017.

Income tax

Profit before tax stood at €111.0 million. Income tax increased by €1.7 million to €20.6 million in 2018 from €18.9 million in 2017. The tax increase remains limited mainly due to a tax incentive on most of our capital expenditures made in France since 2015.

Net profit, group share

Net profit, group share increased by 13.0% from €84.6 million in 2017 to €95.7 million in 2018.

Quarter ended December 31, 2018 compared to quarter ended December 31, 2017

Revenue

Revenue increased by 5.3% to €387.5 million in the fourth quarter of 2018 from €368.2 million in the fourth quarter of 2017. At constant perimeter and at constant exchange rates, revenue increased by 2.4%.

Revenue from our Generalist France division increased by 5.3% in the fourth quarter of 2018 to €174.5 million compared to €165.7 million in the fourth quarter of 2017 as the French rental market continued to enjoy strong performance.

Revenue from our Specialist France division increased by 3.2% to €58.6 million in the fourth quarter of 2018 compared to €56.8 million in the fourth quarter of 2017.

International revenue increased by 6.0% to €154.4 million in the fourth quarter of 2018 compared to €145.7 million in the fourth quarter of 2017. At constant perimeter and at constant exchange rates, the revenue of the division decreased by 1.3%. We continued to experience a slowdown of our operations in the Middle East, mostly due to intense competition on the market.

Other operating income

Other income decreased by 22.9% to €19.3 million in the quarter ended December 31, 2018 from €23.7 million in the quarter ended December 31, 2017. The decrease is due to lower capital gains on fleet disposals across all three divisions.

Purchases consumed

Purchases consumed increased by 15.1% to €45.9 million for the quarter ended December 31, 2018 compared to €39.9 million for the quarter ended December 31, 2017. At constant perimeter and at constant exchange rates, purchases consumed increased by 12.7% as retail sales increased by 19.4% in the quarter.

Personnel expenses

Personnel expenses increased by 7.8% to €98.2 million in the quarter ended December 31, 2018 from €91.2 million in the quarter ended December 31, 2017. At constant perimeter and at constant exchange rates, personnel expenses increased by 4.5%, strengthened by an agreement on profit sharing in France at the end of quarter.

Other current expenses

Other current expenses increased by 7.1% to €129.9 million in the fourth quarter of 2018 from €121.4 million in the fourth quarter of 2017. At constant perimeter and at constant exchange rates, other current expenses only slightly increased by 1.7%.

Depreciation, amortization and provisions

Depreciation and amortization for property, plant and equipment amounted to €77.1 million in the quarter ended December 31, 2018. This figure cannot be compared to the charge of €62.0 million in the quarter ended December 31, 2017, as we made some changes in our policies last year after the acquisitions of Lavendon and Hune and the charge recorded in Q4 2017 includes the full impact of these decisions. In Q4 2018, we decided to shorten the length of depreciation for the fleet assets of Degraus to align them with the group policies and recorded the full year impact in the quarter.

Other operating income and expense

Other operating income and expense amounted to an income of €1.7 million in the quarter ended December 31, 2018 compared to an expense of €1.6 million in the quarter ended December 31, 2017.

Financial income and expense

Net financial expense decreased by €2.5 million to €24.8 million in the quarter ended December 31, 2018, compared to €27.3 million in the quarter ended December 31, 2017. Excluding the fair value adjustment in 2017 on the value of investment in Degraus, our net financial expense would have been stable.

Income tax

Our profit before tax amounted to €28.5 million in the quarter ended December 31, 2018 versus a profit before tax of €44.1 million in the quarter ended December 31, 2017.

Income tax was an expense of €6.1 million in the quarter ended December 31, 2018, compared to an expense of €7.7 million in the quarter ended December 31, 2016.

Net profit, group share

We recorded a net profit, group share of €26.0 million in the quarter ended December 31, 2018 compared to a net profit of €35.9 million in the quarter ended December 31, 2017. The net profit of Q4 2018 cannot be compared with the net profit of Q4 2017 because of the changes to the depreciation policy which were implemented in Q4 2017.

Liquidity and Capital Resources

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

Our sources of financing consisted mainly of the following:

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

As of December 31, 2018, our gross financial debt (excluding derivatives) amounted to €2,279.5 million, compared to €2,238.7 million as of December 31, 2017. Our net financial debt (excluding derivatives) as of December 31, 2018 amounted to €2,135.7 million, an increase of €14.6 million compared to December 31, 2017.

As of December 31, 2018, we had €1,552.2 million of outstanding bond debt, after deduction of €12.1 million of issuance costs. Our bond debt of €1,564.3 million comprised €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 €409.1 million outstanding debt under bilateral facilities from banks, and €293.3 million of finance leases.

On July 23, 2018, Loxam redeemed €60.0 million in principal amount out of the €299.3 million outstanding aggregate principal amount of our senior secured notes due 2021 and €25.0 million in principal amount out of our €250.0 million outstanding aggregate principal amount of our senior subordinated notes due 2022. This partial redemption was funded out of the Group's available cash.

Cash and cash equivalents net of bank overdrafts on our balance sheet amounted to €141.4 million as of December 31, 2018.

We also have a 5-year €75.0 million revolving credit facility which may be used for general corporate purposes. As of December 31, 2018, this revolving credit facility was not drawn.

We expect to finance future capital expenditures through cash flow from operations, finance leases or bilateral credit facilities. During 2018, new bilateral credit facilities and finance leases were entered into for €325.6 million and €166.6 million, respectively. The new bilateral credit facilities include a £90 million asset-backed loan at the level of our subsidiary Nationwide Platforms Ltd which was put in place in Q4 2018 in substitution of an intra-group loan.

Capital expenditures

Our capital expenditures consist principally of investments in fixed assets (i.e., our equipment fleet). We determine and allocate our budget for capital expenditures on an annual basis. Decisions about investment in new equipment are based in significant part on our views of future demand. During growth cycles we may decide to invest in our business by replacing aging or end-of-life equipment and by expanding the total size of the fleet, while in downturns we tend to restrict capital expenditures to the replacement of end-of-life equipment and conserve cash.

The table below shows our fleet investments for the last two years:

	Year Ended December 31,	
(in millions of euros)	**2017**	**2018**
Purchases of rental equipment	399.6	373.4
Purchases of non-rental equipment[1]	33.3	39.1
Gross capital expenditures	432.8	412.5
Proceeds from disposals of rental equipment	62.7	56.2
Proceeds from disposals of non-rental equipment	3.9	6.5
Proceeds from disposals of fixed assets	66.6	62.8

(in millions of euros)	Year Ended December 31, 2017	2018
Net fleet capital expenditures(2)	336.9	317.2
Net capital expenditures(3)	366.2	349.7

Notes:

(1) Non-rental equipment principally includes equipment used in our workshops, equipment used to outfit or maintain our branches, and information technology.

(2) Net fleet capital expenditures is the net amount of purchases of rental equipment less proceeds from disposals of rental equipment.

(3) Net capital expenditures is gross capital expenditures less proceeds from disposals of fixed assets.

In 2018, gross capital expenditures decreased to €412.5 million in 2018 from €432.8 million in 2017. Fleet capital expenditures amounted to €373.4 million in 2018, compared to €399.6 million in 2017.

In 2018, the gross book value of disposed rental equipment was €192.2 million, compared to €245.9 million in 2017.

Cash flow

The following is a discussion of our cash flow from operations, cash flow from investing activities and cash flow from financing activities for the years ended 2018 and 2017.

Cash flow from operations includes the fluctuations in our working capital requirements. In addition to typical variations in our accounts receivables and payables, working capital is also affected by the level of income tax debt or credit at the end of the year and by payables to fleet suppliers.

Cash flow from investing activities consists of our net capital expenditures, i.e., capital expenditures less the proceeds from the sale of the equipment retired from operations, as well as the cash impact of external acquisitions.

Cash flow from financing activities reflects the net issuance of new debt or equity, less debt repayments and dividend payments.

Year ended December 31, 2018 compared to year ended December 31, 2017

The following table presents a summary of our cash flow for the year ended December 31, 2018 as compared to the year ended December 31, 2017:

	Year Ended December 31,	
	2017	**2018**
	(in millions of euros)	
Cash flow from operations	260.8	361.9
Cash flow from investing activities	(1,183.8)	(366.9)
Cash flow from financing activities	883.4	28.5
Change in cash and cash equivalents	**(39.5)**	**23.5**
Cash and cash equivalents at the end of the period [(1)]	**116.6**	**141.4**

Note : (1) Including bank overdrafts.

Cash flow from operations

Net cash provided by operations increased to €361.9 million in 2018, compared to €260.8 million in 2017. Before changes in working capital requirements, net cash provided by operations was €351.9 million in 2018, compared to €285.8 million in 2017, mainly due to higher EBITDA in 2018 and lower financial expenses. Changes in working capital had a positive impact of €8.7 million in 2018, compared to a negative impact of €(40.7) million in 2017.

Cash flow from investing activities

Net cash used in investing activities decreased significantly to €366.9 million in 2018 compared to €1,208 million in 2017. Purchases of fixed assets in 2018 amounted to €412.5 million, of which our rental fleet accounted for €373.4 million. Purchases of fixed assets in 2017 amounted to €432.8 million, of which our rental fleet accounted for €399.6 million. Cash from fixed asset disposals amounted to €62.8 million in 2018 compared to €66.6 million in 2017, most of which related to our rental fleet. Cash used for acquisitions amounted to €17.1 million in 2018, relating to the acquisitions of NVA and NoVe S.r.l. In 2017, cash used for acquisitions amounted to €817.6 million.

Cash flow from financing activities

Net cash provided by financing activities was €28.5 million in 2018 compared to €883.4 million in 2017.

In 2018, we issued €492.3 million of debt, including €325.6 million of new bilateral facilities and €166.6 million of new finance leases.

In 2017, we issued €1,919.0 million of debt, including the issuance of €850 million of new notes, less the issuance costs of €15.2 million, €174.5 million new bilateral facilities and €130.4 million of new finance leases. We drew €779.3 million under a bridge facility during the first quarter to finance the acquisition of Lavendon. Proceeds from the new bonds issuance for €850 million repaid the bridge during the second quarter.

In 2018, we repaid €456.8 million of debt, including €85 million of notes, €279.5 million of bilateral facilities and €92.4 million of finance leases.

In 2017, we repaid €1021.0 million of debt, including €779.3 million of the bridge facility entered into to finance the acquisition of Lavendon, €110.7 million of senior secured notes issued in 2014, €56.6 million of bilateral facilities and €74.5 million of finance leases.

EBITDA

We define EBITDA as profit from ordinary operations plus depreciation and amortization of fixed assets. However, other companies may present EBITDA differently than we do. We present EBITDA as additional information because we believe it is helpful to investors in highlighting trends in our business. EBITDA is not a measure of financial performance and should not be considered as an alternative to operating income as an indicator of our operating performance or any other measures of performance derived in accordance with IFRS.

The following table presents a reconciliation of EBITDA to operating income and net income for the periods indicated.

	Year ended December 31,		**Quarter ended December 31,**	
(in millions of euros)	**2017**	**2018**	**2017**	**2018**
EBITDA	**464.0**	**500.7**	**135.0**	**128.7**
Depreciation of Property, plant and equipment	(227.9)	(275.7)	(54.1)	(74.1)
Depreciation of intangible assets	(10.5)	(12.1)	(7.9)	(3.0)
Other operating income and expense	(4.5)	0.2	(1.6)	1.7
Operating profit	**221.2**	**213.2**	**71.4**	**53.3**
Financial income and expense	(116.7)	(102.1)	(27.3)	(24.8)
Share of profit of associates	(1.3)	-	(0.7)	-
Income tax expense	(18.9)	(20.6)	(7.7)	(6.1)
Net income	**84.3**	**90.4**	**35.7**	**22.4**

EBITDA amounted to €500.7 million in 2018 compared to €464.0 million in 2017, with an EBITDA margin of 33.8% in 2018 and 33.9% in 2017. EBITDA amounted to €128.7 million in the quarter ended December 31, 2018 compared to €135.0 million in the quarter ended December 31, 2017.

EBITDA from our Generalist France division amounted to €225.4 million in 2018, compared to €213.4 million in 2017. Our EBITDA margin for Generalist France was 34.2% in 2018 compared to 34.3% in 2017. EBITDA from our Generalist France division amounted to €59.1 million in the quarter ended December 31, 2018, compared to €59.5 million in the quarter ended December 31, 2017.

EBITDA from our Specialist France division amounted to €76.9 million in 2018, compared to €68.3 million in 2017. Our EBITDA margin for Specialist France was 34.1% in 2018 and 32.1% in 2017.

EBITDA from our Specialist France division amounted to €19.3 million in the quarter ended December 31, 2018 compared to €18.9 million in the quarter ended December 31, 2017.

EBITDA from our International division amounted to € 192.4 million in 2018, compared to €177.0 million in 2017. Our EBITDA margin for International was 32.2% in 2018 compared to 33.3% in 2017. EBITDA from our International division amounted to €48.6 million in the quarter ended December 31, 2018, compared to €55.2 million in the quarter ended December 31, 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 increases / share buy-back, acquisitions and high yield amortization costs. We present free cash flow as additional information because we believe it is helpful to investors in highlighting trends in our business. However, other companies may present free cash flow differently than we do. Free cash flow is not a measure of financial performance and should not be considered as an alternative to operating income as an indicator of our operating performance or any other measures of performance derived in accordance with IFRS.

In 2018, Loxam recorded a positive recurring free cash flow of €2.4 million compared to a negative recurring free cash flow of €50.6 million in 2017. A higher EBITDA before capital gains on fleet disposals, lower gross capital expenditure and lower cash taxes helped to improve the free cash flow performance.

In 2018, non-recurring cash items amounted to €8.5 million and are related to the decrease of the deposit paid to fixed assets suppliers (€11.3 million), to the UK platforms acquisition costs (€1.7 million) and to the fees incurred for the repayment of €85 million of notes (€1.6 million). In 2017, excluding the following non-recurring items, Loxam would have recorded a negative free cash flow of €50.6 million in 2017: €16.5 million of non-recurring costs incurred for the bridge facility of €779.3 million and the repayment of €110.7 million of senior secured notes ; €24.0 million of non-recurring costs incurred by Lavendon for the change of shareholders and €24.0 million of impact on working capital requirements due to a 10% deposit paid to fixed assets suppliers to benefit from tax benefits.

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

	Year Ended December 31,		**Quarter ended December 31,**	
	2017	**2018**	**2017**	**2018**
	(in millions of euros)			
EBITDA before capital gains on fleet disposals...............	**413.4**	**459.2**	**114.7**	114.7
+ Proceeds from disposals of fixed assets........................	66.6	62.8	25.0	17.6
- Gross capital expenditure	(432.8)	(412.5)	(92.5)	(97.3)
- operating income and expense [1]	(1.5)	(0.3)	(0.3)	(0.0)
- Financial income and expense [2]	(90.5)	(93.9)	(22.2)	(23.1)
- Income taxes [3]	(17.8)	(9.4)	(3.0)	(1.9)
- +/- Change in working capital requirement [4]	13.7	(2.5)	13.5	27.6
Miscellaneous [5]...	(1.6)	(0.9)	(1.9)	2.4
Recurring Free cash flow..	**(50.6)**	**2.4**	**33.3**	**40.2**
Non-recurring items [6]	(70.6)	8.5	1.9	1.1
Free cash flow[7]	**(121.1)**	**10.8**	**35.2**	**41.2**
Acquisition [8]...	(842.5)	(17.1)	(52.8)	-
Share capital decrease [9]	(9.6)	-	-	-
Dividends..	(4.9)	(6.9)	-	-
Issue costs amortization and currency variations............	(2.3)	(1.4)	(0.8)	0.1
Change in net debt [10]	**(980.4)**	**(14.6)**	**(18.4)**	**41.3**

Notes:

(1) Corresponds to non-recurring costs related to acquisitions.

(2) Corresponds to financial income and expense immediately payable (i.e., excluding non-cash items)

(3) Corresponds to taxes immediately payable (i.e., excluding deferred taxes).

(4) Excluding change in accrued interests on loans and change in other financial debt, which together totalled a decrease of €1.3 million in 2018 compared to a gain of €15.7 million in 2017.

(5) Primarily composed of deduction of capital gains of non-fleet disposal and other non-cash items excluded from EBITDA, mainly related to change in provisions.

(6) 2018 non-recurring items include: €11 million of deposit payments on future capital expenditures, €1.7 million of UK Platforms acquisition costs and €1.6 million of notes redemption premium, less income tax.

2017 non-recurring items include: €24 million of deposit payments on future capex, €24 million of increase in working capital requirements related to Lavendon's advisory take-over fees, €13.8 million of bridge facility fees and €2.7 million of notes redemption premium and €6.4 million of excess credit tax, less income tax.

(7) Before payment of dividends, capital increases and acquisitions.

(8) Corresponds to 2018 and 2017 acquisitions.

(9) Corresponds in 2017 to the share buyback of minority shareholders.

(10) Excluding change in derivatives instruments.

Net debt

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

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

	As of December 31,	
	2017	**2018**
	(in millions of euros)	
Senior secured notes	1,149.3	1,089.3
Senior subordinated notes	500.0	475.0
Issuance costs related to notes	(17.9)	(12.1)
Bank loans on bilateral facilities	364.6	409.1
Accrued interest on debt securities and loans	18.6	18.2
Lease liabilities	218.7	293.3
Other financial debt	4.4	4.4
Bank overdrafts	1.0	2.4
Loans and financial debt (gross debt)	**2,238.7**	**2,279.5**
Cash	(117.5)	(143.4)
Marketable investment securities	(0.1)	(0.4)
Cash and cash equivalents	**(117.5)**	**(143.8)**
Net debt	**2,121.2**	**2,135.7**

Net debt increased by €14.6 million to €2,135.7 million as of December 31, 2018 from €2,121.2 million as of December 31, 2017, primarily as a result of a positive free cash flow of €10.8 million, a €17.1 million negative effect of change in the scope of consolidation related to the acquisition of NVA and Nove, and dividends paid of €6.9 million.

Debt maturity profile

The table below provides the maturity profile of our outstanding indebtedness, as of December 31, 2018.

(in millions of euros)	**Total**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026 and later**
Bilateral loans	409.1	103.5	72.3	59.1	42.5	130.6	0.9	0.1	0.2
Lease liabilities...	293.3	88.0	79.7	66.0	41.9	17.2	0.5	0.0	-
Loans and financial debt owed to credit institutions.......................................	**702.4**	**191.6**	**152.0**	**125.0**	**84.4**	**147.8**	**1.4**	**0.1**	**0.2**
Other financial debt	4.4	4.4	-	-	-	-	-	-	
2014 senior secured notes due 2021	238.9	-	-	238.9	-	-	-	-	-
2014 senior subordinated notes due 2022	224.1	-	-	-	224.1	-	-	-	-
2016 senior secured notes due 2023	248.5	-	-	-	-	248.5	-	-	-
2017 senior secured notes due 2022	297.7	-	-	-	297.7		-	-	-
2017 senior secured notes due 2024	296.4	-	-	-	-	-	296.4	-	-
2017 senior subordinated notes due 2025	246.7	-	-	-	-	-	-	246.7	-
Total debt [(1)] **...**	**2,259.0**	**195.9**	**152.0**	**363.9**	**606.2**	**396.3**	**297.8**	**246.7**	**0.2**

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

We have no major financial debt amortization before July 2021 when our senior secured notes issued in July 2014 are due.

Currency and interest rate derivatives

Loxam still owns a portfolio of derivative financial instruments hedging interest rate variations for a notional amount of €36.5 million at December 31, 2018 for a maximum term in July 2022. These derivatives are recognized in financial liabilities for an amount of €1.5 million at December 31, 2018.

As of December 31, 2018, 83% of our financial debt has a fixed interest rate compared to 84% at the end of 2017.

The majority of our revenue (76% in 2018), expenses and obligations are denominated in euros. However, we are exposed to foreign exchange rate risk, primarily in respect of British pounds. Our foreign exchange rate derivative financial instruments as of December 31, 2018 covered current liabilities denominated in British pounds for GBP 74.9 million and in US dollars 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

FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2018

Statement of financial position

ASSETS (€'000)	Notes	31.12.17	31.12.18
Intangible assets and goodwill	5	1,333,889	1,327,286
Property, plant and equipment	6	1,232,597	1,354,701
Investments in associates	7	0	0
Financial assets	8	15,626	14,381
Financial derivatives	14	1,181	0
Deferred tax assets	22	21,632	18,394
Non-current assets		**2,604,925**	**2,714,762**
Inventories	9	29,315	30,782
Trade and other receivables	10	370,842	388,497
Other current assets	11	64,701	56,215
Corporate income tax receivables	11	19,380	12,256
Cash and cash equivalents	12	117,544	143,789
Current assets		**601,782**	**631,539**
Total assets		**3,206,707**	**3,346,301**

LIABILITIES (€'000)	Notes	31.12.17	31.12.18
Share capital		229,818	229,818
Additional paid-in capital		1,882	1,882
Consolidated reserves		211,953	292,489
Net profit for the year		84,644	95,658
Shareholders' equity (Group share)		**528,297**	**619,847**
Non-controlling interests		15,391	10,621
Total equity	**13**	**543,688**	**630,468**
Employee benefits	16	16,608	11,111
Deferred tax liabilities	22	62,064	70,400
Borrowings and financial debt	15	2,037,490	2,063,029
Financial derivatives	14	2,855	2,313
Non-current liabilities		**2,119,017**	**2,146,853**
Provisions	17	11,245	11,098
Borrowings and financial debt	15	201,218	216,504
Trade and other payables	18	188,181	202,210
Other liabilities	18	135,400	135,462
Corporate income tax liabilities	18	7,958	3,706
Current liabilities		**544,003**	**568,980**
Total shareholders' equity and liabilities		**3,206,707**	**3,346,301**

Consolidated income statement and statement of comprehensive income

€'000	Notes	31.12.17	31.12.18
Revenue		**1,367,698**	**1,482,583**
Other income		62,611	56,712
Operating income		**1,430,309**	**1,539,295**
Purchases consumed		(144,444)	(162,769)
Personnel expenses	19	(360,111)	(381,298)
Other current expenses		(443,267)	(475,283)
Taxes and duties		(18,488)	(19,261)
Depreciation and amortization		(238,383)	(287,761)
Profit from ordinary operations		**225,616**	**212,923**
Other operating incomes	20	14 045	5,530
Other operating expenses	20	(18,506)	(5,302)
Operating profit		**221,155**	**213,152**
Interest and financing-related expenses		(93,292)	(97,177)
Other financial expenses		(26,920)	(7,712)
Financial income		3,499	2,755
Financial income (expense)	21	**(116,714)**	**(102,135)**
Profit before tax		**104,441**	**111,017**
Share of profit of associates		(1,306)	0
Income tax expense	22	(18,860)	(20,571)
Net profit		**84,275**	**90,446**
Non-controlling interests		(369)	(5,212)
Net profit, Group share		**84,644**	**95,658**

	31.12.17	31.12.18
Net profit	**84,275**	**90,446**
Exchange gains or losses	(24,615)	1,149
Value adjustments linked to hedging derivatives	(842)	601
Tax		
Items recycled to profit or loss	***(25,457)***	***1,750***
Remeasurement of liabilities for defined benefit retirement plans	3,568	2,178
Tax	(894)	(581)
Items not recycled to profit or loss	***2,674***	***1,597***
Other comprehensive income	**(22,783)**	**3,348**
Comprehensive income	**61,492**	**93,793**

Of which exchange rate adjustments linked to the Lavendon Group: €(20,956)k in 2017

Consolidated cash-flow statement

€'000	Notes		31.12.17	31.12.18
Net profit			**84,275**	**90,446**
Share of profit of associates	7		1,306	-
Income tax expense (including deferred tax)	22		18,860	20,571
Net finance costs	21		116,714	102,135
Other operating income and expense			(14,045)	(2,416)
Depreciation and provisions, net of reversals			247,049	289,585
Capital gains on asset disposals			(52,046)	(44,079)
Cash flow from operations (before cost of financing and tax)			**402,112**	**456,241**
Income tax paid			(9,323)	(8,927)
Financial interest paid			(92,696)	(95,476)
Financial interest received			1,440	1,299
Change in working capital requirements			(40,727)	8,734
Cash flow from operating activities		**A**	**260,805**	**361,872**
Impact of changes in scope			(817,570)	(17,128)
Acquisitions of fixed assets			(432,838)	(412,497)
Disposals of fixed assets			66,643	62,752
Cash flow from investing activities		**B**	**(1,183,764)**	**(366,873)**
Dividends paid			(4,941)	(6,895)
Capital decrease			(9,554)	-
Proceeds from loans and borrowings	15		1,918,950	492,270
Repayment of loans and borrowings	15		(1,021,040)	(456,843)
Cash flow from financing activities		**C**	**883,416**	**28,532**
Change in cash and cash equivalents		**A+B+C**	**(39,544)**	**23,531**
Cash and cash equivalents at beginning of period			155,677	116,583
Cash and cash equivalents at end of period			116,583	141,418
Impact of exchange rate fluctuations			(450)	(1,303)
Change in cash and cash equivalents			**(39,544)**	**23,531**
Other marketable securities			89	352
Cash at bank and on hand			117,455	143,437
Current bank borrowings			(961)	(2,371)
Cash and cash equivalents			**116,583**	**141,418**

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 1st January 2016	**258,223**	**1,882**	**288,730**	**(1,834)**	**547,000**	**204**	**547,204**
Net profit for the period			34,298		34,298	87	34,386
Employee benefits				(2,434)	(2,434)		(2,434)
Exchange gains or losses			5	1,450	1,455	14	1,469
Comprehensive income			**34,303**	**(984)**	**33,320**	**102**	**33,421**
Capital movements	(25,822)		(69,720)		(95,542)	633	(94,910)
Dividends			(4,884)		(4,884)	-	(4,884)
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 (a)				2,674	2,674		2,674
Hedge of net investment				(842)	(842)		(842)
Exchange gains or losses (b)				(23,458)	(23,458)	(1,157)	(24,615)
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			95,658		95,658	(5,212)	90,446
Employee benefits (a)				1,607	1,607	(9)	1,597
Hedge of net investment				601	601		601
Exchange gains or losses				1,438	1,438	(289)	1,149
Comprehensive income			**95,658**	**3,646**	**99,304**	**(5,510)**	**93,793**
IFRS 9 (a)			(1,026)		(1,026)		(1,026)
Capital movements							
Dividends			(6,895)		(6,895)		(6,895)
Changes in scope			0		0	542	542
Other movements			167		167	199	366
At 31 December 2018	**229,818**	**1,882**	**408,945**	**(20,798)**	**619,847**	**10,621**	**630,468**

(a) net of tax

(b) Of which exchange rate adjustments linked to the Lavendon Group: €(20,956)k in 2017

Notes to the financial statements

IMPORTANT NOTE:

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

Note 1 – Overview

1.1. Presentation of the Group

Loxam is a French simplified joint stock company ("Société par actions simplifiée") with a capital of €229,818,150 as of December 31, 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, but also has a large international presence through operations in the Middle East, Morocco, Brazil and Colombia.

1.2. Context for the preparation of the IFRS consolidated financial statements

The consolidated financial statements for the period from January 1 to December 31, 2018 include Loxam and its subsidiaries (the whole referring to "the Group"), and the Group's share in equity affiliates and joint ventures.

1.3. Functional and reporting currency

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

Note 2 – Highlights

Overview of keys developments in 2018:

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

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

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

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

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

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

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

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

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

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

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

- Rapid Access Trading Bahrain W.L.L., located in Bahrain.

Overview of keys developments in 2017:

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

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

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

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

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

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

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

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

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

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

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

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

On December 31, 2017, the assets and liabilities of Loxam Access Ltd were sold to Nationwide Platforms Ltd (Lavendon UK).

On December 31, 2017, Workx Sloop- en Graafdiensten BV ceased trading.

Note 3 – Accounting principles

3.1. Declaration of compliance

The Loxam Group has prepared its consolidated financial statements at December 31, 2018, in accordance with IFRS (International Financial Reporting Standards) as adopted by the European Union at December 31, 2018, with mandatory compliance at this date, with comparative information presented for 2017, established with the same reporting standards. Our financial statements were approved by the Chairman on February 28, 2019.

These standards include International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS), as well as the interpretations of the Standing Interpretations Committee (SIC) and the International Financial Reporting Standards Interpretations Committee (IFRS IC).

These standards are available on the European Commission site:
http://ec.europa.eu.internal_market/accounting/ias/index_fr.htm

The consolidated financial statements include the financial statements of Loxam SAS and its subsidiaries for the financial year from January 1, 2018 to December 31, 2018.
The list of consolidated companies is presented in Note 4.

3.2. Application and interpretation of standards and regulations

New mandatory IFRS standards, IFRIC interpretations or amendments to be applied from January 1, 2018:

Standards, amendments or interpretations	Dates adopted by the European Union	Loxam application dates: financial year starting on or after
IFRS 15 – Revenue from ordinary activities from contracts with customers	22.09.2016	01.01.2018
Amendment to IFRS 15 – Clarification	31.10.2017	01.01.2018
IFRS 9 Financial Instruments – Classification and measurement - amendments to IFRS 9, IFRS 7 and IAS 39 – general hedge accounting	22.11.2016	01.01.2018
Amendments to IFRS 2 - Classification and Measurement of Share-based Payment Transactions	20.06.2016	01.01.2018
Amendments to IFRS 4 – For insurance contracts: "Apply IFRS 9 financial instruments with IFRS 4"	03.11.2017	01.01.2018
Amendments to IAS 40 – Investment property	15.03.2018	01.01.2018
IFRIC Interpretation 22 - Foreign Currency Transactions and Advance Consideration	28.03.2018	01.01.2018
AIP (Annual improvements for 2014-2016) : - IFRS 1 First-time Adoption of International Financial Reporting Standards - Deletion of short term exemptions for first-time adopters - IAS 28 Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment - by - investment choice	08.12.2016	01.01.2018

Impact on consolidated financial statements for year 2018:

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 replaces 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.

Revenue recognition in accordance with IFRS 15 has not resulted in any material differences in the timing of the revenue recognition or in the amounts to be recognized, compared to the previous principles.

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

IFRS 9, Financial Instruments:

On November 22, 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 are measured at amortised cost or at fair value by shareholders’ equity; shareholders’ equity instruments are measured at fair value through income or, by irrevocable option, at fair value by Other Comprehensive Income;
- a single model client risk depreciation: IFRS 9 aims to move from the provision of incurred losses on trade receivables to a forward-looking provision model based on expected credit losses;
- a significantly reformed approach of hedge accounting allowing risk management to be better reflected, particularly in expanding the field of eligible hedging instruments. While awaiting a future standard on macro hedging, IFRS 9 makes it possible to maintain the current regulations (IAS 39) on hedge accounting to any hedging relations or macro-hedging relations only.

The new IFRS 9 requires us to recognize an allowance for future expected credit losses at initial recognition and throughout the life of the trade receivable. Loxam has adopted an expected credit loss impairment model from January 1, 2018. The impact of the adoption of IFRS 9 was recognized as a transition adjustment to the opening equity at January 1, 2018 for an amount of €(1.2) million. No variation to this opening balance was booked at December 31, 2018.

Amendments published by the IASB and applicable by anticipation:

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

Standards, amendments or interpretations	Adoption in Europe	Loxam application dates: financial year starting on or after
IFRS 16 – Leases contracts	31.10.2017	01.01.2019
IFRIC Interpretation 23 Uncertainty over Income Tax Treatments	24.10.2018	01.01.2019
Prepayment Features with Negative Compensation - Amendments to IFRS 9	22.03.2018	01.01.2019

IFRS 16, Leases:

On October 31, 2017, the European Union published IFRS 16 standard "Leases" in the Official Journal, which replaces the IAS 17 standard and the associated IFRIC and SIC interpretations and removes 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 in the process of finalizing a first assessment of the likely impact of the new IFRS 16 standard for leases, which Loxam will apply from January 1, 2019. We anticipate that most of our contracts to be impacted by this change will be property leases.

We monitor standards, amendments or other recommendations published by IASB but not yet adopted by the European Union to anticipate possible changes on future Financial Statements. Other than IFRS 16, to date, there is nothing to report which we anticipate will have a significant impact for Loxam's consolidated financial statements.

New standards, reviews of IFRS regulatory and statutory framework, as well as interpretations published by the IASB, but not yet applicable, or not applied in advance by the Group:

Standards, amendments or interpretations	Adoption in Europe	Application dates: financial year starting on or after
Plan Amendment, Curtailment or Settlement - Amendments to IAS 19	not yet adopted	01.01.2019
AIP IFRS 3 Business Combinations - Previously held Interests in a joint operation	not yet adopted	01.01.2019
AIP IFRS 11 Joint Arrangements - Previously held Interests in a joint operation	not yet adopted	01.01.2019
AIP IAS 12 Income Taxes - Income tax consequences of payments on financial instruments classified as equity	not yet adopted	01.01.2019
AIP IAS 23 Borrowing Costs - Borrowing costs eligible for capitalisation	not yet adopted	01.01.2019

3.3. Presentation of the financial statements

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

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

3.4. Consolidation principle

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

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

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

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

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

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

3.5. Comparability of the financial statements

Considering the acquisitions of companies and businesses completed in 2018, Loxam's consolidated financial statements for 2018 include:

- 4 months of activity of NVA, acquired in June 2018 and merged into Loxam SAS on September 1, 2018,
- 6 months of activity of Nove, acquired at the end of June 2018,
- 12 months of activity of Degraus, which has been consolidated based on the full consolidation method from January 1, 2018.

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

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

3.6. Accounting judgments and estimates

To prepare the consolidated financial statements in accordance with IFRS, the Group makes a certain number of estimates and assumptions that are based on historical information and other factors, including expectations for future events that are considered reasonable in view of the circumstances. The Group's estimates and judgments with the most significant impacts on the financial statements concern the following elements:

- Impairment tests for intangible assets with an indefinite useful life (primarily goodwill) (Note 5),
- Measurement of obligations relating to defined benefit plans (Note 16),
- Measurement of financial instruments at fair value (Note 14),
- Qualification of leases (Note 3.13),
- Purchase price allocation.

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

3.7. Business combinations

a) Business combinations

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

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

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

The costs relating to the acquisition are expensed as incurred.

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

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

Goodwill is not amortized. In accordance with IAS 36 Impairment of Assets, it is subject to impairment tests at least once a year and more frequently if there are any indications of impairment. The conditions for these tests are presented in Note 3.14.

b) Commitment to buy out non-controlling interests (minority interests), entered into at the time of business combinations, if minorities do not retain current access to profits.

The anticipated acquisition method is applied: the deferred payment for the buyout commitment is recognised as a liability for the present value of the option's exercise price. Goodwill is calculated taking into account the total percentage including the commitment to buy out the non-controlling interests.

c) Commitment to buy out non-controlling interests (minority interests), entered into at the time of business combinations, if minorities retain current access to profits.

The deferred payment for the buyout commitment is recognised as a liability for the present value of the option's exercise price. Subsequent changes in the value of the commitment are recognised in equity attributable to owners of the parent.

d) Acquisition of non-controlling interests (minority interests), agreed on after business combinations:

For an additional acquisition of shares in an entity that is already controlled, the difference between the acquisition price of the shares and the additional consolidated equity interest acquired is recognised in equity attributable to owners of the parent, while keeping the consolidated value of the subsidiary's identifiable assets and liabilities, including goodwill, unchanged.

3.8. Foreign currency translation methods

a) Transactions in foreign currencies

Transactions in foreign currencies are converted into euros based on the exchange rate at the date of the transaction.
Monetary assets and liabilities denominated in foreign currencies are converted based on the exchange rate at the reporting date.
Profit and loss data denominated in foreign currencies are converted using the average rate for the period.
The resulting exchange gains or losses are recognised in profit or loss for the year under financial income and expenses.

b) Financial statements in foreign currencies

The assets and liabilities of subsidiaries presented in foreign currencies are converted into euros based on the exchange rate at the reporting date. Income and expenses for these companies are converted into euros at the average exchange rate for the year. The resulting exchange gains or losses are recognised directly in other comprehensive income.

Exchange rates applied at 31 December 2018 (euro vs. currency):

1 EUR =	GBP	CHF	DKK	MAD	NOK	BRL	USD
Closing date rate	0.8990	1.1255	7.4663	10.9579	9.9034	4.4465	1.1467
Average rate	0.8848	1.1546	7.4528	10.8082	9.6042	4.3053	1.1813
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	4.2116	4.3021	4.1917	0.4323	0.4415	3,726.2700
Average rate	4.3349	4.4262	4.1658	0.4428	0.4534	3,444.0241
Opening date rate	4.4095	4.5018	4.3978	0.4526	0.4622	3,586.4100

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

Under IAS 1, assets and liabilities are classified as “current” or “non-current”.
Loxam applies the following rules for classifying the main balance sheet aggregates:

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

3.10. Fair value of financial assets and liabilities

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

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

Further information on the classification of financial instruments for each category is presented in Note 3.18 (Cash and cash equivalents), Note 3.19 (Derivative financial instruments – relating to the interest rate risk), and Note 3.20 (Derivative financial instruments – relating to the foreign exchange risk).

3.11. Intangible assets and goodwill

a) Goodwill

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

b) Trademarks 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 the estimated useful life from the moment assets are brought into service.
These other intangible assets are primarily software products, amortized over one to three years.

3.12. Property, plant and equipment

Property, plant and equipment are recognised at their acquisition cost, after deducting accumulated depreciation and impairment losses. They are not revalued.
The cost includes the expenditure directly attributable to the asset's acquisition.
Depreciation charges for property, plant and equipment are calculated on a straight-line basis over the useful lives indicated below. Land is not depreciated.

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

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

3.13. Leases

The Group holds finance leases in accordance with IAS 17.
Finance-leased fixed assets, transferring substantially all the risks and rewards of ownership of the leased asset to the Group, are recorded as assets on the balance sheet at the lower of the fair value of the equipment leased and the present value of minimum future lease payments.
The corresponding liability is recorded as financial liabilities.
Lease payments are apportioned between financial expense and the reduction of the liability in order to obtain a constant periodic rate of interest on the remaining liability.
Finance-leased assets are depreciated over their useful life in accordance with the accounting policy applicable to the other property, plant and equipment (cf. Note 3.12- Property, plant and equipment).
Leases under which the lessor retains substantially all the risks and rewards of ownership of the asset are operating leases. Payments for these leases are recorded as expenses on a straight-line basis over the term of the lease.

3.14. Impairment of intangible assets and property, plant and equipment

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

Goodwill is tested annually and whenever indications of impairments arise.

To be tested, the assets that do not generate independent cash inflows are grouped in cash generating units (CGU), which correspond to the countries in which the Group operates. These countries may be grouped together by geographic area (aggregation of CGU's), particularly for financial reporting. For impairment testing, the CGUs 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.

3.15. Financial assets

Financial assets include:

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

Financial assets are measured and recognized in accordance with IAS 39.
Financial assets are initially recognised at their fair value.
Financial assets maturing in under one year are classified as current financial assets.

3.16. Inventories

Inventories primarily include trade products, parts and consumables. Inventories are measured using the weighted average cost method.
An impairment is recognised when the realisable value, less costs of disposal, is lower than the book value.

3.17. Trade receivables and other current assets

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

3.18. Cash management assets and Cash and cash equivalents

In accordance with IAS 7 Statement of Cash Flows, the cash recorded in the consolidated cash flow statement includes cash at bank and on hand, bank credit balances and cash equivalents. Cash equivalents correspond to liquid short-term deposits that are easily convertible into a determinable amount of liquid assets and subject to an insignificant risk of changes in value.

Term deposits for over three months, which include options for early withdrawals at any time without notice, particularly to cover short-term cash commitments, are consistent with the definition of cash and cash equivalents from IAS 7 in the following cases:

- The capital is guaranteed even in the event of early withdrawal,
- No penalties are due in the form of payments to the financial institution managing the investment, or non-payment of part of the return on the investment. When the return is calculated based on the rate for the previous period or a reduced rate, without any significant change in the value of the amount of the return received, this is not considered to be a penalty and does not call into question the investment's classification as cash and cash equivalents.

Cash management financial assets comprise money-market securities, bonds and shares in UCITS invested over a short-term management horizon that do not meet the criteria for being classified as cash equivalents under IAS 7. They are measured and recognised at fair value. Changes in fair value are recognised in profit or loss.
Purchases and sales of cash management financial assets are recognised on the transaction date.
Marketable securities classified as cash equivalents on the reporting date are recognised at fair value through profit or loss, with their fair value based on their net asset value.

3.19. Derivative financial instruments – relating to the interest rate risk

The Group holds interest rate swaps to reduce its net interest rate risk exposure.
These derivative financial instruments are initially recognised at their fair value. This fair value corresponds to Category 2 consistent with the definitions given in Note 3.10. Since the hedging relationship is not documented, changes in fair value are recognised in profit or loss.
The swaps that were eligible for hedge accounting on the transition date have been recognised in other comprehensive income on the opening balance sheet. This reserve is amortized over the term of the swap agreements. Following the refinancing in July 2014, virtually all the variable-rate loans held by Loxam SAS were repaid and fixed-rate bonds were subscribed to. The swaps retained were no longer effective after July 2014. As a result, the remaining reserve was fully recycled to profit or loss when the underlyings disappeared.

3.20. Derivative financial instruments – relating to the foreign exchange risk

On an ad hoc basis, and consistent with its market forecasts, the Loxam Group uses financial instruments to reduce its net foreign exchange risk exposure, 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 Lavendon Group (3.21). These foreign exchange derivative instruments are recognised at fair value on the balance sheet. Fair value adjustments are recognised in profit or loss.

3.21. 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 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 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 loans.

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 have been recognized in the income statement.

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

3.22. Employee benefits

Under IAS 19 (revised), all current and future benefits or compensation acquired by employees in return for services rendered during the current period and prior periods must be recognised as an expense over the period when rights are vested.
In accordance with the laws and practices in each country where it operates, the Group is part of various plans for retirement and post-employment benefits.

a) Defined contribution plans

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

b) Defined benefits plans

Retirement and related benefits under defined benefit plans are subject to provisions based on an actuarial calculation carried out at least once a year in accordance with IAS 19 (revised).
To assess retirement benefits, the projected unit credit method is applied: each period of service gives rise to an additional unit of benefit entitlements, and each unit is valued separately to determine the obligation in relation to employees.
The calculations consider the specific features of the various plans, as well as the assumptions for retirement dates, career development and wage increases, and the probability of employees still being employed by the Group when they reach retirement age (informed by staff turnover, mortality tables, etc.). The present value of the obligation is determined based on the interest rates for long-term bonds from top-tier issuers.
An employee benefit liability is recorded for the obligation net of any plan assets measured at fair value.
The net expenses for retirement and related benefits are recognised in operating profit for the period in relation to the cost of services provided during the period. The net financial cost is recognised in financial income and expenses.
Under IAS 19R, the actuarial gains or losses generated by changes in assumptions on the net defined benefit liability or differences between interest income and the actual returns on plan financial assets are recognised immediately in other comprehensive income and cannot be recycled to profit or loss.

c) Other long-term benefits

Certain other long-term benefits are also subject to provisions, which are determined with a similar actuarial calculation to that applied for defined benefit plans.
These benefits primarily concern jubilee awards. Remeasurements of the obligation are recognised in profit or loss.

3.23. Provisions

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

3.24. Borrowings and financial debt

Interest-bearing liabilities are initially measured at their fair value, less any directly attributable transaction costs. Subsequently, borrowings and financial debt are measured at their amortized cost using with the effective interest rate method.
The Loxam Group regularly issues loans on the bond market in order to finance its acquisitions. As part of its policy aimed at renewing its debt, the Group's Finance Division weighs up the renewal of tranches reaching maturity at least two years before the redemption term.
From 2016, the effective interest rate on bond loans has been calculated over the term of the loan less two years.

3.25. Trade payables and related

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

3.26. Tax

Income tax includes both current and deferred tax.
Current tax corresponds to the cumulative amount of corporate income tax payable on taxable income for all the Group's companies and is determined using the tax rates adopted on the reporting date.
There are two tax consolidations within the Group: one for the French companies, with Loxam SAS as head of the group, and one for the Danish companies.

Deferred tax is recorded, using the accrual method, generally for temporary differences on the reporting date between the taxable base for assets and liabilities and their book value on the balance sheet.
Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the assets will be realized or the liabilities settled, based on the tax rates - and tax regulations - that have been enacted or substantively enacted at the reporting date.
In the event of deductible temporary differences and tax losses, deferred tax assets are recognised for the amount of the deferred tax liabilities whose repayment will make it possible to allocate these tax losses, and beyond that if it is likely that the Group will have future taxable profits.

Deferred taxes are recorded for each entity. Deferred tax assets and liabilities are offset on the balance sheet when taxes are levied by the same tax authority and they relate to the same taxable entity.
Taxes relating to elements recorded in other comprehensive income are recognised in other comprehensive income and not in profit or loss.
The Group does not consider the French CVAE business value-added tax to be an income tax under IAS 12 and accounts for it as taxes other than on income.

3.27. Revenue

Revenue comprises income from equipment rental, services and sales related to rental activities (transportation, damage waivers, labor charges invoiced for repairs) and sales of goods.
Rental revenue
Revenue generated from equipment rental is recognized straight line over the rental period. Contract durations can vary from one day to a few months but are mostly short-term. The contract ends upon the equipment return.

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

Retail revenue and sale of equipment
Revenue from retail activities and sale of equipment is recognized upon delivery to the customer.

3.28. Other income

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

3.29. Other current expenses

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

3.30. Other operating income and expenses

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

3.31. Financial income and expenses

Financial income primarily concerns interest on investments.

Financial expenses primarily concern interest on bank borrowings and bonds, adjustments to the fair value of financial instruments, and the amortization of the recyclable reserve included in other comprehensive income for swaps classified as hedging on the transition date, then disqualified due to a lack of documentation.
Exchange gains and losses are recorded as financial income or expenses consistent with fluctuations in foreign currencies resulting in gains or losses.

Note 4 – Scope of consolidation

Legal entities	SIREN number (France) or country	% of control	% of interest	Consolidation method
SAS LOXAM	**450776968**	**100%**	**100%**	**Parents**
SAS LOXAM MODULE	433911948	100%	100%	Full
SAS LOXAM POWER	366500585	100%	100%	Full
LOXAM GMBH	Germany	100%	100%	Full
LOXAM S.A.	Switzerland	100%	100%	Full
LOXAM S.A.	Belgium	100%	100%	Full
LOXAM RENTAL SARL	Luxembourg	100%	100%	Full
LOXAM LTD	Ireland	100%	100%	Full
LOXAM ALQUILER(a)	Spain	-	-	-
LOXAM BV (b)	Netherlands	100%	100%	Full
WORKX HOLDING BV(b)	Netherlands	-	-	-
WORKX MATERIEELVERHUUR BV(b)	Netherlands	-	-	-
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 (c)	409981024	-	-	-
SCI TARTIFUME	328948013	100%	100%	Full
SCI THABOR	332962125	100%	100%	Full
LOXAMAM	799097944	100%	100%	Full
HUNE RENTAL S.L.	Spain	100%	100%	Full
HUNE ALUGUER LDA	Portugal	100%	100%	Full
GRUAS Y EQUIPOS HUNE	Colombia	100%	50%	Full
HUNE SICO LLC	Saudi Arabia	100%	49%	Full
LAVENDON HOLDINGS LTD	United Kingdom	100%	100%	Full
ZOOOM HOLDINGS LTD	United Kingdom	100%	100%	Full
ACCESS SOLUTIONS LTD	United Kingdom	100%	100%	Full
LAVENDON ACCESS SERVICES LTD	United Kingdom	100%	100%	Full
ZOOOM LTD	United Kingdom	100%	100%	Full
NATIONWIDE PLATFORMS LTD	United Kingdom	100%	100%	Full
LOGICAL COMMERCE LTD	United Kingdom	100%	100%	Full
PANTHER PLATFORM RENTALS LTD	United Kingdom	100%	100%	Full
AMP ACCESS LTD	United Kingdom	100%	100%	Full
BLUE SKY TOPCO LTD	United Kingdom	100%	100%	Full
BLUE SKY SOLUTIONS LTD	United Kingdom	100%	100%	Full
RAPID JERSEY (N°2) LTD	United Kingdom	100%	100%	Full
ZOOOM STERLING LTD	Jersey	100%	100%	Full
ZOOOM EURO LTD	Jersey	100%	100%	Full
ZOOOM DOLLAR LTD	Jersey	100%	100%	Full
LAVENDON ACCESS SERVICES SAS (d)	France	-	-	-

DK RENTAL NV	Belgium	100%	100%	Full
RAPID ACCESS BV	Netherland	100%	100%	Full
RAPID ACCESS LLC (e)	United Arab Emirates	100%	49%	Full
RAPID ACCESS WLL (f)	Bahrain	100%	49%	Full
RAPID ACCESS LTD (g)	Saudi Arabia	100%	52%	Full
RAPID ACCESS LLC (h)	Oman	100%	34%	Full
RAPID ACCESS MIDDLE EAST LLC (i)	United Arab Emirates	100%	100%	Full
RAPID ACCESS TRADING BAHRAIN WLL (j)	Bahrain	100%	100%	Full
LOXAM ACCESS SRL (k)	Italia	100%	80%	Full
NOVE SRL (k)	Italia	-	-	-
SWAN PLANT HIRE	Ireland	100%	100%	Full
LIR HOLDINGS LTD	Ireland	100%	100%	Full

(a) Merger of Loxam Alquiler into Hune Rental SLU on April 1, 2018. The merger has a retroactive effect as at January 1, 2018.

(b) Merger of Workx Materieelverhuur BV and Workx Holding with Loxam BV on June 1, 2018. The merger has a retroactive effect as at January 1, 2018.

(c) On December 30, 2018, the net assets of EURL Norleu have been fully transferred into Loxam.

(d) Merger of Lavendon Access Services SAS ("Lavendon France") into Loxam SAS on April 1, 2018.

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

f) 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 thus is considered to have control. Rapid Access WLL is treated as a wholly owned subsidiary for the group's accounting purposes.

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

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

(i) Rapid Access Middle East LLC has a 100% interest in the shares of Rapid Access Trading Bahreïn WLL.

(j) Company created in the fourth quarter of 2018.

(k) Loxam Access SRL acquired No.Ve. S.r.l. ("Nove") on June 21, 2018. Nove merged into Loxam Access SRL on December 21, 2018.

Note 5 – Intangible assets and goodwill

Changes in intangible assets and goodwill in 2018

€'000	Intangible assets	Goodwill	Total
Net book value at beginning of year	**81,255**	**1,252,634**	**1,333,889**
Changes in scope	2,511	2,680	**5,191**
Increase	4,107	275	**4,382**
Amortization and depreciation of the year (a)	(12,051)	(608)	**(12,659)**
Decrease / disposals (b)	(1,695)	(138)	**(1,833)**
Reclassification	1,725	0	**1,725**
Exchange gains or losses	(843)	(2,566)	**(3,409)**
Net book value at end of year	**75,009**	**1,252,277**	**1,327,286**

(a) The impairment of goodwill relates to Hune Pronto Rental for €608,000.

(b) The liquidation of Workx Sloop-en Graafdiensten BV resulted in the write-off of its goodwill for €138,000.

Changes in intangible assets and goodwill in 2017

€'000	Intangible assets	Goodwill	Total
Net book value at beginning of year	**1,459**	**967,517**	968,976
Changes in scope	91,555	300,743	392,298
Increase	4,049	0	4,049
Amortization and depreciation of the year	(13,471)	0	(13,471)
Decrease / disposals	0	(5,934)	(5,934)
Reclassification	603	0	603
Exchange gains or losses	(2,941)	(9,691)	(12,632)
Net book value at end of year	**81,255**	**1,252,634**	**1,333,889**

Impact of changes in scope on goodwill in 2018

The impact of changes in scope mainly concerns Nove (merged on December 21, 2018 into Loxam Access SRL) and NVA, which accounted for impacts of €2,071k and €450k, respectively.

Trademarks and customer relationships

The purchase price for the following acquisitions was allocated to the following intangible assets and valued as follows at December 31, 2018:

€'000	Trademarks	Customer Relationships	Total
Lavendon Group	13,613	43,353	56,966
Hune Group	1,702	4,947	6,649
Loxam Access SRL	734	1,385	2,119
Net value at end of period ended December 31, 2018	**16,048**	**49,685**	**65,734**

Note that the trademark Lavendon France has been fully depreciated for €609k.

Impact of changes in scope on goodwill in 2017:

€'000	Total
Lavendon Group	256,239
Hune Rental	30,145
Nacanco	13,175
Swan	1,185
Total changes in scope	**300,743**

At December 31, 2017, the purchase price allocation exercise of Lavendon and Hune Groups enabled the identification and valuing of the following intangible assets:

€'000	Trademarks	Customer Relationships	Total
Lavendon Group	16,168	48,173	64,341
Hune Group	2,253	5,759	8,012
Net value at end of period ended December 31, 2017	**18,421**	**53,932**	**72,353**

Goodwill impairment tests:

Goodwill and other intangible assets with an indefinite useful life acquired through business combinations are allocated to the CGUs for impairment testing. The CGUs correspond to the countries where the Group operates. For financial reporting, the Group has combined its CGUs for each region: France and International.

Allocation of goodwill for each CGU group:

€'000	31.12.17	31.12.18
France	820,486	839,830
International	432, 148	412,448
TOTAL	**1,252,634**	**1,252,278**

Goodwill is tested at least once a year and whenever indications of impairment arise. The last test was performed in December 2018.
In these tests, the book value of the net asset, including goodwill allocated to a CGU, is compared with its recoverable amount. The recoverable amount is determined using the "Discounted Cash Flow" method. The cash flow forecasts used for the calculations are based on amounts from the following year's budget approved by management, and forecasts for the next four years.
The cash flow forecasts covering a five-year period are based on experience and development forecasts for the markets in which the Group operates. Cash flows are calculated net of tax and discounted to their present value with a discount rate reflecting the risks associated with the cash flows. The discount rates correspond to the weighted average cost of capital (WACC) calculated for each CGU, in line with the sector's financial structure and market data.

Following the result of this test, the goodwill of Hune Pronto rental was depreciated for an amount of €608k. For the other entities of the group, no impairments were recorded since the recoverable value exceeded the book value for each CGU.

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

	31.12.17		31.12.18	
%	Perpetuity growth rate	Discount rate	Perpetuity growth rate	Discount rate
France	1.5%	6.97%	1.5%	6.61%
International	1.5% to 5%	6.2% to 11.6%	1.5% to 7%	6.2% to 13.3%

Perpetuity growth rate: The perpetuity growth rate reflects a moderate level of inflation expected for the entire region in which the Group operates.

Discount rate: The cash flow forecasts are discounted with a specific rate for each CGU. The weighted average cost of capital (WACC) represents the discount rate. To determine the specific rate for each CGU, the specific risk for each country is taken into account, including assumptions for fluctuations in inflation and/or exchange rates.

Sensitivity analysis regarding the key assumptions: the amounts presented below include the value assigned to the main parameters, for each assumption taken separately, for which the book value is equal to its recoverable amount. In the sensitivity analysis, the parameters for the perpetuity growth rate and discount rate are modified independently, while holding the other assumptions constant.

Sensitivity tests: value of the parameter to reach the book value:

	31.12.17		31.12.18	
%	Perpetuity growth rate	Discount rate	Perpetuity growth rate	Discount rate
France	-3.4%	10.4%	-2.8%	9.7%
International	-3.8%	10.6%	-7.8%	12.5%

Note 6 – Property, plant and equipment

Change in property, plant and equipment in 2018

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

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**
Increase	420,584	30,642	**451,227**
Amortization and depreciation of the year	(208,164)	(19,716)	**(227,880)**
Decrease / disposals	(12,148)	(1,745)	**(13,893)**
Reclassification	(200)	(401)	**(602)**
Exchange gains or losses	(18,747)	(803)	**(19,550)**
Net value at end of year	**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 m.

Note 7 – Investments in associates

Gross and net values

€'000	Associates 31.12.17	Associates 31.12.18
Value at beginning of year	**9,738**	**-**
Increase in capital of associates		
Group share in earnings for the year	(1,306)	
Dividends paid		
Changes in scope	(8,432)	
Exchange gains or losses		
Value at end of year	**-**	**-**

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 in 2018

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

€'000	Loans and other borrowings (a)	Other non-current financial assets	Total
Gross and net value at beginning of year	**15,614**	**12**	**15,626**
Changes in scope	(63)		**(63)**
Increase	726		**726**
Decrease	(1,639)		**(1,639)**
Exchange gains or losses	(269)		**(269)**
Gross and net value at end of year	**14,369**	**12**	**14,381**

Change of Financial assets in 2017

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

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

Note 9 – Inventories

€'000 - Net value	31.12.17	31.12.18
Trade	12,534	12,024
Parts and consumables	16,781	18,759
Total	**29,315**	**30,782**

Note 10 – Trade and other receivables

€'000	31.12.17	31.12.18
Gross value	436,264	474,295
Impairment	(65,422)	(85,798)
Total trade and other receivables	**370,842**	**388,497**
Not past due	60%	60%
Past Due < 30 days	22%	18%
Past Due 30 to 60 days	8%	8%
Past Due > 60 days	10%	14%

Note 11 – Income tax receivables and other current assets

€'000	31.12.17	31.12.18
Income tax receivables	19,380	12,256
Prepaid expenses	14,988	15,371
Other receivables	49,712	40,843
Other current assets	64,701	56,215
Total income tax receivables and other current assets	**84,081**	**68,470**

Note 12 – Cash management assets, cash and cash equivalents

€'000	31.12.17	31.12.18
Other marketable securities	89	352
Cash	117,455	143,437
Total	**117,544**	**143,789**

Marketable securities comprise cash investment funds (SICAV) included in the AMF's "short-term money market" category, as well as term accounts and deposits in line with the IAS 7 definition of cash and cash equivalents (cf. Note 3.18).

Note 13 – Shareholders' equity

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.

The dividend paid per share amounted to €0.30 in 2018 compared to €0.21 in 2017.

Note 14 – Financial risk management - Financial instruments

Financial instruments relating to interest rate risk:

As indicated in Note 3.19, the interest rate swaps entered into by the Group are classified as derivative financial instruments. No new contracts were entered into in 2017 and 2018.

At December 31, 2018, these agreements relate to a notional amount of €36.5 million against the 3 month Euribor, with the next maturity date in January 2019 and a maximum maturity date of July 2022. At December 31, 2017 these agreements had a notional amount reaching €81.9 million.

At December 31, 2018, the fair value of these derivative instruments amounts to €1.4 million, compared to €2.9 million at December 31, 2017. Fair value adjustments are accounted for in financial incomes for an amount of €1.5 million in 2018 and €2.0 million in 2017.

The fair value is estimated based on forecasts of observable interest rates on the derivatives market and classified as Level 2 in accordance with the classification presented in Note 3.10.

Financial instruments relating to foreign exchange risk:

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

Loxam SAS held forward contracts on the Pound Sterling for GBP 74.9 million at December 31, 2018, compared to GBP 100.0 million at December 31, 2017. Loxam SAS held forward contracts on the US Dollar for USD 7.0 million at December 31, 2018 compared to USD 16.0 million at December 31, 2017.

The fair value of these financial instruments is a liability of €0.9 million at December 31, 2018, compared to an asset of €1.2 million at December 31, 2017. The change in fair value between December 31, 2017 and December 31, 2018 is accounted as a financial loss for an amount of €2.1 million against a financial income of €1.2 million in 2017.

The fair value is estimated based on forecasted exchange rates observable on the currency market and is classified as Level 2 in accordance with the classification presented in Note 3.10.

Change in the valuation of financial instruments in 2018:

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

Derivatives instruments included in the assets	**-**
Derivatives instruments included in the liabilities	**2,313**

Change in the valuation of financial instruments in 2017:

€'000	GBP Option	Interest Rate swaps	Exchange rate hedging	Financial instruments
Fair value level	Level 2	Level 2	Level 2	
Value at beginning of year	**(741)**	**4,854**	**(24)**	**4,089**
Changes in scope				
Acquisition				
Value adjustment	741	(1,999)	(1,157)	**(2,415)**
Value at end of year	**0**	**2,855**	**1,181**	**1,674**

Derivatives instruments included in the assets	**1,181**
Derivatives instruments included in the liabilities	**2,855**

Net investment hedge

As indicated in Note 3.21, following the acquisition of the Lavendon Group, the Loxam Group maintained the net investment hedge applied in the Lavendon "foreign operations" sub-group until March 31, 2018.

The amount recorded in OCI as a net investment hedge amounted to €(237)k at December 31, 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 December 31, 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	31.12.18
Bond (a)	1,631,419	1,552,170
Bilateral and bridge loans net of issuance costs	256,027	305,570
Lease debt	150,043	205,289
Non-current financial debt	**2,037,490**	**2,063,029**
Short-term bilateral loans	108,584	103,523
Short-term lease debt	68,610	88,043
Other financial debt	23,064	22,567
Current bank borrowings	961	2,371
Current financial debt	**201,218**	**216,504**
Financial debt	**2,238,708**	**2,279,533**

(a) Net of bond issue costs.

Breakdown of financial debt by interest rate

€'000	31.12.17	31.12.18
Variable-rate debt	349,049	379,967
Fixed-rate debt	1,888,402	1,896,900
Bank overdrafts	961	2,371
Other	296	295
TOTAL	**2,238,708**	**2,279,533**

Breakdown of financial debt by maturity

€'000	31.12.17	31.12.18
< 1 year	201,218	216,504
1 to 5 years (a)	1,242,959	1,518,329
> 5 years	794,531	544,700
TOTAL	**2,238,708**	**2,279,533**

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

Change in borrowings and financial debt

Changes in 2018

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

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)		**-**
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**

Note 16 – Employee benefits

€'000	31.12.17	31.12.18
Net Defined Benefit Obligation	**16,608**	**11,111**
Reconciliation of the commitment and the provision		
Commitment	30,178	13,271
Plan assets	(13,570)	(2,160)
Net Defined Benefit Obligation at year-end	**16,608**	**11,111**
Movement in Defined Benefit Liability		
Net Defined Benefit Liability at beginning of year	**18,716**	**16,608**
Expense for the financial year	1,143	(3,378)
Recognition of actuarial gains or losses through OCI	(3,568)	(2,269)
Benefits or contributions paid by the employer	(1,025)	(906)
Exchange gains or losses	(111)	58
Changes in scope	1,454	997
Net Defined Benefit Obligation at year-end	**16,608**	**11,111**
Breakdown of the expense for the financial year		
Current service cost	779	1,046
Other	52	(41)
Interest cost	312	202
Gain related to contract amendment (a)		(4,585)
Expense for the year	**1,143**	**(3,378)**

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

The provisions for employee benefits concern retirement benefits for €10,220k at December 31, 2018 compared to €14,291k at December 31, 2017, and jubilee awards for €891k at December 31, 2018 compared to €2,317k at December 31, 2017.

	31.12.17		31.12.18	
Actuarial assumptions used	**France**	**International**	**France**	**International**
Discount rate (a)	1.75	0.6 to 2.25	2.00	1.00 to 2.00
Salary increase rate	1.50	0.00 to 4.6	1.50	0.00 to 4.6
Inflation rate	1.75	0.60 to 1.75	1.75	0.60 to 1.75
Mortality table	THTF 00-02	Depending on the country	THTF 00-02	Depending on the country
Retirement age	65	62 to 70	65	62 to 70

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

Schedule of future payments over four years	**31.12.17**	**31.12.18**
Less than 1 year	494	324
More than 5 years	9,726	5,614

Sensitivity Analysis - Changes in the defined benefit obligation as %	**31.12.17**	**31.12.18**
Discount rate +0.5%	-11%	-10%
Discount rate -0.5%	9%	4%

Note 17 – Provisions

Change in provisions in 2018:

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

(a) Relate to exchange differences (mainly Degraus) and a provision for the refurbishment work at Porte Maillot €(1,106)k.

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	31.12.18
Trade payables	120,615	132,547
Payables to fixed asset suppliers	67,566	69,663
Trade payables and related	**188,181**	**202,210**
Corporate income tax liabilities	**7,958**	**3,706**
Tax and social security liabilities	111,149	115,035
Other liabilities	22,412	19,094
Accrued income	1,839	1,333
Other liabilities and accruals	**135,400**	**135,462**
Total current liabilities	**331,540**	**341,378**

Note 19 – Personnel expenses

€'000	31.12.17	31.12.18
Salaries	277,573	288,989
Payroll taxes	81,927	89,542
Employee profit-sharing	611	2,767
Total personnel expenses	**360,111**	**381,298**
Average headcount	7,900	7,928

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 December 31, 2018 the other operating incomes amounted to €5,530k and are related to the gain on pension contribution contracts requalification.

The other operating expenses amounted to €5,302k and resulted from fees incurred for the acquisition of Nove, NVA and UK Platforms, impairment on fleet, depreciation on goodwill of Hune Pronto Rental and the depreciation of the Lavendon France trademark.

At December 31, 2017 net other operating incomes and expenses amounted to €4,461k and related to non-recurring fees from the acquisitions of Hune and Lavendon which were partially offset by the net capital gain on the Gardemann disposal.

Note 21 – Financial income (expense)

€'000	31.12.17	31.12.18
Interest and financing-related expenses	(93,292)	(97,177)
Income from cash and cash equivalents	4	1
Net finance costs	**(93,288)**	**(97,176)**
Fair value adjustments for financial instruments	2,740	(640)
Non-recurring financial expenses (a)	(20,075)	(1,902)
Foreign exchange gains or losses	(7,117)	(3,198)
Other financial expenses	(362)	(486)
Other financial income	1,389	1,267
Financial income (expense)	**(116,714)**	**(102,135)**

(a) In 2018, mainly concerns early repayment and accelerated amortization of issuance costs following the reimbursement of €60 million of the €299.3 million outstanding principal amount of the 2021 Senior Secured Notes issued in 2014 and €25 million of the €250.0 million outstanding principal amount of the 2022 Senior Subordinated Notes.
In 2017, this item was related to:
- fees for issuance and early repayment of the bridge facility for €13.8 million,
- fees for early repayment and accelerated amortization of issuance costs following the reimbursement of €110.7 million of €410 million senior secured notes issued in 2014 for €3.4 million
- revaluation of investment to equity affiliate following the increasing stake in the Degraus company in Q4 2017 for €2.9 million.

Note 22 – Corporate income tax

Analysis of tax expense

€'000	31.12.17	31.12.18
Current tax	(9,323)	(8,927)
Deferred tax	(9,537)	(11,644)
Total	**(18,860)**	**(20,571)**

Different tax rates were used for the calculation of deferred taxes on accelerated amortizations (25.83%) and employee benefits (25.83%) 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 theoretical tax expense

€'000	31.12.17	31.12.18
Consolidated income before tax and "CICE" French tax credit	97,591	104,503
Tax rate (parent)	34,43%	32,02%
Theoretical tax expense	**(33,601)**	**(33,462)**
Difference in parent / subsidiary rates	11,637	8,617
Unused tax losses for the year	(2,334)	(3,295)
Use of previously unused losses	3,017	289
Permanent differences	2,134	7,588
Withholding taxes on dividends	(148)	-
Tax credits and other	434	(309)
Actual tax expense	**(18,860)**	**(20,572)**

Deferred tax assets and liabilities

€'000	31.12.17	31.12.18
Opening balance	**(17,606)**	**(40,432)**
Income (expense)	(9,537)	(11,644)
Change in scope	(12,480)	300
Own funds allocation	(860)	(486)
Other changes	51	257
Closing balance	**(40,432)**	**(52,006)**

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

Note 23 – Operating lease commitments

€'000	31.12.17	31.12.18
Future minimum lease payments by maturity:		
Less than 1 year	70,534	68,085
1 to 5 years	128,361	142,554
Over 5 years	15,007	34,735
Total future minimum lease payments (undiscounted)	**213,902**	**245,373**

Note 24 – Off-balance sheet commitments

€'000	31.12.17	31.12.18
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:

- Guarantees from Loxam SAS on subsidiaries' borrowings (bilateral and leasing) for €36,543k at December 31, 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

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

€'000	31.12.17	31.12.18
Executive Committee compensation	2,994	3,084
Executive Committee benefits in kind	34	31
Attendance fees paid to directors	40	44
Total amount of compensation and benefits paid to executives and directors	**3,068**	**3,159**

The Loxam SAS parent company has entered into a service delivery agreement with DPZ Partners, which holds part of the share capital of Loxam SAS. This agreement has been entered into under normal market conditions. Services provided under this agreement were invoiced to Loxam for an amount of €1.1 million in 2018 compared to €1.9 million in 2017.

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

Note 26 – Statutory Auditors' Fees

€'000	Constantin/Deloitte	KPMG	Other
Accounts certification	201	201	-
Other subsidiaries	560	211	263
Other services	158	-	56
Overall fees of statutory Auditors	**919**	**412**	**319**