

Loxam A/S

Svejsegangen 5
2690 Karlslunde

CVR no. 10 45 80 48

Annual report 2016

The annual report was presented and approved at the
Company's annual general meeting

on 15 May 2017



chairman of the annual general meeting

Contents

| | |
|---|----|
| Statement by the Board of Directors and the Executive Board | 2 |
| Independent auditor's report | 3 |
| Management's review | 6 |
| Company details | 6 |
| Financial highlights | 7 |
| Operating review | 9 |
| Financial statements 1 January – 31 December | 12 |
| Income statement | 12 |
| Balance sheet | 13 |
| Statement of changes in equity | 15 |
| Notes | 16 |

Loxam A/S
Annual report 2016
CVR no. 10 45 80 48

Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Loxam A/S for the financial year 1 January – 31 December 2016.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2016 and of the results of the Company's operations for the financial year 1 January – 31 December 2016.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's activities and financial matters, of the results for the year and of the Company's financial position.

We recommend that the annual report be approved at the annual general meeting.

Karlsruhe, 15 May 2017
Executive Board:



Hanne Baunsgaard

Board of Directors:

Gérard Georges
Deprez
Chairman

Stéphane Jean
Henon

Jean-Paul Dubois

Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Loxam A/S for the financial year 1 January – 31 December 2016.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2016 and of the results of the Company's operations for the financial year 1 January – 31 December 2016.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's activities and financial matters, of the results for the year and of the Company's financial position.

We recommend that the annual report be approved at the annual general meeting.

Karlsruhe, 15 May 2017
Executive Board:

Hanne Baunsgaard

Board of Directors:



Gérard Georges
Deprez
Chairman



Stéphane Jean
Henon



Jean-Paul Dubois



Independent auditor's report

To the shareholders of Loxam A/S

Conclusion

We have audited the financial statements of Loxam A/S for the financial year 1 January – 31 December 2016 comprising income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2016 and of the results of the Company's operations for the financial year 1 January – 31 December 2016 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standard on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control that Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.



Independent auditor's report

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements in Denmark will always detect a material misstatement when it exists. Misstatements may arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also

- identify and assess the risks of material misstatement of the company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management
- conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are in-adequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern
- evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.



Independent auditor's report

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

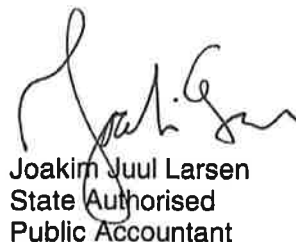
Copenhagen, 15 May 2017

KPMG

Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98



Jon Beck
State Authorised
Public Accountant



Joakim Juul Larsen
State Authorised
Public Accountant

Loxam A/S
Annual report 2016
CVR no. 10 45 80 48

Management's review

Company details

Loxam A/S
Svejsegangen 5
2690 Karlslunde

Telephone: +45 46 15 56 00
Website: www.loxam.dk

CVR no.: 10 45 80 48
Established: 1 October 1986
Registered office: Greve
Financial year: 1 January – 31 December

Board of Directors

Gérard George Deprez, Chairman
Stéphane Jean Henon,
Jean-Paul Dubois

Executive Board

Hanne Baunsgaard

Auditor

KPMG
Statsautoriseret Revisionspartnerselskab
Dampfærgevej 28
2100 København Ø
Denmark

Annual general meeting

The annual general meeting will be held on 15 May 2017.

Management's review

Financial highlights

| DKK'000 | 2016 | 2015 | 2014 | 2013 | 2012 |
|---|---------|---------|---------|---------|---------|
| Revenue | 382,741 | 378,435 | 393,673 | 304,360 | 280,492 |
| Operating profit | 35,363 | 16,343 | 43,881 | 47,187 | 31,492 |
| Loss from financial income and expenses | -9,976 | -15,379 | -9,556 | -1,987 | -3,398 |
| Profit for the year | 18,106 | 351 | 27,737 | 34,508 | 21,136 |
| Fixed assets | 298,408 | 284,876 | 309,239 | 261,655 | 121,865 |
| Current assets | 90,177 | 97,014 | 106,133 | 108,715 | 108,068 |
| Total assets | 388,585 | 381,890 | 415,372 | 370,370 | 229,933 |
| Share capital | 4,340 | 4,340 | 4,340 | 4,340 | 4,340 |
| Equity | 30,850 | 12,744 | 36,393 | 58,910 | 29,179 |
| Provisions | 15,017 | 11,403 | 9,498 | 7,026 | 2,496 |
| Non-current liabilities other than provisions | 98,292 | 25,979 | 76,949 | 137,250 | 115,500 |
| Current liabilities other than provisions | 244,426 | 331,764 | 292,532 | 167,184 | 82,758 |
| Acquisition of property, plant and equipment | 57,672 | 63,647 | 115,243 | 44,722 | 37,347 |
| Gross margin | 49% | 50% | 51% | 51% | 53% |
| Operating margin | 9% | 4% | 11% | 16% | 11% |
| Return on invested capital | 12% | 5% | 31% | 28% | 20% |
| Current ratio | 37% | 29% | 36% | 53% | 131% |
| Equity ratio | 8% | 3% | 8% | 16% | 13% |
| Return on equity | 83% | 2% | 73% | 96% | 88% |
| Average number of full-time employees | 194 | 183 | 208 | 150 | 149 |

Management's review

Financial highlights

Financial ratios are calculated in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2015". The financial ratios have been calculated as follows:

| | |
|----------------------------|---|
| Gross margin | $\frac{\text{Gross profit} \times 100}{\text{Revenue}}$ |
| Operating margin | $\frac{\text{Operating profit} \times 100}{\text{Revenue}}$ |
| Return on invested capital | $\frac{\text{Operating profit} \times 100}{\text{Average invested capital}}$ |
| Invested capital | Operational intangible assets and property, plant and equipment as well as net working capital |
| Current ratio | $\frac{\text{Current assets} \times 100}{\text{Short-term debt}}$ |
| Solvency ratio | $\frac{\text{Equity excl. non-controlling interests year end} \times 100}{\text{Total equity and liabilities at year end}}$ |
| Equity ratio | $\frac{\text{Equity}}{\text{Total assets}}$ |
| Return on equity | $\frac{\text{Profit from ordinary activities after tax} \times 100}{\text{Average equity}}$ |

Management's review

Operating review

Principal activities

The Company's main activity consists of rental of earthmoving and construction equipment, site and office huts, mobile huts, pavilions, lifts etc. From all its branches, the Company supplies earthmoving and construction equipment to the public sector, the industry sector and private customers. The Company operates from 25 branches around Denmark, has 210 employees and a product range of more than 17,000 items of equipment. Please also see the Company's website, www.loxam.dk.

Development in activities and financial position

Profit for the year

Profit before tax in the period amounts to DKK 25,387 thousand compared to a profit before tax of DKK 964 thousand in 2015. Increased revenue and decreased depreciation due to changed rules in combination with refinancing to lower interest level has resulted in an increased profit. The profit was higher than expected last year.

Investments

In 2016, the Company made investments in rental equipment of DKK 53,745 thousand.

Capital resources

The Company has obtained a bank loan of DKK 100,000 thousand and made repayments of intra-group loans.

Future expectation

The Company expects the market conditions to remain challenging in 2017. The construction industry is gradually improving and major projects are seen in the market in combination with an increasing level of renovation projects leads to a positive outlook. However, at the same time it is important to keep a reasonable profit margin. Revenue and profit are expected to increase compared to 2016.

Management's review

Operating review

Statement on corporate social responsibility (CSR) in compliance with section 99 a

For our company, CSR drive is an essential part of what we care about and what we do. Loxam's development has always hinged on the requirement to meet the expectations of our stakeholders, and especially our customers. This commitment has resulted in us adopting the ISO 9001 quality standard, almost 20 years ago now, later followed by the ISO 14001 environmental management standard, which aims to significantly curb our business' impact on the environment. Getting both certifications at European level is the result of a policy combining excellence, quality and respect for the environment, which the Group has been implementing for several years.

In 2015, the certifier SGS assessed our CSR policy, resulting in the Group attaining level three in the ISO 26000 standard. One of the most significant measures is the drawing up of a so-called Code of Ethics. In 2016, this measure has not yet been fully implemented, it remains a focus area in the coming financial year.

With a view to improving and building on this, we are entering a new phase in our commitment to CSR.

It will build on three major pillars:

- Supporting the UN Global Compact and making progress every year on the application of its 10 universal principles by taking part in the Global Compact.
- Applying the Code of Ethics, which covers the ethical issues related to our business sectors.
- Developing a governance and CRS performance framework as part of the ISO 26000 standard by engaging all stakeholders.

To ensure continuous compliance with legislation, the Company's branches are updated on recent amendments to legislation. We implemented a so-called screening system called Enhesa in 2016. This screening shows areas requiring additional measures. Action plans are prepared for follow-up going forward.

Human rights

We are continuing our efforts to improve safety for both our employees and our customers. In this connection, we have drawn up specific safety rules. However, at the current stage, no official policy has been developed in regard to impact on human rights, but it is our priority to change that in the coming years.

Management's review

Operating review

Climate and environment

Loxam Denmark has an ambition to live up to the applicable rules and regulations and support a sustainable development of society by seeking to minimise its environmental impact and offer environmentally friendly products and solutions to its clients. Loxam Denmark is also a Climate Partner with DONG Energy, which means that Loxam will set targets for climate action, realise energy savings and support the production of renewable energy. In 2016, DONG Energy contributed to the conduct of our energy audit and to further strengthen our efforts to reduce our climate impact.

Loxam Denmark monitors its energy consumption. If the consumption exceeds the recommended level, the local branch manager develops an action plan. The Company also practices waste separation in order to minimize its environmental impact from waste disposal. In 2016, action plans were implemented to ensure that all waste is sorted by nature so that all waste can be recycled. Waste per branch is registered via the taker in an environmental report to the local authorities, divided by volume and amount.

Moreover, Loxam is subject to Executive Order 1212 of 19.11.2014 requiring energy audit of production managers (these have been conducted so that the consumption is divided by nature). In accordance with the guidelines of the Executive Order, potential savings are calculated. These has to be presented to the Board of Directors for approval of measures. The report was received recently, and the results will form the basis for action plans for 2017.

Gender distribution in Management in compliance with section 99 b

The Board of Loxam Denmark has three representatives who have been chosen in relation to their experience within the rental industry, and they are senior managers of the Loxam Group. None of the Board members are females, and there is no intention to change any Board members in the near future.

Regarding the Senior Management Team of Loxam Denmark, Mrs. Hanne Baunsgaard is the CEO of Loxam Denmark and heads the senior management team. In 2016, a new female CFO was hired. The senior management team of seven persons, all of which have been chosen with due respect to their professional experience, consists of two women.

Loxam Denmark has acknowledged the changes in the Danish Financial Statements Acts regarding an equal distribution of gender among Board members and senior management. This will be considered, aside from the professional experience, when a position becomes available, with the aim to increase the female representation to an equal distribution within the next four years.

Financial statements 1 January – 31 December

Income statement

| DKK'000 | Note | 2016 | 2015 |
|-------------------------------|------|----------|----------|
| Revenue | | 382,741 | 378,435 |
| Direct costs | | -77,555 | -75,099 |
| Other external costs | 2 | -119,157 | -115,500 |
| Gross profit | | 186,029 | 187,836 |
| Staff costs | 3 | -101,652 | -99,146 |
| Amortisation and depreciation | 4,5 | -62,946 | -85,106 |
| Other operating income | | 14,161 | 13,404 |
| Other operating costs | | -229 | -645 |
| Operating profit | | 35,363 | 16,343 |
| Financial income | 6 | 352 | 470 |
| Financial expenses | 7 | -10,328 | -15,849 |
| Profit before tax | | 25,387 | 964 |
| Tax on profit for the year | 8 | -7,281 | -613 |
| Profit for the year | 9 | 18,106 | 351 |

Financial statements 1 January – 31 December

Balance sheet

| DKK'000 | Note | 2016 | 2015 |
|--|------|----------------|----------------|
| ASSETS | | | |
| Fixed assets | | | |
| Intangible assets | | | |
| Goodwill | 4 | 11,189 | 11,847 |
| | | <u>11,189</u> | <u>11,847</u> |
| Property, plant and equipment | 5 | | |
| Land and buildings | | 11,480 | 11,185 |
| Rental equipment | | 220,996 | 232,973 |
| Fixtures and fittings, tools and equipment | | 8,021 | 7,764 |
| | | <u>240,497</u> | <u>251,922</u> |
| Investments | | | |
| Deposits | 10 | 9,982 | 9,541 |
| Equity investments in subsidiaries | 11 | 36,740 | 6,204 |
| Loan to subsidiaries | 12 | 0 | 5,362 |
| | | <u>46,722</u> | <u>21,107</u> |
| Total fixed assets | | <u>298,408</u> | <u>284,876</u> |
| Current assets | | | |
| Inventories | | | |
| Spare parts and fuel | | 1,086 | 1,208 |
| | | <u>1,086</u> | <u>1,208</u> |
| Receivables | | | |
| Trade receivables | | 78,287 | 85,430 |
| Group receivables | | 36 | 179 |
| Other receivables | | 289 | 1,133 |
| Prepayments | 13 | 3,494 | 5,471 |
| Receivables from joint taxation | | 0 | 1,291 |
| | | <u>82,106</u> | <u>93,504</u> |
| Cash at bank and in hand | | <u>6,985</u> | <u>2,302</u> |
| Total current assets | | <u>90,177</u> | <u>97,014</u> |
| TOTAL ASSETS | | <u>388,585</u> | <u>381,890</u> |

Financial statements 1 January – 31 December

Balance sheet

| DKK'000 | Note | 2016 | 2015 |
|--|------|----------------|----------------|
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Share capital | 14 | 4,340 | 4,340 |
| Proposed dividend | | 25,000 | 0 |
| Retained earnings | | 1,510 | 8,404 |
| Total equity | | 30,850 | 12,744 |
| Provisions | | | |
| Deferred tax | 15 | 15,017 | 11,403 |
| Total provisions | | 15,017 | 11,403 |
| Liabilities other than provisions | | | |
| Non-current liabilities other than provisions | | | |
| Credit institutions | 16 | 74,514 | 4,893 |
| Loan from affiliated company | 16 | 0 | 16,500 |
| Lease obligation | 16 | 23,778 | 4,586 |
| | | 98,292 | 25,979 |
| Current liabilities other than provisions | | | |
| Credit institutions | 16 | 20,375 | 357 |
| Loan from parent company | | 161,289 | 243,626 |
| Loan from affiliated companies | 16 | 16,500 | 33,000 |
| Lease obligation | 16 | 7,663 | 17,153 |
| Trade payables | | 12,495 | 18,323 |
| Other payables | | 23,801 | 18,613 |
| Payable joint tax contribution | | 2,166 | 0 |
| Prepayments | | 137 | 692 |
| | | 244,426 | 331,764 |
| Total liabilities other than provisions | | 342,718 | 357,743 |
| TOTAL EQUITY AND LIABILITIES | | 388,585 | 381,890 |
| Contractual obligations, contingencies, etc. | 17 | | |
| Related party disclosures | 18 | | |

Financial statements 1 January – 31 December

Statement of changes in equity

| DKK'000 | Share capital | Retained earnings | Proposed dividend | Total equity |
|---|------------------|----------------------|----------------------|--------------|
| Equity at 1 January 2015 | 4,340 | 8,053 | 24,000 | 36,393 |
| Payments | 0 | 0 | -24,000 | -24,000 |
| Transferred over the profit appropriation | 0 | 351 | 0 | 351 |
| Equity at 31 December 2015 | 4,340 | 8,404 | 0 | 12,744 |
| Equity at 1 January 2016 | 4,340 | 8,404 | 0 | 12,744 |
| Transferred over the profit appropriation | 0 | -6,894 | 25,000 | 18,106 |
| Equity at 31 December 2016 | 4,340 | 1,510 | 25,000 | 30,850 |

Financial statements 1 January – 31 December

Notes

1 Accounting policies

The annual report of Loxam A/S for 2016 has been prepared in accordance with the provisions applying to reporting class C large entities under the Danish Financial Statements Act.

As from 1 January 2016, the Company has implemented Act no. 738 of 1 June 2015. The changes have no monetary effect on the income statement or the balance sheet for 2016 or for the comparative figures.

Changes in accounting estimates

Based on a reassessment of the expected use in terms of time and expected sales prices from sale of rental equipment the Company changed the estimates of the expected useful life of the rental equipment and reassessed the residual values. Effective from 1 January 2016, the estimated useful lives have been changed from 1-7 years to 3-10 years. The changes in accounting estimates have resulted in a reduction of DKK 23.7 million in depreciation for 2016.

Omission of consolidated financial statements

Pursuant to section 112(1) of the Danish Financial Statements Act, no consolidated financial statements have been prepared. The financial statements of Loxam A/S and group entities are included in the consolidated financial statements of Loxam S.A.S.

Cash flow statement

Pursuant to section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Upon recognition of foreign subsidiaries and associates which are independent entities, the income statements are translated into Danish kroner at average exchange rates for the month, and balance sheet items are translated at the exchange rates at the balance sheet date. Foreign exchange differences arising upon translation of foreign subsidiaries' opening equity and results at the exchange rates at the balance sheet date are recognised directly in equity.

Foreign exchange adjustments of balances with independent foreign subsidiaries considered part of the total investment in the subsidiary are recognised directly in equity.

Similarly, foreign exchange gains and losses on loans and derivative financial instruments taken out for the purpose of hedging investments in foreign subsidiaries are recognised directly in equity.

Upon recognition of foreign subsidiaries which are integrated entities, monetary items are translated at the exchange rates at the balance sheet date. Non-monetary items are translated at the exchange rates at the date of acquisition or the date of subsequent revaluations of the asset. Income statement items are translated at the exchange rates at the transaction date, whereas items derived from non-monetary items are translated at historical exchange rates for the non-monetary item.

Income statement

Revenue

Revenue from equipment rental is recognised in the income statement in accordance with the completed-contract method. Cut-off is made for pre-invoicing. Revenue is calculated excluding VAT and other duties.

All discounts granted are recognised as a deduction of revenue.

Direct costs

Direct costs include costs, which are directly related to the activity such as purchases of products for sale, rehired equipment and transport costs.

Other external costs

Other external costs comprise costs relating to sales, marketing, administration, office premises, loss on debtors, operating leases, etc.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Staff costs

Employee costs include wages, salaries, remuneration, pensions and other employee costs paid to the Company's employees.

Amortisation and depreciation

Amortisation and depreciation include amortisation of intangible assets and depreciation of property, plant and equipment and impairment write-downs of these assets.

Other operating income

Other operating income comprises items secondary to the activities of the Company, including gains on the disposal of intangible assets and property, plant and equipment.

Other operating costs

Other operating costs comprise items secondary to the activities of the entities, including losses on the disposal of intangible assets and property, plant and equipment.

Financial income and expenses

Financial income and expenses comprise interest income and expense, financial costs regarding finance leases, gains and losses on securities, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

Tax on profit/loss for the year

Tax for the year comprises current tax for the year and changes in deferred tax, including changes in tax rates. The tax expense relating to the profit/loss for the year is recognised in the income statement at the amount attributable to the profit/loss for the year and directly in equity at the amount attributable to entries directly in equity.

Balance sheet

Intangible assets

Goodwill

Goodwill is amortised on a straight-line basis over the estimated useful life determined on the basis of Management's experience within the individual business areas. The amortisation period is 20 years.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Property, plant and equipment

Land and buildings, plant and machinery and fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date on which the asset is available for use. Indirect production overheads and borrowing costs are not recognised in cost.

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

The basis of depreciation is cost less any projected residual value after the end of the useful life. Depreciation is provided on a straight-line basis over the estimated useful life. The estimated useful lives are as follows:

| | |
|--|------------|
| Land and buildings | 25 years |
| Rental equipment | 3-10 years |
| Fixtures and fittings, tools and equipment | 2-10 years |

The useful life and residual value are reassessed annually. Changes are treated as accounting estimates, and the effect on depreciation is recognised prospectively.

Gains and losses on the disposal of property, plant and equipment are stated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses are recognised in the income statement as other operating income or other operating costs, respectively.

Investments in subsidiaries

Investments in subsidiaries are recognised at cost.

Impairment of fixed assets

The carrying amount of intangible assets and property, plant and equipment as well as equity investments in group entities and associates is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

The recoverable amount is the higher of an asset's net selling price and its value in use. The value in use is determined as the present value of the forecast net cash flows from the use of the asset or the group of assets, including forecast net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognised write-downs are reversed when the basis for the write-down no longer exists.

Leases

On initial recognition, leases for fixed assets that transfer substantially all risks and rewards incident to ownership to the Company (finance leases) are recognised in the balance sheet at the lower of fair value and the net present value of future lease payments. When the net present value is calculated, the interest rate implicit in the lease or the incremental borrowing rate is used as the discount factor. Assets held under finance leases are subsequently depreciated as the Company's other fixed assets.

The capitalised lease obligation is recognised in the balance sheet as a liability at amortised cost, allowing the interest element of the lease payment to be recognised in the income statement over the term of the lease.

All other leases are operating leases. Payments relating to operating leases and other leases are recognised in the income statement over the term of the lease. The Company's total obligation relating to operating leases and other leases is disclosed as contractual obligations and contingencies, etc.

Inventories

Inventories are measured at cost in accordance with the weighted average cost method. Where the net realisable value is lower than cost, inventories are written down to this lower value.

Receivables

Receivables are measured at amortised cost.

Write-down is made for bad debt losses where there is an objective indication that a receivable has been impaired.

Write-downs are calculated as the difference between the carrying amount of receivables and the present value of expected cash flows.

Financial statements 1 January – 31 December

1 Accounting policies (continued)

Prepayments and deferred income

Prepayments comprise prepayment of costs incurred relating to subsequent financial years.

Equity

Dividends

The expected dividend payment for the year is disclosed as a separate item under equity.

Share-based incentive schemes

Share-based incentive schemes for the Company's Management and employees with the option to subscribe for shares in the Parent Company (share options) are considered a matter of the relevant shareholders, and the fair value of share options granted is therefore not recognised in the income statement as estimated payroll costs on an ongoing basis.

Corporation tax and deferred tax

The Company is jointly taxed with Loxam Denmark Holding A/S.

Current joint taxation contribution payable is recognised in the balance sheet as tax computed on the taxable income for the year adjusted for tax on the taxable income of prior years and for tax paid on account.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities measured on the planned use of the asset or settlement of the liability, respectively. However, deferred tax is not recognised on temporary differences relating to items where temporary differences arise at the date of acquisition without affecting either profit/loss or taxable income.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised at the expected value of their utilisation within the foreseeable future; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Any deferred net assets are measured at net realisable value.

Deferred tax is measured in accordance with the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Changes in deferred tax as a result of changes in tax rates are recognised in the income statement or equity, respectively.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Liabilities other than provisions

Financial liabilities are recognised at the date of borrowing at cost, corresponding to the proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost, corresponding to the capitalised value using the effective interest rate. Accordingly, the difference between cost and the nominal value is recognised in the income statement over the term of the loan together with interest expenses.

Finance lease obligation comprise the capitalised residual lease obligation of finance leases.

Other liabilities are measured at amortised cost, which usually corresponds to nominal value.

Prepayments

Deferred income comprises payments received regarding income in subsequent years.

Segment information

No information about segments is shown as the Company has only rental activities in Denmark.

| DKK'000 | 2016 | 2015 |
|---|------|------|
| 2 Fees to auditor appointed at the general meeting | | |
| Statutory audit | 239 | 227 |
| Declarations | 25 | 35 |
| Tax assistance | 214 | 34 |
| Other assistance | 42 | 92 |
| Total fees to KPMG | 520 | 388 |

Financial statements 1 January – 31 December

Notes

| | <u>2016</u> | <u>2015</u> |
|--|----------------|---------------|
| DKK'000 | | |
| 3 Staff costs | | |
| Wages and salaries | 92,373 | 90,794 |
| Pensions | 7,353 | 6,619 |
| Other social security costs | 1,669 | 1,508 |
| Other employee costs | 257 | 225 |
| | <u>101,652</u> | <u>99,146</u> |
| Average number of full-time employees | <u>194</u> | <u>183</u> |
| 4 Goodwill | | |
| DKK | | <u>2016</u> |
| Cost at 1 January 2016 | | <u>13,164</u> |
| Cost at 31 December 2016 | | <u>13,164</u> |
| Depreciation and impairment losses at 1 January 2016 | | 1,317 |
| Amortisation | | 658 |
| Depreciation and impairment losses at 31 December 2016 | | <u>1,975</u> |
| Carrying amount at 31 December 2016 | | <u>11,189</u> |
| Amortised over | | 20 years |

Financial statements 1 January – 31 December

Notes

5 Property, plant and equipment

| DKK'000 | Land and buildings | Rental equipment | Fixtures and fittings, tools and equipment | Total |
|--|--------------------|------------------|--|-----------|
| Cost at 1 January 2016 | 15,535 | 956,856 | 63,663 | 1,036,054 |
| Transfers | 0 | -2,804 | 2,804 | 0 |
| Additions | 1,480 | 53,745 | 2,447 | 57,672 |
| Disposals | 0 | -75,618 | -4,316 | -79,934 |
| Cost at 31 December 2016 | 17,015 | 932,179 | 64,598 | 1,013,792 |
| Depreciation and impairment losses at 1 January 2016 | 4,350 | 723,883 | 55,899 | 784,132 |
| Transfers | 0 | -1,959 | 1,959 | 0 |
| Depreciation | 1,185 | 58,115 | 2,987 | 62,287 |
| Disposals | 0 | -68,856 | -4,268 | -73,124 |
| Depreciation and impairment losses at 31 December 2016 | 5,535 | 711,183 | 56,577 | 773,295 |
| Carrying amount at 31 December 2016 | 11,480 | 220,996 | 8,021 | 240,497 |
| Depreciated over | 25 years | 3-10 years | 2-10 years | |

Rental equipment includes financially leased assets of DKK 30.2 million (2015: DKK 30.5 million)

| DKK'000 | 2016 | 2015 |
|--|---------------|---------------|
| 6 Financial income | | |
| Interest income from subsidiaries | 198 | 290 |
| Other interest income | 154 | 180 |
| | <u>352</u> | <u>470</u> |
| 7 Financial expenses | | |
| Interest expense to affiliated companies | 7,734 | 12,358 |
| Other financial expenses | 2,594 | 1,920 |
| Write-down of investment in subsidiaries | 0 | 1,571 |
| | <u>10,328</u> | <u>15,849</u> |

Financial statements 1 January – 31 December

Notes

| DKK'000 | 2016 | 2015 |
|---|---------------|--------------|
| 8 Tax on profit for the year | | |
| Joint taxation contribution for the year | 2,166 | 0 |
| Adjustment of deferred tax | 3,614 | 1,905 |
| Adjustment prior years | 1,501 | -1,292 |
| | <u>7,281</u> | <u>613</u> |
| 9 Proposed profit appropriation | | |
| Proposed dividends for the financial year | 25,000 | 0 |
| Retained earnings | -6,894 | 351 |
| | <u>18,106</u> | <u>351</u> |
| 10 Deposits | | |
| Cost at 1 January | 9,541 | 8,586 |
| Additions | 441 | 955 |
| | <u>9,982</u> | <u>9,541</u> |

| DKK'000 | 2016 |
|--|---------------|
| 11 Equity investments in subsidiaries | |
| Cost at 1 January | 7,775 |
| Addition | 30,536 |
| Cost at 31 December | <u>38,311</u> |
| Impairment write-down 1 January | 1,571 |
| Impairment write-down 31 December | 1,571 |
| | <u>36,740</u> |

| Subsidiary | Ownership interest | Equity DKK'000 | Profit DKK'000 |
|---------------------------------|--------------------|-------------------|-------------------|
| Safelift Scandinavian AB, Malmø | 100% | 0 | 0 |
| Safelift AS, Oslo | 100% | 2,781 | -12,749 |

Financial statements 1 January – 31 December

Notes

| DKK'000 | <u>2016</u> | <u>2015</u> |
|--|---------------|---------------|
| 12 Long-term loans to subsidiaries | | |
| Long-term loans to subsidiaries fall due as follows: | | |
| 1-5 years | <u>0</u> | <u>5,362</u> |
| | <u>0</u> | <u>5,362</u> |
| 13 Prepayments | | |
| Insurance premiums | 1,755 | 2,506 |
| Other | <u>1,739</u> | <u>2,965</u> |
| | <u>3,494</u> | <u>5,471</u> |
| 14 Share capital | | |
| The share capital comprises 4,340,170 shares of DKK 1 each. All shares rank equally. | | |
| DKK'000 | <u>2016</u> | <u>2015</u> |
| 15 Deferred tax | | |
| Deferred tax at 1 January | 11,403 | 9,498 |
| Adjustment of deferred tax | <u>3,614</u> | <u>1,905</u> |
| | <u>15,017</u> | <u>11,403</u> |
| Deferred tax relates to: | | |
| Property, plant and equipment | 21,963 | 17,745 |
| Liabilities other than provisions | -6,946 | -4,782 |
| Tax losses carried forward | <u>0</u> | <u>-1,560</u> |
| | <u>15,017</u> | <u>11,403</u> |

Financial statements 1 January – 31 December

Notes

| DKK'000 | 2016 | 2015 |
|---|---------------|---------------|
| 16 Loans from affiliated company | | |
| Loans are due as follows: | | |
| 0-1 year | 16,500 | 33,000 |
| 1-5 years | 0 | 16,500 |
| | <u>16,500</u> | <u>49,500</u> |
| Lease obligation | | |
| Loans are due as follows: | | |
| 0-1 year | 7,663 | 17,153 |
| 1-5 years | 23,778 | 4,586 |
| | <u>31,441</u> | <u>21,739</u> |
| Credit institution | | |
| Loans are due as follows: | | |
| 0-1 year | 20,375 | 357 |
| 1-5 years | 71,504 | 1,457 |
| After 5 years | 3,010 | 3,436 |
| | <u>94,889</u> | <u>5,250</u> |

17 Contractual obligations, contingencies, etc.

Contractual obligations

Lease obligations (operating leases) falling due until the end of contracts total DKK 11,848 thousand (2015: DKK 1,655 thousand). Obligations on rent falling due until the end of contracts totalling DKK 55,876 thousand (2015: DKK 33,983 thousand)

Contingent liabilities

The Company is jointly taxed with Loxam Denmark Holding A/S. The companies included in the joint taxation have joint and several unlimited liability for Danish corporation taxes. At 31 December 2016, the net taxes payable to the Danish tax authorities subsequent corrections of the taxable income subject to joint taxation may entail that the companies' liability will increase. The Group as a whole is not liable to others.

Loxam A/S is part in tax litigations which may result in increased tax expenses for 2016 and prior years.

Financial statements 1 January – 31 December

Notes

17 Contractual obligations, contingencies, etc. (continued)

According to loan agreement the Company has restricted access to repay group internal loans, provide security in its assets as well as sell, lease or otherwise dispose of assets including property, plant and equipment, inventory and shares in subsidiaries. The loan amounts to DKK 90,000 million (2015: 0).

18 Related party disclosures

Loxam A/S' related parties comprise the following:

Parties exercising control

- Loxam Denmark Holding A/S
- Loxam S.A.S., France

Other related parties

In addition, the Company's related parties comprise the Company's Board of Directors and Executive Board, executive employees and their family members. Further, related parties comprise companies in which the above persons have substantial interests.

Related party transactions

The Company has chosen only to disclose transactions that are not carried out on an arm's length basis in accordance with section 98c(7) of the Danish Financial Statements Act.

Ownership

The following shareholders are registered in the Company's register of shareholders as holding minimum 5% of the voting rights or minimum 5% of the share capital:

Loxam Denmark Holding A/S
Svejsegangen 5
2690 Karlslunde

The ultimate owner of the Company is:

Loxam S.A.S., France

The Company's annual report is included in the consolidated financial statements of Loxam S.A.S. The Group's annual report is filed with this annual report.