



Annual Report 2018

# Delivering excellence, innovation and change





# About this report

## Materiality

This report aims to provide a fair, balanced and understandable assessment of our business model, strategy, performance and prospects in relation to material financial, economic, social, environmental and governance issues.

The material focus areas were determined considering the following:

- Matters that are critical to achieving our strategic objectives
- Key risks identified through our risk management processes
- Feedback from key stakeholders during the past year and in earlier years

## Reporting improvements

We are committed to ensuring that our annual report is of a high quality, easy to understand and transparent. This year we took the opportunity to provide additional strategic insight while simplifying other aspects of our annual report. We have:

- Added market and business model sections to provide a more in-depth overview of our industry and how we operate as a business
- Linked our TIP 2020 imperatives to the main risk factors that could have a significant impact in achieving our strategic targets
- Expanded our financial review by incorporating additional analysis on foreign exchange exposure
- Restructured the content of the annual report to align with best practices and make it easier to use
- Developed a new section for insurance and expanded our IT overview, showing how it underpins our strategy in the commercial and operational review
- Added a working capital overview and additional analysis of capital-related items included in working capital in the financial statements section
- Expanded our intangible assets note in the financial statements section to provide more insight in our goodwill impairment analysis and sensitivities



**“We are committed to ensuring that our annual report is of a high quality easy to understand and transparent.**

This year we took the opportunity to provide additional strategic insight while simplifying other aspects of our annual report.”

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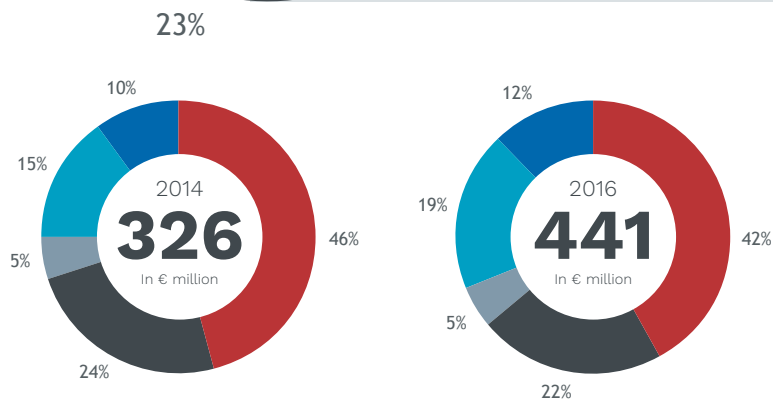
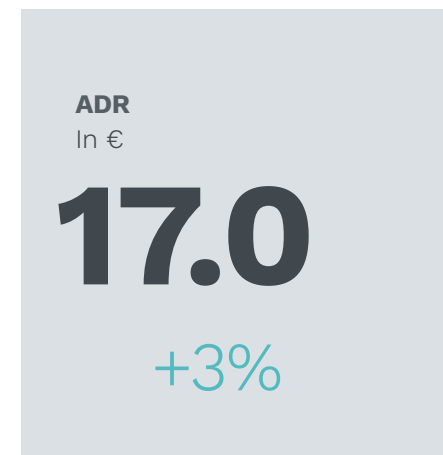
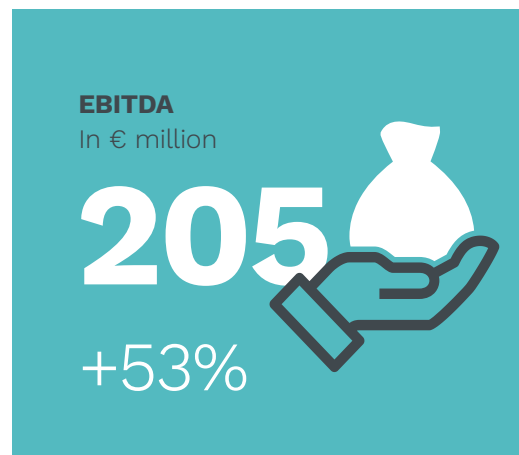
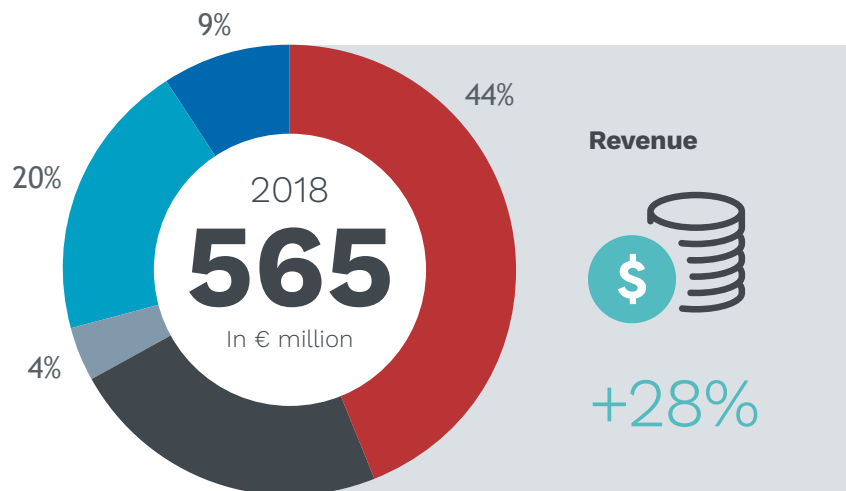
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# At a glance

Numbers versus 2016



■ Leasing  
■ Rental  
■ Damage protection  
■ M&D 3rd party  
■ Fleet sales and other



**~2,200,000**

Work orders handled

**~300,000**

Internal workshop events

**~360,000**

Supplier invoices matched and paid

**Net operating assets**  
In € million

**1,027**

+27%

**Fleet investment**  
In € million

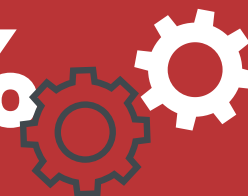
**267**

+2%

**Gearing ratio**  
In %

**72%**

+21%



**Workshops**

**93**

+15%



**Branches**

**78**

+5%



**UTE%**

**91%**

+5%



# We are TIP Trailer Services

**TIP Trailer Services is one of Europe and Canada's leading equipment service providers.** We specialise in trailer leasing, rental, maintenance and repair, as well as other value-added services, and provide these to transportation and logistics customers across Europe and Canada. Headquartered in Amsterdam, we service our customers from 102 locations spread over 17 countries in Europe and Canada.

With approximately 70,000 units in our fleet, TIP Trailer Services is considered an industry leader with one of the largest and most diverse trailer fleets in Europe and Canada. In addition to maintaining our own fleet, we also provide maintenance and repair and other value-added services for circa 54,000 equivalent units.

Our pan-European and Canadian reach enables us to assure our customers of convenience and flexibility, as we have the capabilities to serve them wherever and whenever they need us. Furthermore, our business scale allows us to provide customers with competitive offerings.

With more than 50 years of experience, we are experts in providing all services that a customer will require during the life cycle of a trailer, making us a one-stop shop for all our customers' equipment needs.

Our services include everything from specifying and sourcing of equipment to financing, daily operations, maintenance and repair, as well as the buying and selling of used assets. Our customers therefore need only to deal with one service partner, simplifying their fleet management and enabling them to focus on their core business activities.









# Our services

Leasing and rental

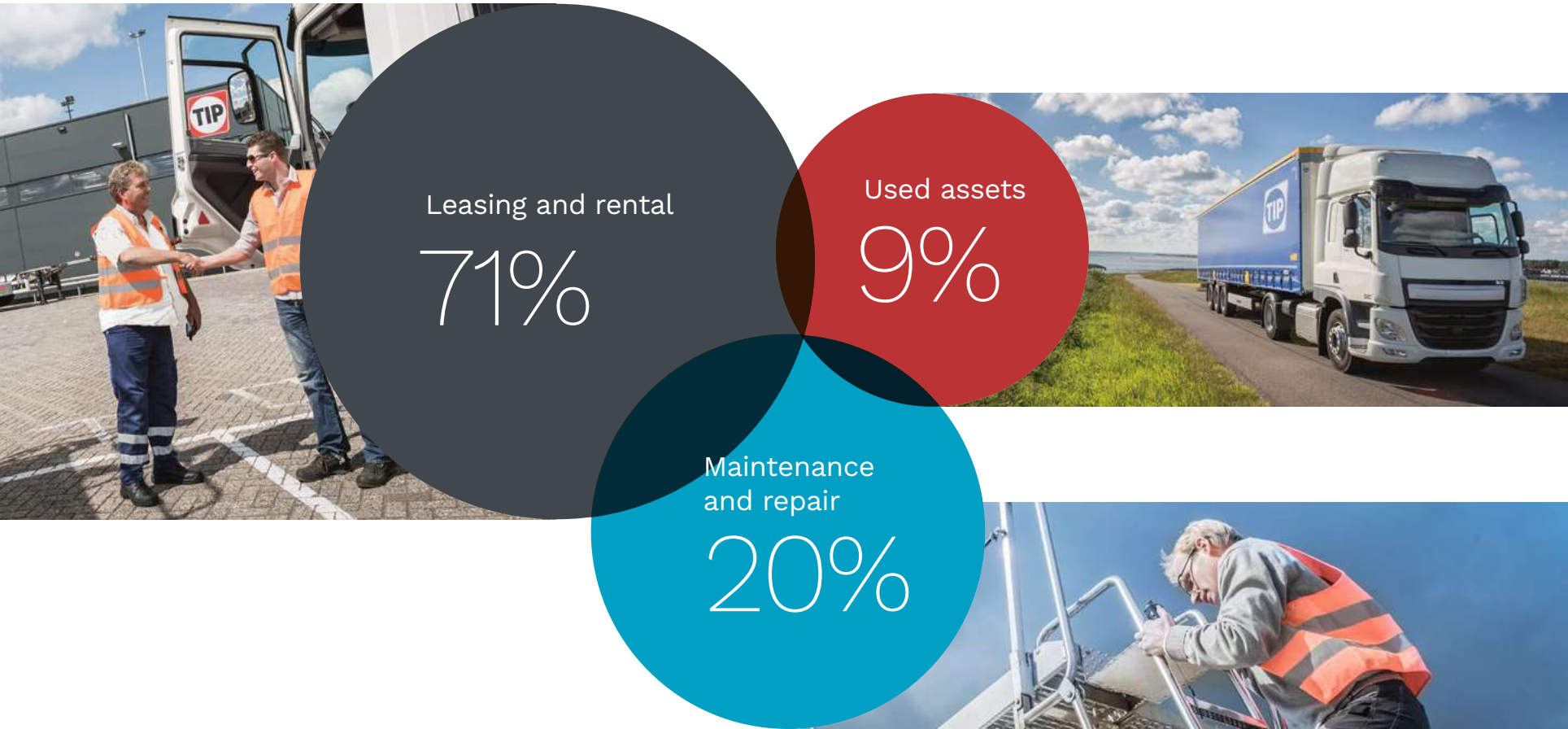
71%

Used assets

9%

Maintenance  
and repair

20%





## Leasing and rental

We have approximately 70,000 units in our fleet available for leasing or rental.

**Leasing:** we lease a wide range of equipment with flexible financing options, including long term lease solutions and innovative sale and leaseback structures that add true value.

**Rental:** we offer short term rental solutions that deliver total flexibility to our customers, enabling them to maximise the utilisation of their fleet. Short term rental solutions are for an initial term of up to 12 months, sourced from the existing fleet and always include maintenance services.

**Damage protection:** a suite of services that can be tailor-made to protect our customers' business against the cost of accidental damage, fire, theft or total loss caused to leased and rented equipment.



## Maintenance and repair (M&R)

We have a proud history of maintaining trailers for more than 50 years. This proven experience provides a solid base with extensive expertise for our M&R services.

Our extensive pan-European and Canadian workshop and supplier network provides our customers with a comprehensive range of M&R services, reducing unplanned downtime while ensuring compliance and the safety of their equipment. Our pan-European breakdown recovery service for transport equipment offers round-the-clock, multi-language support, 365 days per year.

All of our maintenance and repair services are offered on a contracted or non-contracted basis. This allows our customers to choose a solution that best suits their needs.



## Used assets

We offer a comprehensive range of high quality 2nd-hand trailers from our own fleet, as well as from 3rd-party fleets across Europe and Canada. Our Remarketing team looks after the international sale of used equipment. We provide high specification trailers including the latest models and a full service history.



Look at  
[tipeurope.com](https://tipeurope.com)

A low-angle photograph of a male technician with glasses, wearing a grey sweater and a high-visibility orange and black safety vest, working on the chassis of a vehicle. He is standing on a metal platform or ladder, leaning over and using a tool on a component of the vehicle's frame. The background is a clear blue sky.

## A closer look at our maintenance and repair offering



**We offer a range of services to improve our customers' fleet performance and reduce operating costs, making their operations more agile and profitable.**

From annual road-worthiness inspections to tyre servicing; our maintenance and repair service provides our customers with full flexibility in terms of minimising their trailer down time through Europe and Canada's fastest growing workshop network and on-site, with the help of our fleet of mobile service units (MSUs).



## Experience brings expertise

Our experience in maintaining trailers for more than 50 years provides a solid base with extensive expertise for the maintenance and repairs services we provide. Preventative maintenance services, whether they are performed in one of TIP's many European workshops or on-site through TIP's ever-growing fleet of mobile service units, are performed by fully qualified and certified mechanics. This enables TIP to provide our customers with the most flexible service and total peace of mind.

## Transparent and flexible

TIP's maintenance solutions are also designed to give you maximum flexibility. Our standard maintenance rates include all-inclusive fixed rates for most standard maintenance operations related to MOT inspections, equipment checks, EBS/ABS diagnostics, the servicing of brakes, axles, suspensions, signages, electrical components, reefer engines, tail-lifts, or regular body repair work. If desired, billing can be consolidated in single monthly invoices with fully itemised work records to streamline administrative workload and costs. Maintenance rates can also be contractually agreed. For instance, they can be contractually harmonised across multiple locations or agreed on a volume/spend basis.

## Benefits of our trailer maintenance and repairs services:

- Plannable costs due to fixed prices
- Increased uptime and asset utilisation of your fleet
- Price stability and predictability of costs
- A team dedicated to maintenance and repairs service requirements
- Enables customers to focus on your core business
- All customers' safety and compliance requirements are met

## What is included in our maintenance and repair service?

- MOT inspections
- Periodic equipment checks and inspections for brakes, axles and general trailer body based on manufacturers recommendations and expected annual mileage
- Management of maintenance and repairs
- Tyre maintenance
- Roadside assistance services
- Damage repair management
- Reefer engine servicing
- Tail-lift servicing



**“At TIP, you are able to choose from a wide range of maintenance and repair services for all equipment types across their entire lifecycle, whether this is on a non-contracted or a contracted basis.”**



**Information from**  
**tipeurope.com**

# Where we operate





## Nordics

Denmark, Norway, Sweden and Finland

2018 - Branches: 12 (8) / Workshops: 15 (13) / Combined EAuM: 16k (10k)

## Benelux

The Netherlands and Belgium

2018 - Branches: 5 (8) / Workshops: 15 (14) / Combined EAuM: 24k (21k)

## UK and Ireland

2018 - Branches: 16 (15) / Workshops: 20 (17) / Combined EAuM: 33k (26k)

## Central Europe

Germany, Austria, Poland, Czech Republic and Romania

2018 - Branches: 19 (17) / Workshops: 16 (15) / Combined EAuM: 20k (18k)

## Mediterranean

France, Italy and Spain

2018 - Branches: 21 (20) / Workshops: 19 (17) / Combined EAuM: 21k (21k)

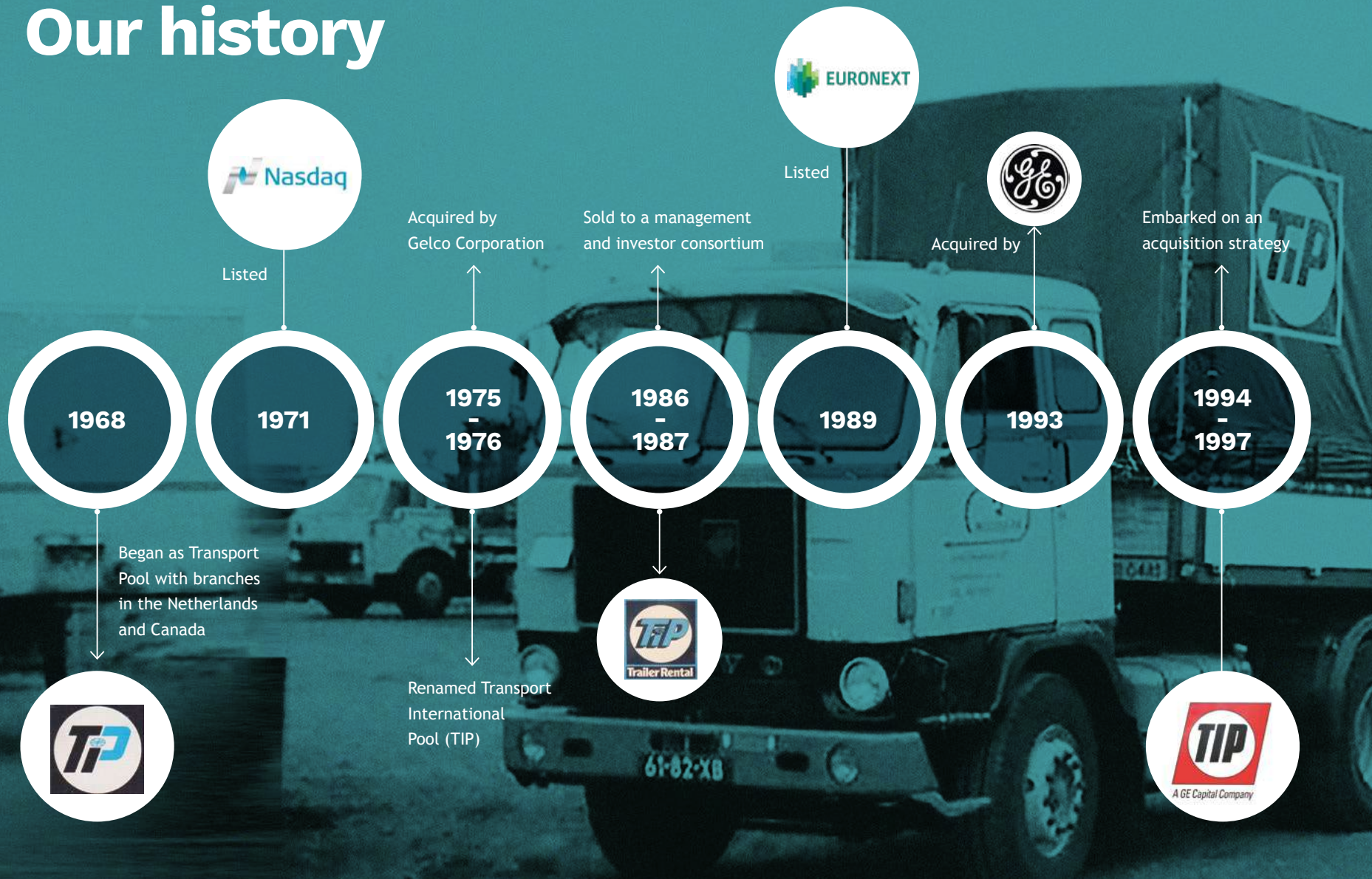
## Canada

2018 - Branches: 5 (6) / Workshops: 8 (5) / Combined EAuM: 10k (8k)

(-) represents the 2016 numbers



# Our history







# Why invest in TIP Trailer Services



## Attractive market fundamentals

- Transportation volumes growing above GDP, European road market share stable at 71%
- Limited expansion capacity and financing available for rail, sea, and air freight
- Truck-trailer is the leading method of road transportation with trailer registrations stable



## Competitive advantage

- Pan-European and Canadian scale and coverage enables us to respond to demand shifts
- Focused trailer service offerings ensure unrivalled expertise, with a recognised brand
- Our diverse portfolio offers customers a wide range of trailer types and service offerings



## Premium customer profile

- Extensive customer relationships with an average tenure of 20+ years for the top 20 customers
- Customers in food retail and specialised road transport equipment provide resilience to cycles
- Broad customer diversification with European top 10 representing less than 20% of revenue





### Strategy

- Serving leading international and national companies; optimising fleets across Europe and Canada
- Maintenance and repair for customer-owned trailers and fleet management provides value added services
- Fragmented markets offer consolidation opportunities



### Operational model

- Proactive life cycle management identifies optimal timing for purchasing and remarketing of assets
- High volumes to drive strategic sourcing
- Unrivalled knowledge and experience in remarketing used assets



### Experienced management team

- Management with 17+ years at TIP and 20+ in transportation and logistics
- Demonstrated track record of delivering results through business cycles
- Low attrition in key customer facing positions, 48% of our sales force has been with TIP 5+ years





# Our values

**Integrity**

**Experts**

**Committed  
to delivering**

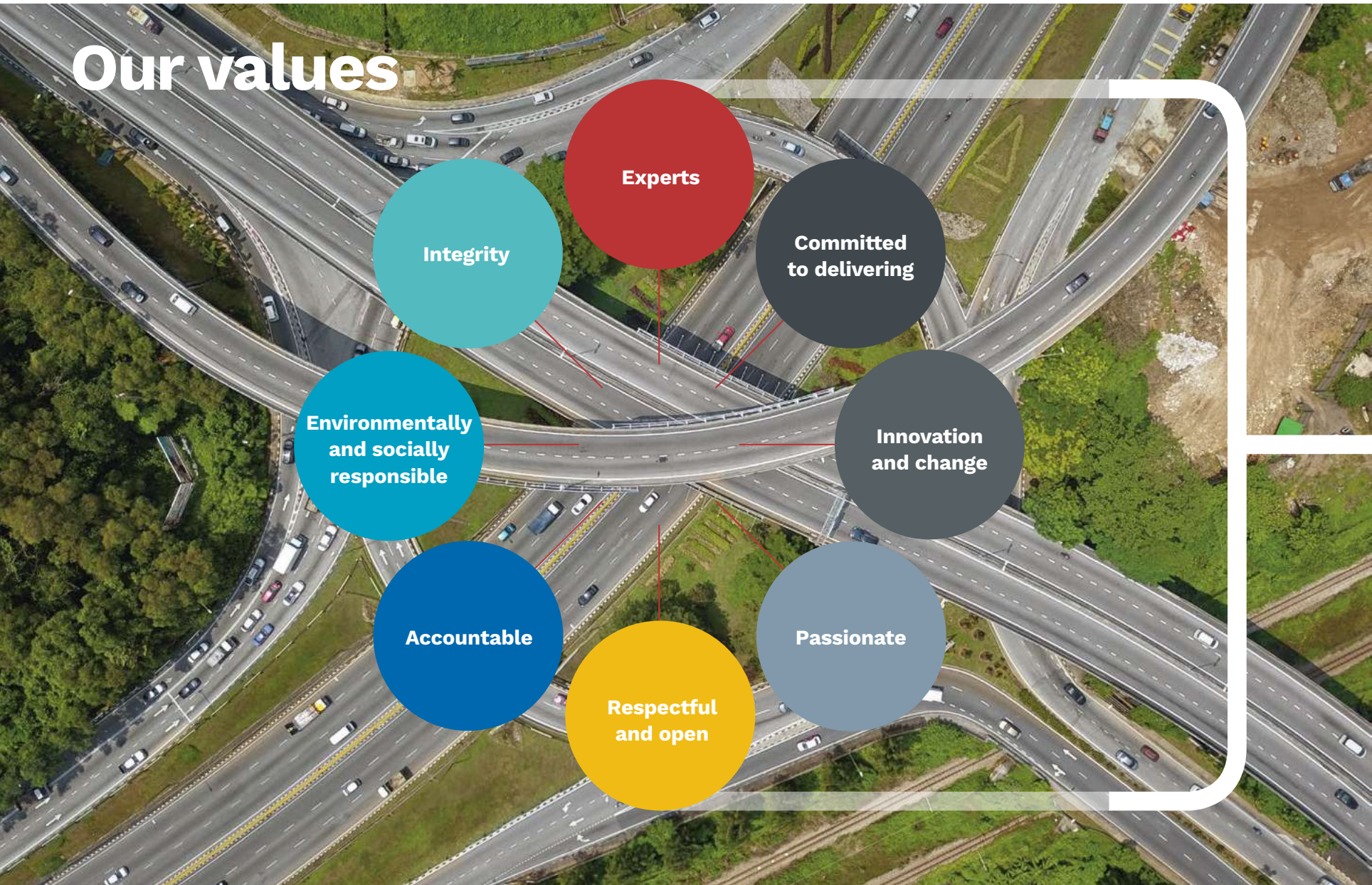
**Environmentally  
and socially  
responsible**

**Innovation  
and change**

**Accountable**

**Passionate**

**Respectful  
and open**







## Experts

### ...in our industry and profession

Using our proven industry knowledge and professionalism, we are committed to applying our expertise to further develop the most economical solutions for our customers.



## Committed to delivering

### ...excellence as standard

We deliver what we promise and add value that goes beyond what is expected. We achieve excellence through thinking ahead and shaping our future.



## Innovation and change

### ...drive us shaping our future

We see the bigger picture, employing people with vision, who embrace new ideas and have a clear picture of the future. By challenging the norm we can anticipate our customers' changing needs with new innovative products and services.



## Passionate

### ...about our company and what we do

We are practical and committed to making things happen. We drive progress with pride, high energy and tenacity, together with a sense of urgency.



## Respectful and open

### ...towards each other and in our approach to business

We embrace different cultures, communities and points of view with humility; building open and long term relationships externally and within our company, through clear communication.



## Accountable

### ...for our decisions, actions and results

In all our dealings we are focused on delivering what we promise to our shareholders, customers, suppliers and colleagues. We take full responsibility for our decisions, actions and results.



## Environmentally and socially responsible

### ...towards people and our planet

We are committed to minimising the impact of our operations on the environment and to promoting social responsibility that benefits the communities in which we live and work. We care about people and our planet.



## Integrity

### ...underpins the way we do business

Integrity, honesty and ethical behaviour are at the core of our business. Being trustworthy and honourable is the basis of the way we do business.



# Our strategy

## In this section

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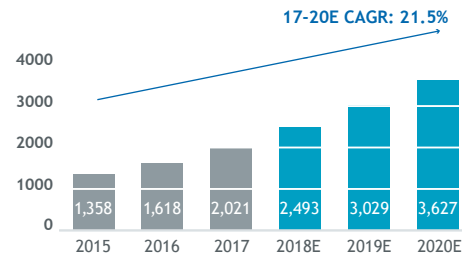


# Our market<sup>1</sup>

## Strong growth in key end-user markets

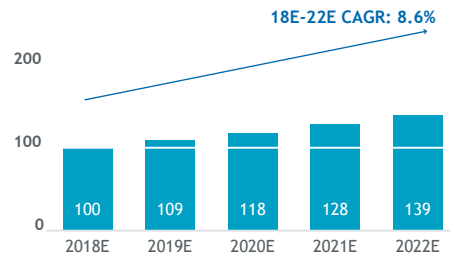
### Retail e-commerce

Sales worldwide (€b)



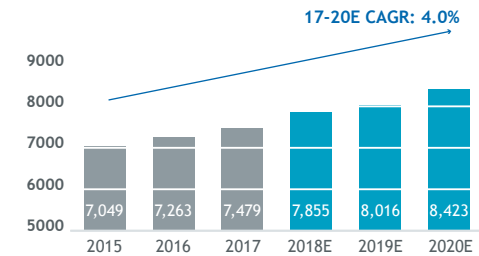
### Consumer electronics

Global revenue - index to 2018 (=100)



### Consumer goods

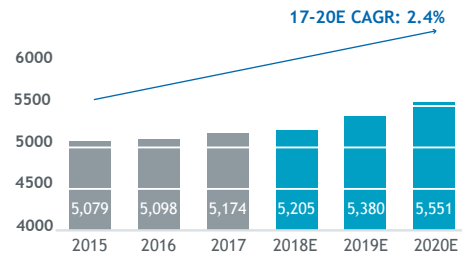
Global FMCG (minus food) spending (€b)



## Underpinned by solid growth in the traditional ones

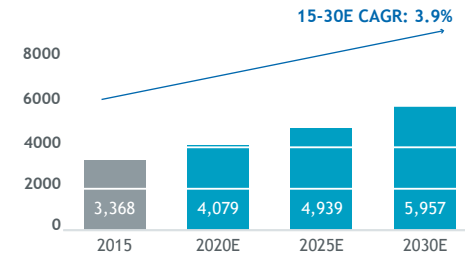
### Food retail

Global food retail spending (€b)



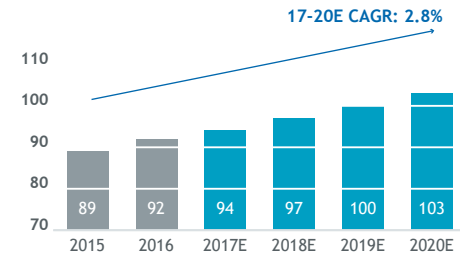
### Chemical products

Global chemical sales (€b)



### Automotive

Global car sales/light commercial vehicles (m units)



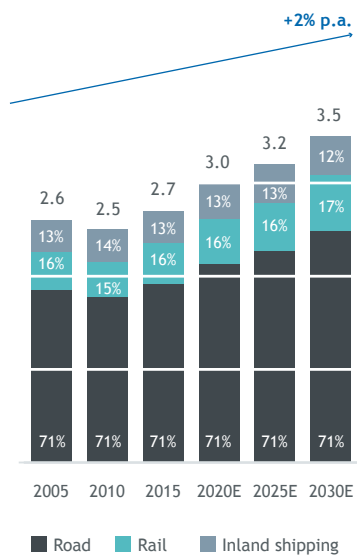
<sup>1</sup> For sources, please refer to the Glossary and references section.



While road continues to dominate a growing European transportation market,

### Freight transport in EU-28 by mode

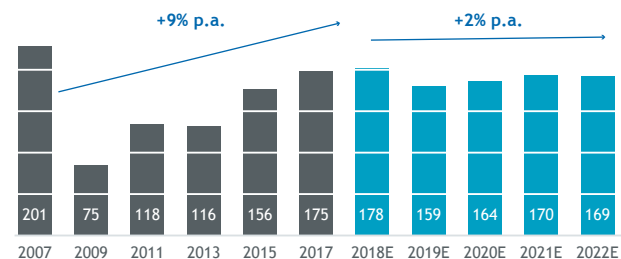
GTkm 000 bn



and both European and North American new trailer demand remains robust.

### Europe new trailer registrations (k - units)

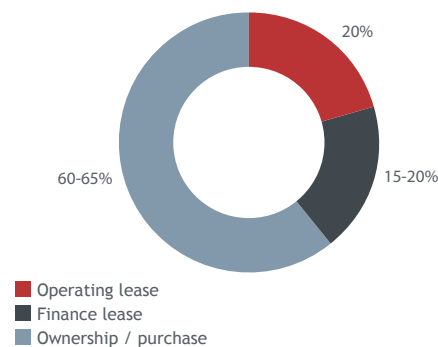
June 2018



Solid ongoing demand for operating leases further supported by a rising interest environment as customers look to deploy capital in other investment opportunities.

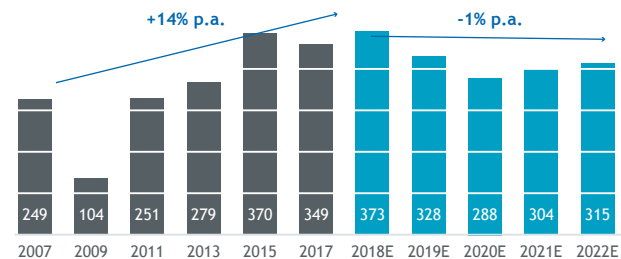
### Trailer leasing penetration rate

The 20% operating lease penetration rate has remained relatively stable over time

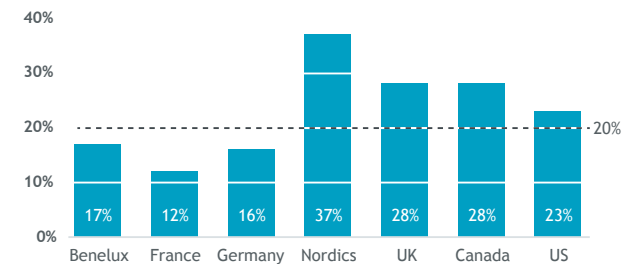


### North America new trailer production (k - units)

July 2018



### Operating lease penetration rate by geography

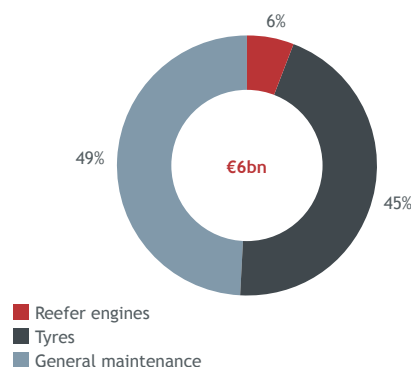




**A €6bn trailer M&R market for a 2 million trailer park in Europe provides strong growth and consolidation opportunities.**

### Trailer maintenance segments

Annual revenue



### Autonomous vehicles (AV) and electrical vehicles (EV)

The arrival of AVs and EVs will have significant impact on the transportation and logistics sector. However, as the majority of our equipment is non-motorised, we envisage limited direct negative impact on our core business from these pioneering technologies. In fact, these technologies may bring us opportunities to service our customers in new ways as they look to redesign their business models for a world of AVs and EVs.

### Asset intelligence

In line with the increasing market demand for data analysis and monitoring of equipment, we provide our customers with analytics on their trailer fleets through the use of KPI reporting that forms part of our fleet management offering. Fleet management supports customers by ensuring that their equipment has completed all required maintenance and road worthiness inspections on a timely basis to provide maximum uptime.

In addition, we supply state of the art telematics products to our customers. These products provide tracking solutions on equipment and enable our customers to monitor and control their fleet. The telematics products are supplied through Novacom B.V., a leading telematics manufacturer, with whom we have a long relationship. Novacom's services help fleet managers monitor their fleet and optimise performance via remote vehicle diagnostics. It provides solutions for a broad range of applications including job dispatch, navigation, driver communication, tracking utilisation, tyre pressure management, on-time maintenance and security.



# Our business model

## How we create value and growth

Our aim is to offer first-class services to our customers and to become the trailer provider of choice and trusted advisor in the transportation and logistics industry. To do this, we offer a great variety of services throughout the whole trailer asset life cycle ranging from high-quality parts and maintenance services in our workshops to a full range of leasing and rental service offerings, as well as complete outsourcing of fleet management solutions.



### People

Create a passionate environment where industry expertise, innovation, talent, leadership and analytical skills come together to create winning solutions for our customers.



### Assets

Having the right equipment, at the right locations, at the right time and in good condition for our customers.



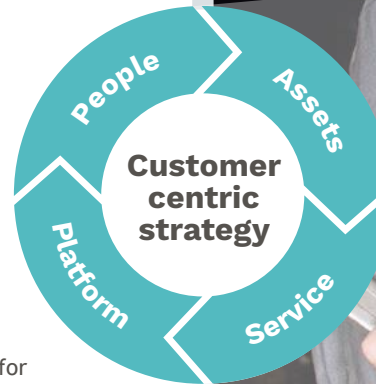
### Service

Ability to offer tailor-made service levels to a wide variety of customers with different needs (from transactional to value-add).



### Platform

Having the right tools to create insights for our customers. To offer high-quality, flexible solutions and proactive advice at multiple locations across Europe and Canada.







- Expertise - consulting
- Asset specifications
- Choice of suppliers
- Sourcing experience



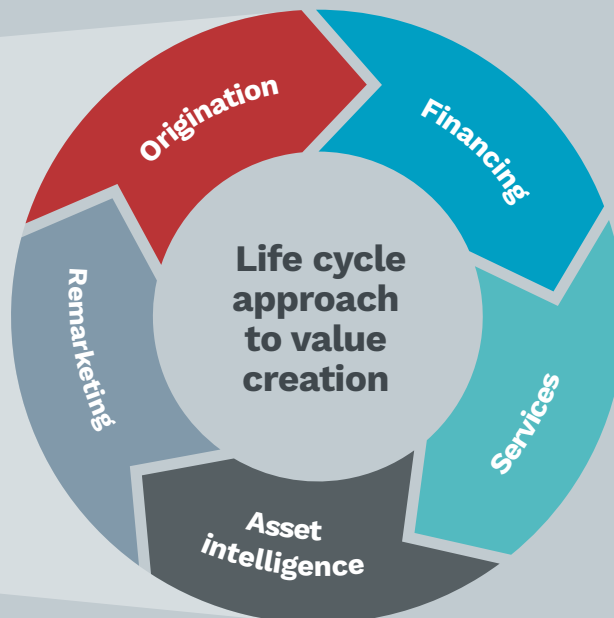
- Range of options
- Leasing
- Rental



- Dedicated team with over 100 years of combined experience
- Over 25k units sold since 2015



- Comprehensive fleet services
- Robust maintenance network (owned and outsourced)
- 24/7 roadside assistance



- Customer portal for direct fleet monitoring
- Telematics services such as track and trace, tyre pressure management and performance monitoring



### Customers

We aim to help our customers drive their business forward, supporting their fleet and maintenance needs as their business changes and grows.

**Revenue**  
**€565m**



### Employees

We provide a safe working environment, fair remuneration packages, development opportunities and clear communication to our people.

**Employee benefits**  
**€98m**



### Investors and lenders

We provide investors and lenders with regular updates enabling them to make informed investment decisions. We communicate regularly with analysts, our shareholder and lenders to ensure that we allocate capital efficiently at rates which provide appropriate returns for our shareholder and lenders.

**EBITDA**  
**€205m**  
**Interest paid**  
**€22m**



### Suppliers

We maintain close working relationships with our suppliers and aim to be a responsible business partner. This enables us to effectively execute our strategy as well as supporting our suppliers' businesses.

**Supplier payments**  
**~€400m**



### Environmental, health and safety (EHS), communities

We have a rigorous EHS programme with well-defined guidelines to effectively manage EHS risks, workplace and employee well-being and safety. We also actively engage in volunteer projects within our local communities.

**EHS awards**  
**5**

# TIP 2020 and related key performance indicators<sup>1</sup>

**Our focus is to strengthen our leadership position within the transportation and logistics industry by continuously improving our service offerings,** diversifying our portfolio and further expanding our network, in order to continuously deliver value to our customers around the world and deliver solid returns for our investors.

We have developed **6 key imperatives** which underpin our strategy. These form the cornerstones of our 'TIP 2020' strategy. This year we continue to report on our progress of these KPIs, which are aligned to how the business operates and to TIP 2020. During the year we revised these targets to reflect the impact of an 18-month period under our former shareholder, where inorganic growth through acquisitions was constrained. Definitions and descriptions of these KPIs can be found in the Glossary.

1

Our growth and  
profit ambition

2

Customer  
centricity

3

Our  
people

4

Our  
assets

5

Our  
services

6

Our  
footprint



<sup>1</sup> 2016 excludes one-time indemnification and recovery, see Glossary for further explanation.



# 1

## Our growth and profit ambition

**Revenue:** Grow revenue at double digit levels until 2020 using

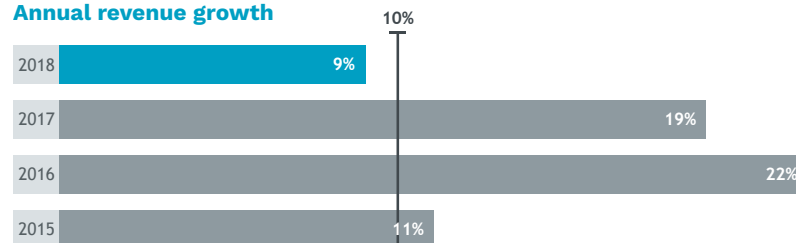
4 key growth levers:

- Organic growth in our existing markets
- Inorganic growth in our existing markets
- Inorganic growth in new markets
- Organic growth in new markets

**Profit:** We need to leverage our scale while controlling our costs to drive improved margins and profits.

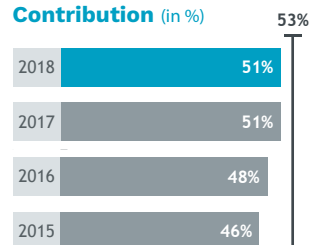
**Risks:** **A** Economic conditions, **B** Competition, **C** Business strategy and investments, **D** Financing, **G** Corporate governance, **H** Financial reporting, **K** People

### Annual revenue growth

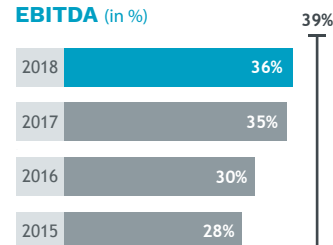


### Margins

#### Contribution (in %)



#### EBITDA (in %)



# 2

## Customer centricity

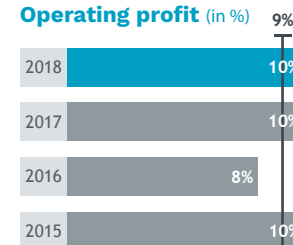
In everything we do, we need to consider the benefits for our customers. They are critical to achieve our growth strategy. We can only grow if our customers stay with us, and even better, are willing to grow alongside us. Our leading position in the industry combined with our network enable us to serve and satisfy their needs.

**Risks:** **B** Competition, **I** Credit, **J** Asset management, **N** Environment health and safety, **O** Lease accounting rules

### Top 10 customers



### Operating profit (in %)




 Ahead  
 On plan  
 Behind  
 Target

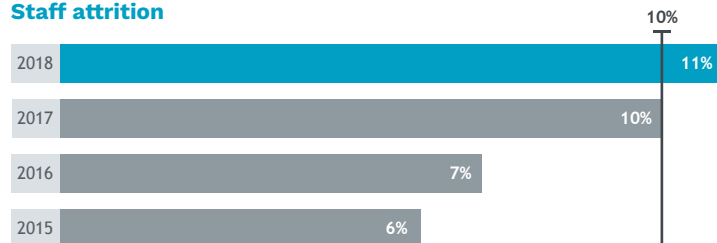
## 3 Our people

Without our people we will not be able to reach our goals.

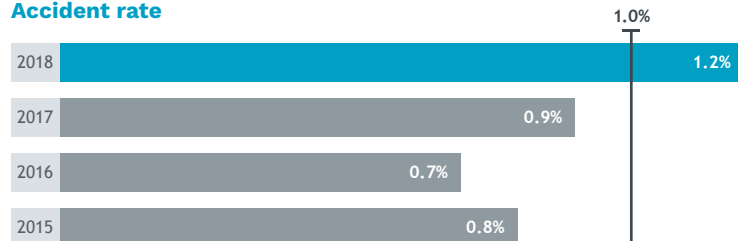
We have an advantageous combination of highly experienced people who are willing to share their knowledge, and energetic new people who are given the room to explore new ideas and take initiatives. We wish to nurture and further develop both. This starts with giving our leaders the tools and skills to get the most out of their teams and give all our employees the possibility to further grow and develop themselves.

Risks:  People,  Employee compliance,  
 Environment health and safety

### Staff attrition



### Accident rate



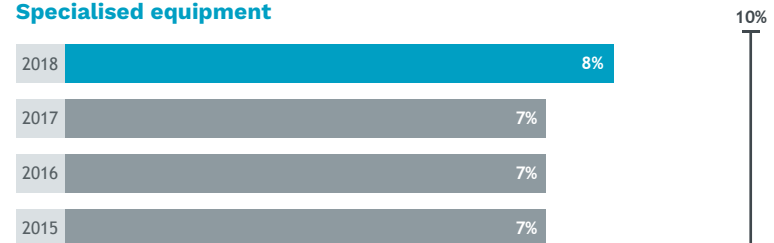
## 4 Our assets

The largest part of our current fleet consists of standard trailer equipment (curtainsiders, reefers, vans and swap bodies).

These trailer types will continue to be the largest share of our equipment but we want to diversify our fleet further. We have the skills, expertise and capabilities to focus on other types of equipment and we can distinguish ourselves from our competition while creating higher added value for our customers. We aim to diversify into other road transportation equipment types such as walking floor trailers, car carriers, drawbars, waste tankers, fuel tankers, electric vehicles, trucks and rigids.

Risks:  Financing,  Asset management

### Specialised equipment





## 5 Our services

Grow our M&R services by:

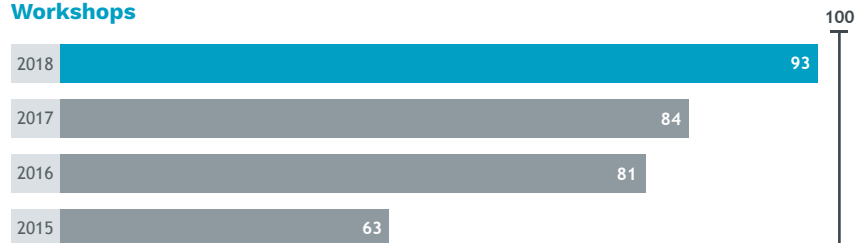
- a) Attracting more non-contracted maintenance and repair business to our workshops
- b) Intensively targeting fleet owners to outsource their maintenance activities
- c) Offering new services in our workshops such as tyre fitting, reefer maintenance and other auxiliary activities

Other

- d) Digitisation of our services processes
- e) Driving new concepts related to the sharing economy and equipment pooling

Risks: **B** Competition, **C** Business strategy and investments, **K** People, **M** Information technology

### Workshops



### M&R revenue (% of total)



## 6 Our footprint

We will continue to grow our footprint in Europe and Canada.

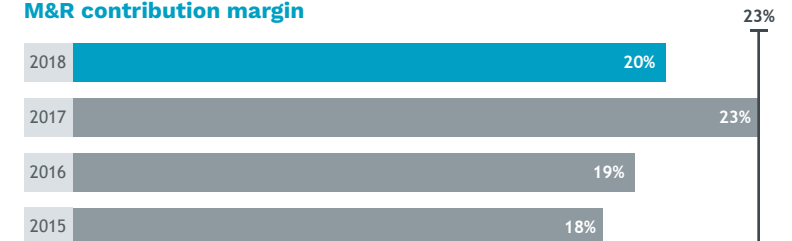
We also need to expand outside Europe and Canada in both developed and developing higher growth markets. We aim to be a global player.

Risks: **A** Economic conditions, **C** Business strategy and investments, **D** Financing, **E** Treasury, **F** Tax

### Countries



### M&R contribution margin



# Managing our risk

Taking risk is an inherent component of our business as we aim to maximise economic benefits for our stakeholders. Having a structured and rigorous risk management process allows us to approach various risks in a controlled manner. Over the past 50 years we have built up our operations and have strengthened our platform through a rigorous approach to systems, processes and risk management.

In this section we describe the primary risk areas that our company faces and how we approach them. We have aligned these into three main risk pillars - strategic, financial/corporate governance and operational. The list is not exhaustive.

We approach risk management as follows:

- The Boards are responsible for the overall risk management strategy and for the supervision of internal risk management and control systems

- The Executive Management Team (EMT) monitors the risk management processes, the internal control framework and its effectiveness
- The Internal Audit (IA) team provides independent assurance on governance, risk management and internal control processes
- Strict internal controls are embedded in the processes at an operational level to ensure risk assessment, identification and mitigation
- Risk awareness and compliance are embedded into our company culture through regular trainings








## Our risks at a glance

Likelihood	Highly likely		O		
	Probable		E	K	
	Possible		A I N	B G M	C J
	Unlikely	L	F	H	D
		Minor	Moderate	Major	Severe
Impact					

Likelihood of occurrence within TIP 2020 timeframe  
Impact after mitigations

Main risk pillars		
Strategic	Financial/corporate governance	Operational
<div><div>A</div> Economic conditions</div> <div><div>B</div> Competition</div> <div><div>C</div> Business strategy and investments</div>	<div><div>D</div> Financing</div> <div><div>E</div> Treasury</div> <div><div>F</div> Tax</div> <div><div>G</div> Corporate governance</div> <div><div>H</div> Financial reporting</div>	<div><div>I</div> Credit</div> <div><div>J</div> Asset management</div> <div><div>K</div> People</div> <div><div>L</div> Employee compliance</div> <div><div>M</div> Information technology</div> <div><div>N</div> Environmental health and safety</div> <div><div>O</div> Lease accounting rules</div>
Risk management structure		
The Boards		
Executive management team		Internal audit
Operational level		

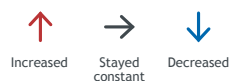







	Potential impact	Examples of mitigation	Change
<b>A</b> <b>Economic conditions</b>  <i>Leading EMT member(s):</i> <b>Bob Fast, CEO</b>	<ul style="list-style-type: none"> <li>The business environment and our trailer leasing and rental sector are impacted by the European and Canadian economic environments. We are exposed to market prices, volatility of demand for our products and services, and remarketing of our fleet. The transport and logistics industry, from which we earn the majority of our revenue, is cyclical and is generally impacted in early stages of an economic cycle</li> <li>Slower GDP growth is likely to result in a reduction in demand for equipment and is likely to be compounded by pricing weakness</li> </ul>	<ul style="list-style-type: none"> <li>Economic conditions in Europe and Canada remain strong</li> <li>A substantial portion of our customer base is in the food retail and specialised equipment segments, which are less exposed to economic cycles</li> <li>Our largest customer represents 6%, and no other customer more than 3% of our revenue</li> <li>We have successfully diversified our product offering into maintenance and repair services where demand increases in an economic downturn as customers' fleet ages and protects our volume in a low interest rate environment</li> <li>Our size and pan-European and Canadian footprint as well as fleet homogeneity allow us to redeploy fleet between countries and customers to maximise utilisation</li> <li>Utilisation can be maintained through purchasing fewer trailers, increasing fleet sales or a combination of the two. This generates cash and reduces debt</li> <li>We mitigate the remarketing risk through our geographic coverage and our ability to leverage multiple channels</li> </ul>	  
	<ul style="list-style-type: none"> <li>Brexit may impact our UK/Ireland business and trade flows between the UK/Ireland and the Continent</li> </ul>	<ul style="list-style-type: none"> <li>Demands for lease renewals and rentals will increase if Brexit results in less demand for new capex</li> <li>Increased volume of idle equipment waiting to clear customs in the UK/Ireland and Continental ports should help to increase demand for trailers and partially compensate for any reduced trade flows between the UK/Ireland and the Continent</li> </ul>	
	<ul style="list-style-type: none"> <li>When debt is cheap customers are more inclined to buy rather than lease equipment</li> </ul>	<ul style="list-style-type: none"> <li>Our debt facilities are arranged to allow us to effectively adjust our debts in line with demand and have programmes to source debt competitively</li> </ul>	
<b>B</b> <b>Competition</b>  <i>Leading EMT member(s):</i> <b>Bob Fast, CEO</b>	<ul style="list-style-type: none"> <li>The markets in which we operate are fragmented and competitive, with competitors often pursuing aggressive strategies to increase their market share. This leads to a risk of TIP losing market share and revenue</li> </ul>	<ul style="list-style-type: none"> <li>We aim to differentiate ourselves from the competition and provide barriers to entry; through experienced personnel, a broad network, comprehensive service offering, a wide range of trailers and industry-leading IT</li> <li>We regularly monitor our market share and track the performance of our competitors</li> </ul>	   
	<ul style="list-style-type: none"> <li>Leasing competition from banks and other low-cost financing providers</li> </ul>	<ul style="list-style-type: none"> <li>We create commercial advantage by consistently providing the highest level of service at a price which offers value</li> <li>Our expertise and ability to take residual value positions, remarketing capabilities, fleet management and maintenance service offering cannot be matched by banks and other low-cost leasing financiers</li> </ul>	
	<ul style="list-style-type: none"> <li>Our cost of debt is a competitive factor and increases or inability to finance at competitive rates could impact our competitive position</li> </ul>	<ul style="list-style-type: none"> <li>We have diversified financing in place and are committed to maintaining solid financial ratios to ensure continued access to competitive funding</li> </ul>	

Alignment to TIP 2020 strategic imperatives:



Management assessment of whether the risk has (since prior year):

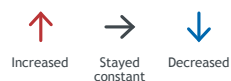


	Potential impact	Examples of mitigation	Change
 <b>Business strategy and investments</b>  <i>Leading EMT member(s):</i> Bob Fast, CEO Arjen Kraaij, CCO Paul Beadle, COO Malachy Mc Enroe, CFO Hiske Damhuis, CHRO	<b>Overall strategy</b> <ul style="list-style-type: none"> <li>Inappropriate and/or poorly understood strategies</li> <li>Poor investment decisions and inadequate execution</li> </ul>	<ul style="list-style-type: none"> <li>Strategic issues, including risks and opportunities, are discussed at all EMT and Boards meetings and they receive regular progress updates on all major change programmes</li> <li>Considerable time is dedicated to strategic reviews, with regular performance reviews of strategic KPIs at various management meetings</li> <li>We communicate regularly with key stakeholders such as investors, our people, suppliers and customers</li> </ul>	   
	<b>Acquisitions</b> <ul style="list-style-type: none"> <li>Acquisitions may expose us to integration risks in areas such as commercial, customer service, regulatory compliance, information technology (IT) and finance</li> <li>We may not be able to effectively integrate the acquired companies or activities and achieve the anticipated benefits in terms of revenue, costs and synergies</li> </ul>	<ul style="list-style-type: none"> <li>All acquisitions are subject to comprehensive cost-benefit analysis, due diligence, review and approval at the Business Development (BD) committee led by the CEO and CCO</li> <li>We have a dedicated Integration team with cross-functional and regional support, to ensure that we have robust integration plans, effective communication and coordination across the business and with the acquiree</li> <li>The Integration team ensures that plans are effectively executed and expected benefits are realised</li> </ul>	
	<b>Other investments</b> <ul style="list-style-type: none"> <li>We continue to undertake a number of significant investments, particularly in trailer fleets, workshops and IT which may not achieve anticipated benefits</li> </ul>	<ul style="list-style-type: none"> <li>Annual investment plans for trailer fleets, workshops and IT are approved by the EMT and the Boards as part of the annual budgeting process</li> <li>All material trailer fleet investments are subject to review and approval at the Deal Review Meeting (DRM) led by the CEO and CCO, covering pricing, credit and asset risk, as well as strategic importance of the customer</li> <li>All new workshop investments and expansions are subject to review and approval by the PP&amp;E Investment Committee (PIC) led by the COO and CFO. They are subject to final approval by the CEO</li> <li>All new product introductions (NPIs) are subject to review and approval by the New Product Introduction Committee (NPIC) led by the CCO. They are subject to final approval by the CEO</li> <li>All new IT investments are subject to review and approval by the Technology Investment Committee (TIC) led by the COO, CFO and relevant functional leader. They are subject to final approval by the CEO</li> <li>PIC, TIC and NPI processes include full financial cost benefit analysis as well as strategic rationale</li> <li>Post completion, major investments are subject to a post-investment review at various levels and intervals within our management structure</li> </ul>	




Alignment to **TIP 2020** strategic imperatives:




Management assessment of whether the risk has (since prior year):





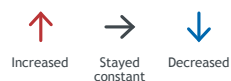
	Potential impact	Examples of mitigation	Change
<p><b>D</b></p> <p><b>Financing</b></p> <p>Leading EMT member(s): Malachy Mc Enroe, CFO</p>	<ul style="list-style-type: none"> <li>• We require capital to grow and renew our fleet, for acquisitions, new branches/workshops and other strategic investments. We require continued access to adequate credit facilities while remaining in compliance with our financial covenants</li> <li>• Failure to maintain or extend access to financing facilities could impact our ability to grow profitably</li> <li>• Press coverage either about TIP Trailer Services or our shareholder might impact our reputation and ability to expand financing facilities</li> </ul>	<ul style="list-style-type: none"> <li>• We maintain an appropriate gearing ratio of 72%</li> <li>• Our revolving credit facility (RCF) matures in December 2023, asset backed securitisation (ABS) in March 2019 and funding lease book (FLB) and term loan (TL) debts are due over varying periods until 2023. We believe that these facilities provide adequate resources for our current business needs</li> <li>• We have flexible facilities (except TL), which allows us to effectively upscale or downscale our debt levels in line with business activities</li> <li>• During the year we have successfully refinanced our RCF, increasing its size by €267m at reduced rates as well as increased our committed FLB facilities. Our facilities are principally asset backed and not directly cash flow related</li> <li>• We review our actual and forecast our future compliance with financial covenants on a monthly basis in conjunction with profit or loss, balance sheet and cash flow forecasts to ensure ongoing compliance. In addition, we forecast our three-month liquidity requirements on a weekly basis</li> <li>• We maintain a funding plan at business level and it is a recurring item on the agendas of both Boards and EMT meetings. The funding plan forecasts new financing and repayments for each funding source, resulting in a multiyear projection of our liquidity position. Apart from the actual forecast, additional stress-tested forecasts are calculated based on stress assumptions</li> <li>• We hold a bimonthly External Financing Committee (EFC) to review funding relationships, options, strategy and compliance</li> <li>• We have a dedicated Treasury and Investor Relations team who, together with the EMT, maintain communication and proactively provide relevant information to stakeholders, including the shareholder, funders, debt markets and the press</li> </ul>	<p>↓</p>   

	Potential impact	Examples of mitigation	Change
<div><b>E</b></div> <div>Treasury</div> <div>Leading EMT member(s): Malachy Mc Enroe, CFO</div>	<b>Interest rate</b> <ul style="list-style-type: none"> <li>We are exposed to interest rate risk, particularly in our long term borrowings. Failure to effectively hedge this risk can impact our financial condition and performance. Negative interest rates (as happened with Euribor in 2016) will result in our hedge accounting becoming ineffective, impacting our profit or loss and our reported financial performance and covenants</li> </ul>	<ul style="list-style-type: none"> <li>It is our policy to minimise exposure to interest rate changes</li> <li>90% of the Group's interest exposure is in assets denominated in €/€ related, £ and CA\$</li> <li>We are currently 71% hedged on our € and £ borrowings with an average duration of 1.4 years</li> <li>We have no interest floor in our ABS funding arrangement and effectively the impact of negative lbor is also passed to us in new FLB and TL debts. The only funding arrangement which effectively has an interest rate floor is our RCF</li> </ul>	<div>→</div> <div></div>
	<b>Foreign currency</b> <p>An adverse impact on our revenue and profit from transactional or translational currency fluctuations</p> <ul style="list-style-type: none"> <li>Whilst we report in €, our asset values, profits and cash flow are influenced by a variety of currencies owing to the pan-European and Canadian nature of our business. Around 26% of Group's revenue and costs are in £'s and a further 16% in other European currencies and CA\$</li> <li>Mismatch between acquisition/capex timing and borrowing in the relevant currency may result in exchange impacts</li> <li>Intercompany equity investments in non € currencies, including impacts from Brexit, results in FX volatility in equity</li> <li>A 2% movement in £/€ had a translation impact of approximately €250k on profit before tax in 2018</li> </ul>	<ul style="list-style-type: none"> <li>We manage the transactional exchange impact by borrowing in local currency (up to our intercompany debt levels) in £'s, NOK's, SEK's and CA\$'s. We therefore create a natural hedge against profit or loss exchange rate risk</li> <li>We have weekly cash flow forecasting (including acquisitions/capex) in major currencies to allow us to borrow in the relevant currency on a timely basis</li> <li>Translational exchange risk does not impact our underlying cash flow. We do not hedge this risk as it would be expensive, and in many cases impractical to do so</li> <li>We are currently assessing the feasibility of hedging our non € currency equity positions</li> </ul>	
	<b>Cash management</b> <ul style="list-style-type: none"> <li>We hold cash in operating bank accounts in various countries. Excess cash impacts our financial covenants negatively</li> </ul>	<ul style="list-style-type: none"> <li>We have implemented a centralised Group level cash pool in 15 European countries (2017: 8), which reduces excess cash in our operating bank accounts</li> <li>We have successfully reduced our cash balance from 9% of net operating assets in 2014 to 1% in 2018</li> </ul>	


Alignment to **TIP 2020** strategic imperatives:





Management assessment of whether the risk has (since prior year):





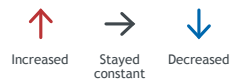
	Potential impact	Examples of mitigation	Change
<p><b>F</b></p> <p><b>Tax</b></p> <p>Leading EMT member(s): Malachy Mc Enroe, CFO</p>	<p><b>Overall</b></p> <ul style="list-style-type: none"> <li>International taxation of companies operating in multiple jurisdictions are subject to increased attention by the OECD, European Commission, tax authorities and governmental organisations</li> </ul>	<ul style="list-style-type: none"> <li>Our team of finance and tax professionals ensures that we comply with tax requirements where we operate and we actively monitor for legislative changes which may impact our business. Where we believe relevant, we work with external advisors to ensure that our risks are suitably managed. Where appropriate, we engage in direct and proactive dialogue with tax authorities and auditors</li> </ul>	<p>↓</p> 
	<p><b>Sudden political changes:</b></p> <ul style="list-style-type: none"> <li>Major changes in individual country tax rates or tax legislation driven by political and policy changes could impact our ETR, cash tax, ability to invest and ability to price lease contracts competitively and thereby influencing customer behaviour. Two recent examples: a) the changes in the US tax system including the reduction of the tax rate from 35% to 21%; and b) Italy's 'temporary' &gt;100% capital allowance on new asset investments which encourages ownership</li> </ul>	<ul style="list-style-type: none"> <li>Factors other than tax treatment also influence whether customers decide to lease or buy trailers. Amongst these are operational flexibility, additional services, residual value risk, outsourced fleet management, accounting treatment, interest rates and other economic benefits</li> <li>We have a diverse business operating in 17 countries, with our largest single country accounting for only 26% of our revenue with all other individually below 20%</li> <li>Our Tax team continuously monitors the political and legislative changes which may impact our business and operations</li> </ul>	
	<p><b>Change of ownership:</b></p> <ul style="list-style-type: none"> <li>As part of our acquisition of Grayrentals Limited and the change of ownership from HNA to I Squared Capital during the year, we will be required to pay -€4m UK advanced tax in 2019, restricting cash available to invest in growth</li> </ul>	<ul style="list-style-type: none"> <li>The corporation tax is off-settable against tax due on future profits we make in the UK. Our current business plan indicates that this advance payment will be recovered over the coming years</li> </ul>	
	<p><b>GE: Under the HNA acquisition purchase agreement and related warranties:</b></p> <ul style="list-style-type: none"> <li>GE is responsible for filing the tax returns in relation to periods ending on or before 23 October 2013. These periods are under the control of GE. Consequently, GE retains the right of first usage of accelerated depreciation and operating losses for pre-23 October 2013 periods</li> <li>We may be considered responsible for tax audit issues related to periods prior to 23 October 2013 for those TIP entities acquired from GE. Like many large multinationals, GE might be subject to increased attention</li> </ul>	<ul style="list-style-type: none"> <li>We have provided for operating losses prior to 23 October 2013 other than where it is probable that GE will not use these losses</li> <li>In addition, for a number of jurisdictions we have received specific indemnities and warranties from GE in relation to the periods for which GE is responsible</li> <li>We work closely with and support GE finance and tax teams as well as their external advisors on all pre-23 October 2013 tax audits to mitigate risks and avoid financial effects for both parties</li> </ul>	



	Potential impact	Examples of mitigation	Change
 <b>Corporate governance</b>  <i>Leading EMT member(s):</i> Bob Fast, CEO Malachy Mc Enroe, CFO	<ul style="list-style-type: none"> <li>Given the global composition of the Boards of Cube Transportation Europe Coöperatief U.A., scheduling Board meetings with Directors due to availability and location can be challenging</li> </ul>	<ul style="list-style-type: none"> <li>Management Board meetings follow EMT meetings and are scheduled to coincide with Board members availability</li> <li>Management Board convened 9 times in Amsterdam in 2018</li> <li>Supervisory Board convened 1 time in Amsterdam in 2018</li> <li>For 2019 we plan to have 9 to 12 Management Board meetings and 4 to 6 Supervisory Board meetings</li> </ul>	
	<ul style="list-style-type: none"> <li>We had a number of holding companies which were required by our former shareholders, HNA and GE, for their legacy acquisition, funding and tax purposes</li> <li>Maintaining these structures makes it harder for funders and investors to understand and assess the risks and corporate governance in our business and legal structures</li> </ul>	<ul style="list-style-type: none"> <li>In 2018, all entities associated with the aborted acquisition of UDC Finance in New Zealand, Global TIP Holdings One B.V., Global TIP Holdings Five B.V. and TIP-HNA New Zealand Holdings Limited were eliminated</li> <li>TIP Holdings (UK) Limited, a UK legal entity, tax resident in the Netherlands, was acquired from GE in 2013. During 2018, the related bank guarantee was returned from UK HMRC and TIP Holdings (UK) Limited eliminated.</li> </ul>	
	<b>Tax residency</b> <ul style="list-style-type: none"> <li>The international nature of our business, management team and directors of our main holding entities can create uncertainty around their tax residency</li> </ul>	<ul style="list-style-type: none"> <li>We obtain tax rulings if appropriate</li> <li>We have internal codes of conduct, training and guidance for meetings including clear restrictions on locations which might create uncertainties</li> <li>We maintain strong finance, tax and legal teams to manage these risks and ensure compliance with relevant legislation</li> <li>We obtain external tax and legal advice where appropriate</li> <li>As per above we eliminated TIP Holdings (UK) Limited</li> </ul>	

Alignment to **TIP 2020** strategic imperatives:



Management assessment of whether the risk has (since prior year):



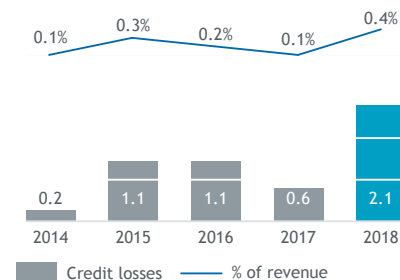
	Potential impact	Examples of mitigation	Change
<b>H</b> <b>Financial reporting</b> <i>Leading EMT member(s):</i> Malachy Mc Enroe, CFO	<ul style="list-style-type: none"> <li>Failure to accurately report or forecast financial results due to error, fraud or resourcing issues could damage our reputation</li> </ul>	<ul style="list-style-type: none"> <li>Our financial and management Board reporting are governed by policies and guidelines which are reviewed and approved annually by the EMT and Board(s)</li> <li>Standard reporting systems are in place for most of our businesses and standard reporting packs are prepared where necessary. This includes weekly cash forecasts, KPI reports and monthly submissions. These are subject to review by senior experienced regional finance and fPAC (financial Planning, Analysis and Control) teams as well as the EMT</li> </ul>	
<b>I</b> <b>Credit</b> <i>Leading EMT member(s):</i> Malachy Mc Enroe, CFO	<ul style="list-style-type: none"> <li>Credit risk is the risk that a customer is not able to pay debts owed under a contract or for a delivery of a service. The impact could result in a provision of a service. The impact could result in a provision of a service. The impact could result in a provision of a service.</li> <li>Fraud or money laundering risk can adversely impact our business</li> </ul>	<ul style="list-style-type: none"> <li>Over 30 credit staff have credit authority delegated at regional and headquarter level. They assess the creditworthiness of customers, collect delinquent accounts and manage litigation with customers to mitigate losses</li> <li>We use a number of resources to evaluate customers, including: local credit rating agencies, credit software and predictive credit ratings based on customer behaviour as well as pre-approved lines based on ratings from international credit rating agencies</li> <li>The quality of our customer base in food retail, highly rated specialised equipment users as well as high-quality transport and logistics operators further limits this risk. Refer to the customer credit quality graph below</li> <li>Our thorough credit processes have resulted in an average 0.2% credit losses relative to revenue over the past 5 years, as shown in the graph below</li> <li>A substantial proportion of customers pay by direct debit</li> <li>We have robust know your customer/anti-money laundering anti-terrorism (KYC-AMLAT) processes in place. We do not accept forms of payment that have been identified as means of money laundering. In particular, we do not accept cash for used trailer sales</li> <li>We also apply robust know your suppliers processes to new suppliers (KYS-AMLAT)</li> </ul>	

### Customer credit quality







### Credit losses (€m)<sup>1</sup>

Average credit losses 0.2%



<sup>1</sup> 2016 adjusted for one-time indemnification and recovery, see Glossary for further explanation.

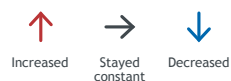


	Potential impact	Examples of mitigation	Change
 <b>Asset management</b>  <i>Leading EMT member(s):</i> Arjen Kraaij, CCO Paul Beadle, COO	<b>Sourcing</b> <ul style="list-style-type: none"> <li>An increase in the holding cost of fleet (including capex prices), if not recovered through increases in ADR, would affect profitability and cash generation</li> <li>Long lead times or delays for new fleet delivery from manufacturers can result in delayed revenues and potentially lost contracts</li> </ul>	<ul style="list-style-type: none"> <li>We purchase trailer types across the full spectrum of offerings to maintain an optimal fleet mix, and we ensure the right assets are purchased at the right price through a combination of very experienced Fleet Sourcing and Remarketing teams</li> <li>Risk is managed on capex pricing by negotiating fixed pricing terms with manufacturers in advance. Flexibility is often maintained to make purchases under variable supply terms</li> <li>When new enhancements appear, we aim to introduce them into the fleet to ensure that, over time, our fleet evolves to ever-better levels of performance and maintains remarketing values</li> </ul>	    
	<b>Residual value</b> <ul style="list-style-type: none"> <li>We purchase substantially all of our fleet from suppliers with no agreement for the repurchase of a trailer at the end of its life cycle. We are therefore exposed to fluctuations in residual values in the used trailer market</li> <li>The residual value of used assets is affected by the demand and pricing levels of new trailers and the supply and disposal values of trailers sold</li> </ul>	<ul style="list-style-type: none"> <li>Our Asset Management (AM) team assigns appropriate residual values to trailers through monitoring and reviewing industry trends and feedback from customers</li> <li>Flexibility in our business model allows us to determine the period over which we hold fleet and therefore in the event of a decline in residual values we would mitigate the impact by ageing our existing fleet</li> <li>We have a robust process to review residual values annually performed by the AM, Regional Management and Remarketing teams. Any proposed changes are subject to approval by CEO, CFO, CCO and VP Asset Management and Remarketing</li> </ul>	
	<b>In-life servicing</b> <ul style="list-style-type: none"> <li>Lack of availability or poor maintenance of fleet throughout its life cycle, as well as the risk of loss or damage to our fleet, would put our competitiveness in the market at risk</li> <li>Obsolescence, regulatory and technological risks may impact our ability to lease or remarket our fleet</li> </ul>	<ul style="list-style-type: none"> <li>Our AM team, which is organised on both a regional and centralised basis, ensures the right mix of trailers in the fleet for both customers and resale markets through the life of the assets. AM ensures optimal utilisation of the fleet through central coordination of assets redeployment across geographies</li> <li>We have insurance policies for our premises and ensure our customers and suppliers have insurance cover when the assets are parked at their locations to manage loss or damage risk</li> <li>We have internal policies on various aspects of our operations, including the safeguarding of assets, asset maintenance, site security and customer relations. Local management is responsible for compliance with the operational policies in our local entities and branches</li> <li>We can reduce the unexpected downtime and generate revenue from damaged assets by refurbishing them at our own workshops or through our extensive supplier network</li> <li>Unlike trucks, there are fewer obsolescence, regulatory and technological risks associated with trailers, as trailers contain few mechanical parts</li> </ul>	

Alignment to **TIP 2020** strategic imperatives:



Management assessment of whether the risk has (since prior year):

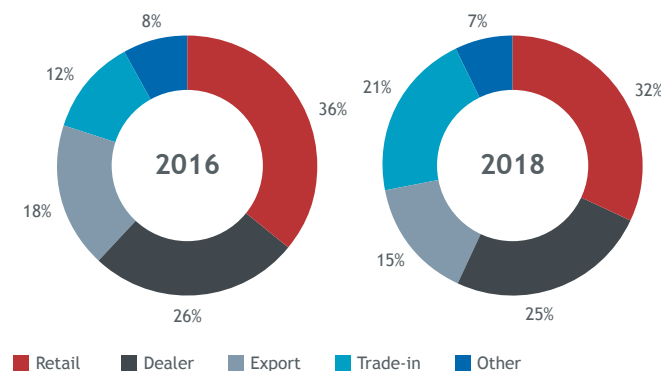


	Potential impact	Examples of mitigation	Change
<p><b>J</b></p> <p><b>Asset management</b></p> <p><i>Leading EMT member(s):</i> Arjen Kraaij, CCO Paul Beadle, COO</p>	<p><b>Remarketing of used assets</b></p> <ul style="list-style-type: none"> <li>We are exposed to market prices and volatility of demand for our used assets. Inability to sell the fleet in a timely manner and at prices in line with residual values may affect profitability and cash generation</li> <li>Political risk in important export markets for fleet sales such as Russia, North Africa and the Middle East</li> </ul>	<ul style="list-style-type: none"> <li>We mitigate market prices and volatility of demand for remarketing risk through our geographic coverage and our ability to leverage multiple channels to maximise price and volume. We sell to a variety of end markets including retail buyers, dealers and export markets where our strong brand name results in high resale values. The export channel also assists in removing assets from our own markets, which avoids cannibalising leasing demand</li> <li>Leveraging our strategically placed remarketing centres (refer to our remarketing centres graph below) and our contacts across Europe as well as in key export markets (such as Russia, the Middle East and North Africa), we frequently move used assets across our network in order to maximise price and address availability in resale markets</li> <li>We retain considerable in-house expertise in remarketing trailers and have a market-leading website for used assets</li> </ul>	<p>→</p> <p>↔</p> <p>🚚</p>






### Remarketing centres



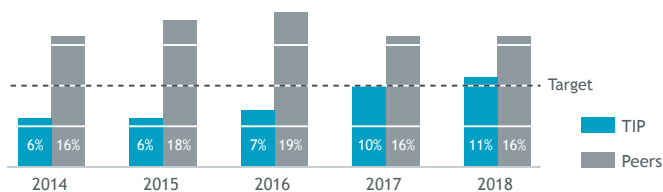
### Fleet sales by end markets<sup>1</sup>



<sup>1</sup> Excludes Canada and 2016 excludes one time indemnification and recovery, see Glossary for further explanation

	Potential impact	Examples of mitigation	Change
 <b>People</b>  Leading EMT member(s): Bob Fast, CEO Hiske Damhuis, CHRO	<ul style="list-style-type: none"> <li>Attracting and retaining good people is essential to delivering excellent performance and great customer service</li> <li>Staff attrition above an acceptable level is likely to impact our relationship with customers and suppliers, and impact our growth strategy</li> <li>Availability of specialised skills such as trained mechanics is key to delivering customer service</li> </ul>	<ul style="list-style-type: none"> <li>We provide well-structured and competitive benefit and reward packages that ensure our ability to attract and retain employees. Benefits are benchmarked against the market. Rewarding people for their performance through variable incentive plans and long term service awards acts as a powerful retention tool</li> <li>We make sure that people enjoy working and feel they are recognised while having a challenging and interesting job. We ensure that our staff have the right working environment and tools to enable them to do a great job. We are committed to an open communication with colleagues at all times and monitor employee satisfaction through listening groups, employee forums and our employee NPS surveys</li> <li>We provide training opportunities and coaching, and encourage our people to strive for excellence. Digital up-skilling is supporting business change and enabling greater workplace flexibility</li> <li>As part of our annual talent and development reviews, we prepare detailed succession plans for all management and professional staff roles</li> <li>Staff attrition rate has increased to 11% but remains relatively low compared to peers. Attrition for staff other than mechanics (this type of work has higher attrition by nature), has declined from 10% in 2017 to 8% in 2018</li> </ul>	   
	<ul style="list-style-type: none"> <li>Availability of young well-trained staff is key for support function roles to execute our growth strategy</li> </ul>	<ul style="list-style-type: none"> <li>To reduce our risk in sourcing and retaining young well-trained staff for support functions (IT, finance and operations in particular), we maintain both in-sourced and outsourced service centres in the Netherlands, UK, Poland and India</li> </ul>	
	<ul style="list-style-type: none"> <li>Pension obligations</li> </ul>	<ul style="list-style-type: none"> <li>We operate defined contribution schemes and make pension contributions, where required, to state social security systems. We do not operate any defined benefit pension schemes</li> </ul>	

### Attrition vs peers



We calculate staff attrition % by dividing the number of permanent employees who left the business voluntarily during the year into the average headcount of the year

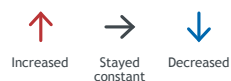
Peers are international businesses with similar distributed business models with substantial requirements for mechanics/technicians. Specifically, we used Ashtead, Aggreko and Northgate

Source for peers: Their most recent annual reports prior to our Board approving this annual report




Alignment to **TIP 2020** strategic imperatives:



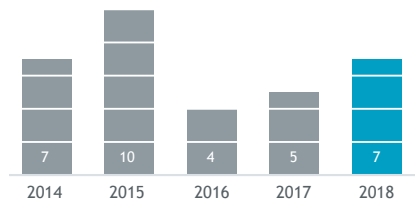
Management assessment of whether the risk has (since prior year):








	Potential impact	Examples of mitigation	Change
 <b>Employee compliance</b>  <i>Leading EMT member(s):</i> Bob Fast, CEO Hiske Damhuis, CHRO	<ul style="list-style-type: none"> <li>Failure to comply with the frequently changing legal and regulatory environment could result in reputational damage or financial penalties</li> </ul>	<ul style="list-style-type: none"> <li>We maintain a strong legal team to manage these risks and to ensure compliance with relevant legislation</li> <li>We have a group-wide integrity policy and whistle-blowing arrangements, including an Ombuds system</li> <li>Our legal team advises the business on the impact of new legal and regulatory obligations and adapts policies, practices and training to comply with the new requirements</li> <li>We provide training and induction programmes for our staff to ensure understanding of our policies, including online training, in-person seminars and one-on-one leadership training</li> <li>Compliance issues and required actions are reviewed and agreed by the EMT on a regular basis</li> </ul>	  
	<ul style="list-style-type: none"> <li>The European General Data Protection Regulation (GDPR) became effective on 25 May 2018</li> </ul>	<ul style="list-style-type: none"> <li>New GDPR and Data Privacy training modules were developed and training provided for general awareness amongst our European businesses and for specific business functions</li> <li>During 2018, our legal team worked closely with HR, IT and business teams to develop policies and guidance as well as to implement actions to address the impact of GDPR</li> <li>Robust communications were provided to the business to complement the training programmes and promote awareness among employees</li> <li>TIP's risk associated with GDPR is limited as the business has limited/no business-to-customer (B2C) customers or suppliers. The principal focus has been around employee data</li> </ul>	

#### Number of Ombuds cases raised







	Potential impact	Examples of mitigation	Change
 <p><b>Information technology</b></p> <p>Leading EMT member(s): Paul Beadle, COO</p>	<p><b>Continuity</b></p> <ul style="list-style-type: none"> <li>Given the number of customers, locations and assets under management, we are dependent on technology to run our business, deliver high-quality service, as well as record financial information. Failure of IT systems and/or cyber-attacks may disrupt operations and financial information processes</li> <li>Availability of back-up data centres for all servers and applications</li> </ul>	<ul style="list-style-type: none"> <li>We have an appropriate business continuity plan in the event of disruption arising from an IT system failure. We do not have a disaster recovery backup centre for all our servers and applications. However, a number of our applications are cloud based with appropriate back-up disaster recovery data centres. Our other core data is backed up regularly and stored on sites away from our principal data centre. It is not practical or cost effective to protect against all possibilities of damage created by natural disasters, power loss, telecommunications failures, cybersecurity attacks and similar events in every potential circumstance that may arise</li> <li>We have a comprehensive suite of security technologies in place including antivirus/malware software, firewalls, email scanning and internet monitoring</li> <li>We have business interruption insurance which covers certain costs and losses associated with IT system failures. In addition, as part of our insurance review in 2018, we took out an additional coverage for potential cyberattacks (effective from 1 January 2019)</li> </ul>	 
	<p><b>Acquisitions/growing services</b></p> <ul style="list-style-type: none"> <li>We acquire new systems and applications through acquisitions. We are rapidly developing new business initiatives such as an IT application to support M&amp;R activities. Extended delays or cost overruns in replacing, securing or developing technology solutions to support these initiatives would delay and possibly prevent us from realising the projected benefits</li> </ul>	<ul style="list-style-type: none"> <li>Of the 35 acquisitions completed since the beginning of 2014, there are 8 (2017: 6) remaining on separate operating systems, principally due to these businesses running parts inventory systems which are not currently part of our standard business operational and financial systems</li> <li>We are currently developing and implementing strategic enhancements for our maintenance and repair business as part of project 'Matrix'. We have successfully completed phase I of project 'Matrix', which covers workshop job scheduling and management. This will further facilitate systems integrations and as the project completes, will free up resources to focus on other IT integrations</li> </ul>	
	<p><b>Replacements and upgrades</b></p> <ul style="list-style-type: none"> <li>Our business strategy is dependent on the timely delivery and the functionality of information technology systems. We are continuously upgrading and consolidating our systems, including making changes to and replacing legacy systems. This subjects us to additional costs and risks, including risks to customer service, disruption to internal controls, capital expenditures, retention of skilled personnel, demands on management time and productivity loss</li> </ul>	<ul style="list-style-type: none"> <li>Before any system changes are implemented, a project plan is approved by the EMT and, where material, by the Boards. A member of the EMT will then lead the project and regular project reviews are performed. The objective is to minimise the risk of business disruption, costs and time to implement</li> <li>We hold a monthly Technology Investment Committee (TIC) meeting to review all technological investment proposals above €100k and monitor progress</li> </ul>	

Alignment to **TIP 2020** strategic imperatives:

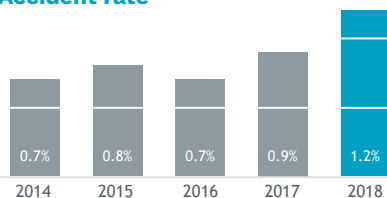


Management assessment of whether the risk has (since prior year):



	Potential impact	Examples of mitigation	Change
<p><b>N</b></p> <p><b>Environmental health and safety</b></p> <p>Leading EMT member(s): Paul Beadle, COO Hiske Damhuis, CHRO</p>	<p><b>Our business involves maintaining, repairing and operating heavy transportation equipment</b></p> <ul style="list-style-type: none"> <li>• We must comply with numerous laws and regulations governing health and safety matters. Accidents to employees and customers' employees might happen which could result in injuries, claims against us and damage to our reputation</li> <li>• During 2018 we increased the number of workshops by 11% (2017: 4%) resulting in the requirement to train additional mechanics</li> </ul>	<ul style="list-style-type: none"> <li>• We have a proactive operational culture that puts health and safety at the top of our agenda in order to reduce the likelihood of accidents</li> <li>• We maintain appropriate health and safety policies and procedures to reasonably protect our employees against the risk of injury. Additionally, we fully comply with laws and regulations</li> <li>• Induction and training programmes reinforce health and safety policies</li> <li>• We have programmes to help our customers meet their responsibility to their own workforces when using our equipment</li> <li>• We have developed health and safety KPIs which are reviewed by the EMT and Management Board on a regular basis</li> <li>• We actively drive well-being programmes and have rigorous policies and processes in place to support a healthy environment. Our sickness rate is relatively low</li> </ul>	<p>→</p>  
<p><b>O</b></p> <p><b>Lease accounting rules</b></p> <p>Leading EMT member(s): Arjen Kraaij, CCO</p>	<ul style="list-style-type: none"> <li>• Demand for our leases is partly based on the customer decision to lease rather than buy trailers</li> <li>• In January 2016, the International Accounting Standards Board issued IFRS 16 Leases providing a new approach to lease accounting. IFRS 16 supersedes IAS 17 Leases and is effective from 1 January 2019. This new approach will substantially eliminate off-balance sheet treatment for leases and require customers to record leased assets on their balance sheets. When this accounting standard becomes effective, it could be perceived to make leasing a less attractive option for some of our lease customers</li> </ul>	<ul style="list-style-type: none"> <li>• Factors other than accounting treatment influence whether customers decide to lease or buy trailers. Amongst these are operational flexibility, additional services, residual value risk, outsourced fleet management, tax treatment, interest rates and other economic benefits</li> <li>• We have a wide range of products, and while leasing accounts for 44% of our revenue, we believe that the accounting change presents opportunities to grow our other products and services</li> <li>• During 2018, we identified the main customers reporting under IFRS as part of our customer relationship and contract management review. No discernible change of behaviour was observed in their propensity to lease and their preference for our full service leasing. We are also investigating how we can support our customers in calculating the right of use asset and corresponding liability</li> <li>• Not all customers use IFRS for their financial reporting and therefore remain unaffected</li> <li>• As this lease accounting rule will apply across all industries, the market will subsequently adapt to these changes and customers' financial ratios will be modified accordingly. Today, as a general rule, many customers' funders and rating agencies already take the off-balance sheet items and incorporate them into their financial ratios</li> </ul>	<p>→</p>  

### Accident rate



Our business uses the internationally recognised Frequency Accident Rating (FAR) which is calculated as the number of lost time accidents multiplied by 200,000 (the base for 100 employees working 40 hours per week), divided by the total hours worked. A lost time accident is a work related injury/illness that results in an employee's inability to work the day after the initial injury/illness



# Review of the year

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# Review of the year



**Jan**

New workshop  
in Barcelona



**Feb**

- Decision by HNA to launch TIP business sale process
- Maintenance contract with La Poste

**Mar**

Maintenance  
contract with GLS



**Sep**

TIP participation at IAA  
and Bankers' Day



**Aug**

Closing the sale of TIP  
to I Squared Capital



**Oct**

- Maintenance contract with Fowler Welch
- Fleet portfolio acquisition from Annexus





**Stadlmüller** GmbH  
FAHRZEUGBAU - REPARATUR



**Apr**

Acquisition of Stadlmüller and fleet portfolio acquisition from T.O.M. Vehicle Rental



**May**

- New workshop in Mapanee
- Agreement signed by I Squared Capital to acquire TIP



**Gray**rentals

**Jul**

- Acquisition of Grayrentals
- Maintenance contract with Ekol

**Jun**

New workshops in Gothenburg and North Bolton



**Nov**

New workshops in Montreal and Halifax

**Dec**

- Refinancing of our RCF facility
- Fleet portfolio acquisition from Gulliver's

# CEO Review

**“We had another year of strong execution, growing revenue by 9% to €565m. We successfully leveraged our scale to improve our EBITDA margin by 1% and grew our operating profit by 12%.** We continue to retain and attract new customers while improving our operational delivery. With a new shareholder supporting us, we are in a strong position to further grow our business and our returns”

## Dear stakeholder,

I am pleased to present the 2018 annual report for our company. 2018 was a year of change. We continued to grow at close to double digit levels, enhanced our geographical footprint further, while obtaining the backing of a new shareholder, I Squared Capital. I would like to share some key highlights with you.

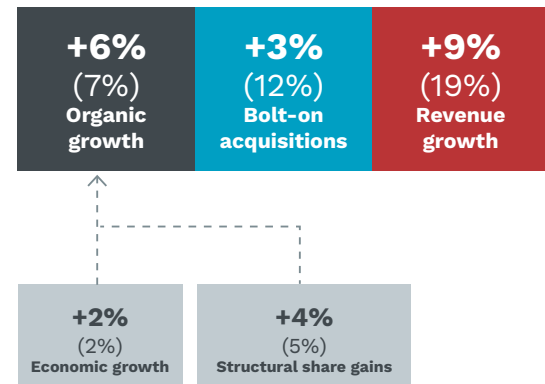
## Strategy – update on TIP 2020

In 2015 we set ourselves the goal of achieving double-digit revenue growth through to 2020. I am delighted to report that our revenue grew by 9% in 2018 and reached €565m. We reached an EBITDA of €205m while achieving a record return on invested capital (RoIC) of 5.4%, demonstrating the power of our strategy of combining leasing and rental with the delivery of maintenance services. This winning combination provides our customers with a unique mix of products which enhance their operational efficiencies while boosting returns for our investors.

We continued to maintain strong profit margins, with contribution, EBITDA and operating profits at 51% (2017:51%), 36% (2017:35%) and 10% (2017:10%) respectively. During 2018, we completed the restructuring which we started in the second half of 2017 and continued to invest in IT to support the front end of our business. Our TIP 2020 strategy remains focused on our customers’ needs and we continue to build on the 4 key pillars which provide a foundation to our asset life cycle business model. Our people enable us to offer a broad range of assets according to the needs of our customers at the highest service standards supported by our extensive network and customer platform.

The execution of our strategy is entrusted to our senior and regional leadership teams. It is a source of pride that, despite the challenging transport and logistics environment and our change in shareholder, we have the most stable leadership team in the market whose composition

has remained constant for many years. As well as driving the growth and development of our business, they freely share their valuable experience with colleagues, ensuring our next generation of leaders is equipped with the necessary knowledge and skills to take our business forward.



2017 figures in brackets

## Revenue and financial performance highlights

With growing European and Canadian economies, we delivered a strong set of results. Revenue increased by 9% (2017: 19%) and EBITDA increased by 14% (2017: 37%).

We maintained a strong contribution margin of 51% driven by our continued capex, workshop and acquisition investments while attracting new and retaining existing customers. EBITDA margin increased by 1% to 36%, benefiting from the restructuring and simplification actions we took in the second half of 2017, which kept our operating expenses flat versus prior year. Our operating profit increased by 12% (2017: 32%).

With the continued investment in our fleet, we substantially grew our leasing backlog by 12% to €655m (2017: €584m). The interest rate pricing environment for leasing equipment remained challenging in 2018 following the substantial central bank rate reductions and moves to negative rates in many of our markets during 2016. Despite this headwind, we further improved our leasing and rental contribution margin by 1% to 64%. Customers have continued to prefer full service maintenance leases as they look for efficiencies and outsourcing solutions for both their trailer equipment and maintenance and repair requirements. The rate of improvement in leasing and rental margin was lower than in 2017 as the impact of low and negative interest rates was felt on our pricing of new leases. In this low interest rate environment, it will be challenging to drive contribution margins

higher which may impact our overall target of 53% contribution by 2020.

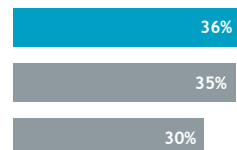
We have continued to develop our 3rd party maintenance and repair offering both organically and through bolt-on acquisitions. Revenue has grown at a compounded annual growth rate of 24% over the past 5 years. During 2018 it grew by 21% (2017: 12%) supported by acquisitions, new workshops and the addition of new mobile service units. Our maintenance and repair contribution margin decreased by 3% to 20% (2017: 23%) with a number of workshop investments still needing to reach normal operating capacity levels.

### Margins<sup>1</sup>:

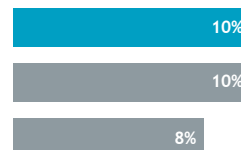
#### Contribution



#### EBITDA

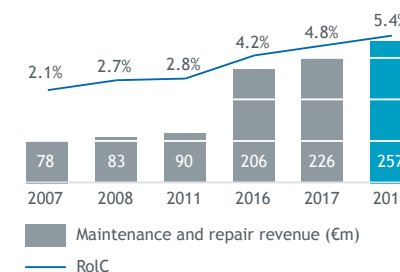


#### Operating profit



<sup>1</sup> 2016 numbers exclude one-time indemnification and recovery, see Glossary for details

### RoIC<sup>1</sup>



<sup>1</sup> Group RoIC, excludes HNA revenue streams



## **Welcoming our new shareholder and our thanks to HNA**

On 1 August 2018, I Squared Capital became our new shareholder. I Squared Capital is an independent infrastructure investment fund with a diversified portfolio in energy, utilities, transport and telecom sectors. I, together with our senior leadership team, am very excited to partner with an experienced investment team who supports our long term vision, strategy and growth plan for the business.

I would like to take this opportunity to thank the HNA Group, our former shareholder, and our former Boards of Directors for their support and commitment over the years enabling us to double the size of our business under their stewardship. We wish them every success in the future.

## **Investments and acquisitions**

We increased our investments in new leasing and rental fleet to ~9,700 units (2017: ~7,500 units) during 2018. We continued to focus on deals and customers where we could maintain or expand margins or provide additional services. Despite the availability of cheap central bank liquidity and funding for many customers and competitors, we invested ~€267m (2017: €222m) in new fleet. In addition, we increased the number of units

acquired via acquisitions to ~3,300 units (2017: ~600 units). We simultaneously increased our focus on remarketing taking advantage of strong second-hand equipment demand driven by a strong European economy. Additionally, through our diversified resale model, we managed to offset the fluctuations in some national and export markets. With high utilisation of 91%, we still sold ~7,000 units (2017: ~7,800) for ~€35m (2017: ~€45m). As a result, our net operating assets grew by 17% (2017: 9%) at year end.

We invested ~€7m (2017: €6m) to open 6 (2017: 2) new workshops. We added 3 (2017: 1) workshops through acquisitions. This further enhanced our maintenance and repair infrastructure and geographic presence. We also added 22 (2017: 20) mobile service units to support customer mobility and provide maintenance and repair services at our customers' own facilities.

During 2018 we closed 5 (2017: 4) acquisitions worth €67m (2017: €9m). In July 2018, we acquired Grayrentals Limited, an HNA affiliate trailer leasing and rental business, in the United Kingdom. We had provided management support to Grayrentals, on behalf of HNA, since 2015 when it was acquired by the HNA Group.

Another significant acquisition during 2018 was Stadlmüller, in Austria. Like many of the businesses we have acquired in Europe over the years, Stadlmüller is a family-run business with similar values to TIP. Our Central region business was one of its biggest customers and TIP's relationship with the company extends back as far as the 1990s. We will continue to identify value-added bolt-on acquisitions that we can quickly integrate into our business, that offer good potential synergies, vertical integration and trailer life cycle opportunities.

Our acquisitions included both lease portfolios and maintenance and repair businesses as we looked to expand our geographical footprint, workshop infrastructure and acquire new leasing and rental customers. We are pleased to welcome 79 (2017: 22) employees who joined the TIP family in 2018 through these acquisitions and look forward to learning from and with them while growing our businesses together.

## **Refinancing**

In 2018 we successfully refinanced our revolving credit facility (RCF) programme to support both capex and acquisitions, increasing its size from €700m to €967m. We reduced costs and further diversified our funding sources. Since we originally

**“Our investment in TIP is the result of a detailed review of global transportation opportunities that provide essential links while benefiting from macro-economic tailwinds.** With strong market positions across Europe and a sizeable business in North America, TIP’s global reach is an excellent fit for I Squared Capital. We look forward to working with TIP’s seasoned executive management team and roster of world-class logistics and retail customers to continually deliver essential services and position the business to drive growth across Europe, North America and beyond.”

Adil Rahmathulla, Partner



implemented an RCF facility in 2014, interest rates have declined and we were able to refinance on more attractive terms. In addition, we increased our funding lease book facilities from €206m to €292m, principally driven by the acquisition of Grayrentals in the UK.

These financing programmes and the liquidity they provide put us in a strong position to continue to

invest in capex, PP&E and bolt-on acquisitions, and to broaden our geographic presence.

### Outlook

Despite political concerns centered on Brexit, trade wars and Italian elections, the European and Canadian economies remained strong during 2018. Economists are generally predicting that European and Canadian growth will continue at good levels during 2019. Brexit is resulting in lower

capital investment demand for new equipment in the UK. However, we continue to see good demand for lease renewals and rental in that uncertain environment. We enter 2019 cautiously positive but ready to flex both our capex and acquisition investments to any sudden economic and market shifts. Overall, we anticipate that investment in road freight equipment will remain solid, benefiting our leasing and rental business.

The economic environment in emerging markets has little direct impact on our business and stable oil prices are generally positive for our customers.

We expect to further increase our volume of new leases during 2019. In addition, we anticipate a continued shift towards full service maintenance leases, as well as continued growth for our maintenance and repair service offerings. We continue to take advantage of the increasing demand for outsourcing maintenance and repair services through our strong and growing workshop geographic presence complemented by our pan-European roadside assistance platform and our extensive supplier network.

## **Risk management**

In 2018 we maintained robust risk management processes covering credit and asset risks as well as treasury, tax and operational risks. Our credit losses remained low at 0.4% (2017: 0.1%) and we maintained good volumes of used asset sales at ~7,000 (2017: 7,800) units while maintaining strong pricing, demonstrating the strength of our remarketing network and our team's deep knowledge of the industry.

## **Word of thanks, our 50-year anniversary and our commitment**

I am enormously proud of the dedication of our employees who drive customer service excellence every day across all areas of our business. On behalf of the senior leadership team, I would like to express our heartfelt gratitude to all our employees for their hard work, commitment and their willingness to embrace change; they make TIP Trailer Services a very special place to work.

2018 was a special year as we celebrated 50 years in business. During the past half-century, we have been dedicated to making a positive impact on the customers we serve, the people in our teams, our trusted partners, the industry we care passionately about and the communities and environments in which we live. We spent time during 2018 celebrating with all stakeholders our half century of market leadership and innovation. We look forward to the next successful 50 years with confidence.

2018 was also a special year for our maintenance and repair business. We started providing 3rd party maintenance and repair services to our customers just over 10 years ago. This year our revenue passed €100m for the first time and a huge credit goes to our teams over that period for developing

the business from a concept to what it is today, a major contributor to our profitability.

Today, together, we are bigger and stronger from where we were 5 years ago. Our accomplishments and achievements would not have been possible without the trust and support of our loyal customers, key suppliers, business partners, shareholders and our dedicated team. Creating long term value for our shareholder is a priority for TIP. Maintaining our growth momentum, supported by attractive returns on our investments, is a critical part of this. Effective planning, a clear strategy and our robust but flexible business model ensure we are well placed to sustain our success and build an even stronger business for the future. We will continue to deliver on our commitments. Our shareholder, customers, business partners, loyal employees and key suppliers can be assured that they will remain at the heart of every decision we make.

[With our commitment to delivering excellence, innovation and change, I am confident that we will achieve solid business results over the coming years.](#)

[Bob Fast](#)



**“This is the start of an exciting new chapter for TIP and we believe that as an infrastructure investor that knows our sector well, I Squared Capital will be a strong long term partner for us.** Our business is well-positioned for growth in the transportation equipment leasing and maintenance services sector in Europe and North America, and we are glad to have a partner with the capital to invest in our fleet which will enable us to deliver an even better service to our valued customers. TIP’s senior leadership team and I are very excited to be undertaking this next phase in our company’s future and we remain convinced of the benefits that it will bring to our customers, our partners and our new shareholder. I would like to thank all TIP staff in every function and every region for driving the success we have had over the past years and giving us the confidence to be successful in the future.”

**Bob Fast,** Chief Executive Officer



# Financial review

## Financial information and alternative performance measures

The financial information in this section, and throughout this annual report, is derived from the consolidated financial statements including comparative information for the years 2016 and 2017 as included in this annual report.

Comparative information for 2015 and 2014 is derived from the consolidated financial statements as included in our annual reports 2017 and 2016. The focus is on the underlying EBITDA and operating profit excluding exceptional items and amortisation, which provides the best basis for evaluating the operating and financial performance of our company.

We have adopted various alternative performance measures (APMs) to provide additional useful information on the underlying trends, performance and position of the Group. The APMs are not defined by International Financial Reporting Standards (IFRS) and therefore may not be directly comparable with other companies' APMs, but are defined within this annual report and summarised in the Glossary.

### 2018 financial highlights<sup>1</sup> and key components of performance

Financial Highlights €m	2016	2017	2018	% change
Leasing	184	217	248	14%
Rental	98	118	130	10%
Damage protection	20	20	22	10%
<b>Leasing and rental</b>	<b>302</b>	<b>355</b>	<b>400</b>	<b>13%</b>
M&R 3rd party	84	94	114	21%
Fleet sales	36	45	35	(22)%
Other	19	23	16	(30)%
<b>Total revenue</b>	<b>441</b>	<b>517</b>	<b>565</b>	<b>9%</b>
<b>Contribution (excl: credit losses)</b>	<b>213</b>	<b>263</b>	<b>290</b>	<b>10%</b>
Credit losses	(1)	(1)	(2)	(100)%
<b>Contribution</b>	<b>212</b>	<b>262</b>	<b>288</b>	<b>10%</b>
<b>Contribution %</b>	<b>48%</b>	<b>51%</b>	<b>51%</b>	<b>-</b>
Operating expenses	(78)	(82)	(83)	(1)%
<b>EBITDA</b>	<b>134</b>	<b>180</b>	<b>205</b>	<b>14%</b>
<b>EBITDA %</b>	<b>30%</b>	<b>35%</b>	<b>36%</b>	<b>1%</b>
<b>Operating profit</b>	<b>37</b>	<b>49</b>	<b>55</b>	<b>12%</b>
Operating profit %	8%	10%	10%	-
Net operating assets	807	879	1,027	17%
<b>Capital efficiency</b>	<b>19%</b>	<b>21%</b>	<b>22%</b>	<b>1%</b>

<sup>1</sup> 2016 excludes one time indemnification and recovery, see Glossary for further explanation

The reported revenue, contribution, operating expenses, EBITDA and operating profit have been affected by movements in exchange rates during the year, principally due to £ decline vs €.

Please refer to the table below, which outlines the impact of exchange movements, acquisitions and organic growth on our key performance components for 2018.

We increased contribution by 10% to €288m (2017: €262m). This was driven by strong overall revenue growth from increased utilisation of 91% (2017: 89%) and improved contribution margins versus prior year for leasing and rental and fleet sales, reflecting our strong and continued emphasis on cost control.

### Key components of performance

€m	Revenue	Contribution	Operating expenses	EBITDA	Operating profit
2017	517	262	82	180	49
Exchange effects	(3)	(1)	(1)	(1)	-
<b>2017 at 2018 rates</b>	<b>514</b>	<b>261</b>	<b>81</b>	<b>179</b>	<b>49</b>
Incremental impact in 2018 of:					
2017/2018 acquisitions	21	9	1	8	2
Organic growth	30	18	1	18	4
<b>2018</b>	<b>565</b>	<b>288</b>	<b>83</b>	<b>205</b>	<b>55</b>
% Total reported change	9%	10%	1%	14%	12%
% Total 2017 at 2018 rates	10%	10%	2%	15%	12%
% Organic change	6%	7%	1%	10%	8%

Group revenue for the year increased by 9% to €565m (2017: €517m) with double digit growth in leasing and rental as well as M&R 3rd party.

our fleet and a further €7m (2017: €6m), principally in workshops, to broaden our platform and support future growth.

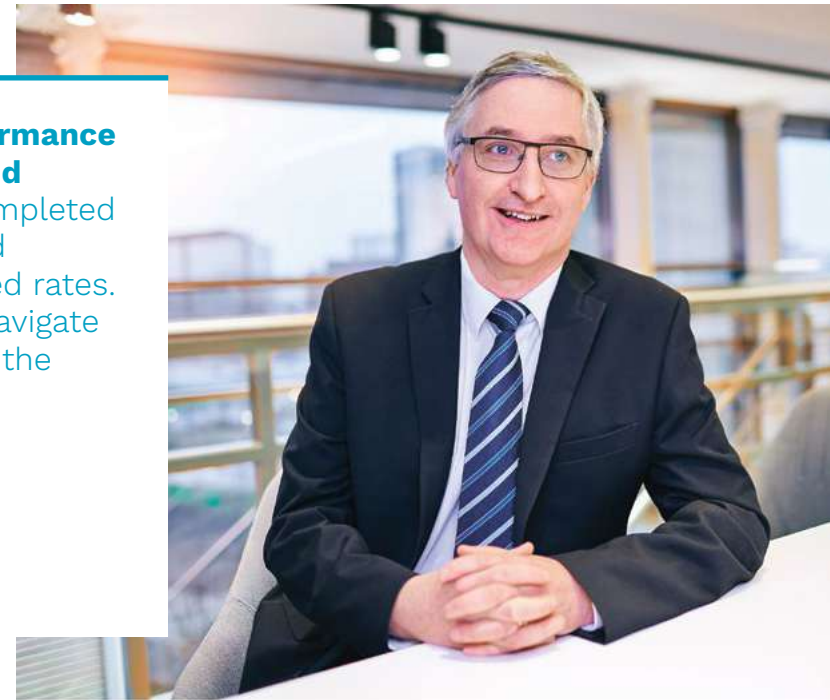
Leasing and rental revenue increased by 13% and maintenance and repair (M&R 3rd party) revenue increased by 21% compared to 2017 as we continued supplementing organic growth with bolt-on acquisitions of both leasing portfolios and workshops. We invested €267m (2017: €222m) in

We sold around 7,000 used trailers, ~10% lower compared to prior year, despite weaknesses in a number of key industry export markets: Russia, Ukraine and the Middle East. Margins remained strong at 16% (2017:14%).



**“2018 was another year of strong trading performance which showed both robust revenue growth and improved EBITDA margins.** We successfully completed our sale to I Squared Capital and refinanced and expanded our principal funding facility at reduced rates. We have a solid and flexible base to grow and navigate any economic downturn which might arise over the coming years.”

**Malachy Mc Enroe**, Chief Financial Officer



Operating expenses remained relatively flat and declined from 16% of revenue in 2017 to 15% in the current year, supported by the full-year benefit of the restructuring we started in 2017.

We have a high-quality customer portfolio maintained through strong KYC, due diligence and vetting processes. However, credit losses increased to €2m versus a loss of €1m in the prior year. This increase was driven by the bankruptcy of a key

customer in Sweden, the first significant credit loss we have experienced in over 5 years.

Our EBITDA increased by 14% to €205m (2017: €180m). This was driven by our investments in new fleet, contract renewals and acquisitions while managing our operating expenses efficiently. Our investment in acquisitions contributed to €8m of the improvement in EBITDA. These acquisitions, combined with new investments in fleet, will have

an additional positive impact in 2019. Net operating assets increased by 17% to €1,027m (2017: €879m) principally driven by fleet purchases, workshop investments and acquisitions.

Operating profit increased by 12% (2017:32%) driven by increased volumes and improved EBITDA margins. Our principal acquisition during 2018 was Grayrentals in the UK, which we acquired from a related HNA business.

## Robust long term cash flow model and performance

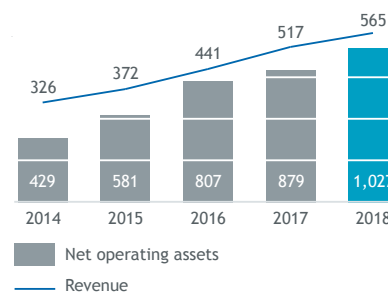
We generally purchase new fleet when new leasing contracts with customers have been secured. When economic and market activities are slow, we have demonstrated the flexibility of our business model by appropriately reducing and deferring fleet purchases and generating substantial cash flow, as shown in the table below:

€m	2009 - 2013	2014 - 2018
EBITDA (excluding gain on fleet sales)	711	692
Net fleet purchases	(110)	(1,047)
Acquisitions	-	(286)
Fleet sales	214	173
Other net capex	(8)	(59)
<b>Net capex</b>	<b>96</b>	<b>(1,219)</b>
<b>EBITDA - net capex</b>	<b>807</b>	<b>(527)</b>

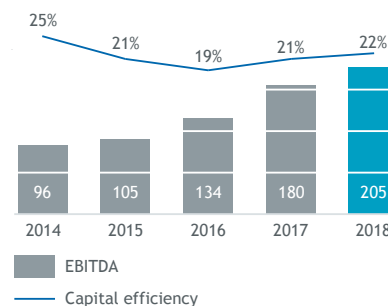
During the years 2009 to 2013, we reduced net operating assets by 69% while successfully restricting the decline in revenue to 19% through a combination of lease renewals, fleet sales and a 75% growth in 3rd party maintenance and repair revenue. Since 2014 we have refocused on growth through fleet purchases, workshop investments and acquisitions. As a result, in 2018 our revenue grew by €48m (2017: €76m) and net operating assets grew by €148m (2017: €72m). During the

years 2014-2018, we invested €1,219m in net capex including acquisitions, resulting in revenue increasing by 73% and net operating assets growing by 139% during this period.

### Net operating assets (€m)



### EBITDA (€m)



Our capital efficiency increased to 22% in 2018 (2017: 21%). At 22% it remains solidly higher than before the global financial crisis (2007 and 2008: 17% and 18% respectively) due to a more balanced business portfolio mix (leasing and rental, 3rd party maintenance and repair). Our capital efficiency also benefits from ongoing rigorous management of our cost base and by effective deployment of our assets.

We have a very disciplined and robust administrative and other operating expenses ('overhead') model, divided into 2 key components:

Regional operating expenses are mainly comprised of compensation and benefits and 3rd party services, which are focused on customer service delivery. These costs are primarily related to our regional General Management, Commercial, Operations, Remarketing, Risk and Collections functions.

Centralised costs are comprised of centralised SLT-related costs together with the costs of support functions which are principally centralised and run through Centres of Excellence for IT, Human Resources, Asset Management, Legal, Finance (covering Treasury, Accounting, Tax/VAT, Credit Underwriting), Operations (covering Indirect Sourcing, Accounts Payable, Billing, Integrations

and Business Intelligence) and Commercial (covering Fleet Sourcing, Insurance, M&A, International Accounts, Marketing and Branding).

This model allows us to avoid duplicating costs for support functions, leveraging our unique pan-European IT platform. In addition, this cost management model allows us to further utilise low-cost countries (LCC) for support functions, particularly in IT, Finance and Operations. Using our platforms and partners in Poland and India provides additional flexibility to our overhead cost base. Centralised 3rd party supplier management allows us to effectively consolidate our purchasing power to achieve the best prices. From 2007 to 2018, we have achieved a reduction in overheads of 10% while revenue grew by 12% in the same period.

## Capital allocation

We remain disciplined in our capital allocation with the overriding objective of enhancing shareholder returns.

Our capital allocation framework priorities are:

1. Capex for both fleet replacement and growth
2. PP&E investment in existing facilities
3. Bolt-on acquisitions in existing markets
4. Greenfield branches/workshops in existing markets
5. Acquisitions in new markets

6. Other, including IT-related investments
7. Dividends where we do not see sufficient opportunities to grow or invest with appropriate returns

## Governance

Our overall business capital allocation is led by our CEO and is approved by the Boards as part of our annual budgeting process. In addition, we have a series of business committees and processes which support individual decisions and facilitate pipeline and priority management. Below is the overview of different investment types along with the related committees:

Capex	Deal review meetings	(DRM)
PP&E	PP&E investment committee	(PIC)
Acquisitions	BD committee	(BDC)
IT	Technology investment committee	(TIC)
NPIC	New product introduction committee	(NPIC)

These committees are composed of members of the EMT, SLT and other senior business leaders. They help assess where we invest while ensuring we allocate our capital to deals and projects with the best risk-adjusted returns, focus on areas where we have strong growth prospects and limit capital flow into areas that have less chance of success. In our allocation process we also prioritize protecting the franchise value of our business and our long term customer relationships. We hold our teams accountable for maintaining these while also delivering the required returns.

The table below outlines how we have allocated capital over the past 5 years against this framework (gross investments):

€m	2014	2015	2016	2017	2018
Capex	125	178	262	222	267
PP&E investment	8	8	16	6	7
Bolt-on acquisitions in existing markets	17	44	96	9	67
Acquisitions in new markets	-	-	53	-	-
Other including IT-related investments	-	9	-	3	6
	150	239	427	240	347

## Liquidity and financing

### Equity

Prior to our acquisition by HNA in 2013, our business was funded directly by our former shareholder, GE. Following the HNA acquisition, we obtained equity funding totalling €513m. On 10 July 2018, as part of the acquisition of Grayrentals, HNA contributed additional equity funding of €21m. Prior to our sale to I Squared Capital on 1 August 2018, we made an equity distribution of €309m on 31 July 2018. This distribution was settled against the outstanding loan and other receivables which we were owed by HNA and Global TIP Holdings one B.V. at that date.

### Debt financing

During 2018 we continued to make solid progress on our debt financing programmes. Our objectives were to:

- Diversify our funding sources
- Increase facilities to support growth for fleet purchases, workshop investments and acquisitions
- Secure competitive funding rates

We ended 2018 with total committed facilities primarily for fleet of €1,363m (2017: €1,015m), at an average margin of 2.7% (2017: 3.6%) and with five diversified funding sources:

Revolving credit facility	(RCF)
Asset backed securitisation	(ABS)
Funding lease book - finance leases	(FLB-FL)
Funding lease book - operating leases	(FLB-OL)
Term loans	(TL)

#### I. RCF:

We started the year with an RCF facility of €700m. Margins on this facility were -2.7% (2017: -2.7%).

In December, we negotiated a new RCF facility of €967m while reducing margins by 33% and with the flexibility to expand it by a further €300m. The new financing is a club deal with a consortium of banks providing a €967m multicurrency revolving credit facility. This facility matures on 31 December 2023 and can be extended up to additional 2 years post 31 December 2023.

Both the new and old facilities are/were multicurrency facilities which allow/allowed us to borrow in the major currencies in which we operate. There are/were minimum interest rate hedging requirements.

€644m of the RCF facility were drawn at the end of 2018 (2017: €537m).

There are 3 key financial covenants which apply to the facility. We fully complied with these during the year and in prior years:

Covenants <sup>1</sup>	2015	2016	2017	2018
Interest cover	3.0x	2.3x	2.0x	2.1x
Solvency	29%	25%	24%	22%
Loan to value	89%	84%	88%	89%

<sup>1</sup> Refer to note 30.3 of financial statements for definitions

#### II. ABS:

The ABS facility was originally concluded on 10 September 2014 and is a private financing transaction using a Dutch common law securitisation structure for operating leases which established a cross-border revolving securitisation facility.

We have a committed senior facility of €100m with a margin of 1.70% which expires in March 2019. We are currently reviewing options on this. Under the terms of our RCF facility, we can further expand the ABS to €300m.

The senior facility is a multicurrency facility which allows us to borrow in the major currencies in which we operate and requires interest rate hedges to be taken out to match the operating lease cash flow.



€73m of the ABS facility was drawn at the end of 2018 (2017: €77m). There are 2 financial covenants, interest cover and solvency, which apply to the new ABS facility as they do for the RCF. We complied with these during 2018.

### III. FLB - FL:

At the end of 2018, as part of our funding lease book, we have finance lease facilities totalling €133m (2017: €58m) of which €72m (2017: €41m) were drawn. The increase of finance leases versus prior year was mainly driven by the acquisition of Grayrentals in the UK. Interest rates on these finance leases are ~2.2% (2017: ~2.8%).

### IV. FLB - OL:

At the end of 2018, as part of our funding lease book, we have operating lease facilities for fleet totalling €85m (2017: €81m) of which €38m (2017: €44m) were drawn. These facilities are with various funders, manufacturers and operating lease providers principally in the United Kingdom, the Netherlands, Germany and France where, in some cases, we can share credit or asset risk for fleet.

In addition, as part of our funding lease book, we also make use of operating leases for PP&E assets such as land, buildings and motor vehicles. We ended 2018 with €74m (2017: €67m) of operating leases committed and drawn for PP&E.

In the section 'Potential impact of new lease accounting' we address how these operating leases are likely to affect our profit or loss, cash flow, balance sheet and related financial statement notes as well as funding covenants after the implementation of IFRS 16.

### Liquidity overview

We ended the year with a strong liquidity position as shown below:

€m	2014	2015	2016	2017	2018	% change
Cash	38	38	17	19	11	(42%)
<b>Committed unused facilities:</b>						
RCF	49	228	121	163	323	98%
ABS	80	43	11	23	27	17%
Funding lease book - finance leases	-	5	13	17	61	259%
Funding lease book - operating leases	-	10	26	37	47	27%
Term loan	-	-	-	-	-	-
<b>Total</b>	<b>167</b>	<b>324</b>	<b>188</b>	<b>259</b>	<b>469</b>	<b>81%</b>
<b>% change</b>		<b>+94%</b>	<b>(42%)</b>	<b>+38%</b>	<b>+81%</b>	

The flexibility to increase our RCF facility by a further €300m provides additional liquidity to support our growth.

During 2018, we successfully implemented a Europe-wide daily cash pooling for substantially all our business. This further allows us to minimise cash, saving interest and freeing up capital for investment. We have successfully reduced our cash

### V. TL:

At the end of 2018 we have 6 (2017: 6) term loan facilities totalling €4m (2017: €9m). Average interest rates on these term loans are ~4.0% (2017: ~6.1%). A term loan of €4m associated with our 2016 acquisition of Train Trailer in Canada has been repaid in August 2018.

balance from 9% of net operating assets in 2014 to 1% in 2018.

We believe that by reinvesting our EBITDA and fleet sales and by further expanding our financing programmes, we are in a strong position to continue to build our fleet base, expand our workshop networks and pursue advantageous acquisitions of both lease portfolios and workshops.

We are also well positioned to take advantage of the strong European and Canadian economies and markets.

### Liquidity governance

We can have significant movements in our liquidity position due to timing of capex, working capital variations and the seasonal nature of our rental business. Short term liquidity is reviewed weekly by the Treasury and Investor Relations (TIR) team, using our weekly cash forecasts, covering a 3-month rolling period. In addition, on a monthly basis, the TIR team uses our monthly cash forecasts covering a 15-month rolling period to manage longer term liquidity and address early additional financing needs of the business. This monitoring also includes reviewing the minimum covenants, required to be reported monthly and quarterly under our RCF and ABS facilities, to ensure we maintain sufficient headroom. Summary reports are provided to the EMT and the Board on a monthly basis.

We also have an External financing committee (EFC) which reviews and approves all additional debt facilities, subject to Board approval where appropriate. The EFC also monitors ongoing compliance with all bank covenants, operations of funding facilities and strategies for maintaining

relations and open communications with debt funders.

### Minimum contracted debt repayment commitments

The table below summarises the maturity of our debt facilities and off-balance sheet fleet funding lease book operating leases facilities at 31 December 2018 by year of expiry.

€m	2019	2020	2021	2022	2023+	Total
RCF	-	-	-	-	967	967
ABS	100	-	-	-	-	100
Funding lease book - finance leases	84	19	15	8	7	133
Funding lease book - operating leases	71	19	16	14	39	159
Term loan	2	1	1	-	-	4
<b>Total</b>	<b>257</b>	<b>39</b>	<b>32</b>	<b>22</b>	<b>1,013</b>	<b>1,363</b>
<b>% of total</b>	<b>19%</b>	<b>3%</b>	<b>2%</b>	<b>2%</b>	<b>74%</b>	<b>100%</b>

### Interest rate risk management

Both our RCF and ABS facilities are at floating rates and require minimum interest rate hedging. We continue to take a more conservative position than required under these facilities and we ended the year with the following profile of floating rate debt swapped to fixed on our principal borrowing facilities:

€m	2015		2016		2017		2018	
	% hedged	Duration (years)	% hedged	Duration (years)	% hedged	Duration (years)	% hedged	Duration (years)
RCF	72%	3.3	83%	2.3	85%	2.0	73%	1.8
ABS	86%	3.5	86%	4.5	85%	4.1	78%	4.2
<b>Weighted average</b>	<b>73%</b>	<b>3.3</b>	<b>83%</b>	<b>2.6</b>	<b>85%</b>	<b>2.3</b>	<b>74%</b>	<b>2.1</b>

In addition, most of our term loans and our funding lease book have fixed term rates.

We incurred a net loss of €1m related to our interest rate swaps as a combination of realised settlement partially offset by the gain from ineffective € swaps. Our € interest rate swaps became ineffective for hedge accounting purposes during 2016 due to negative interest rates in the Euro area.

## Foreign exchange risk management

Our principal foreign currency risk is in £, CA\$, NOK and SEK as we have both assets and cash flow in those currencies. We substantially hedge this risk by borrowing in £, CA\$, NOK and SEK to fund our activities in the United Kingdom, Canada, Norway and Sweden respectively. Our RCF facility allows us to draw down in €, £, CA\$, NOK, SEK, DKK, PLN, CHF and US\$, while our ABS facility allows us to draw down in €, £, NOK, SEK and DKK.

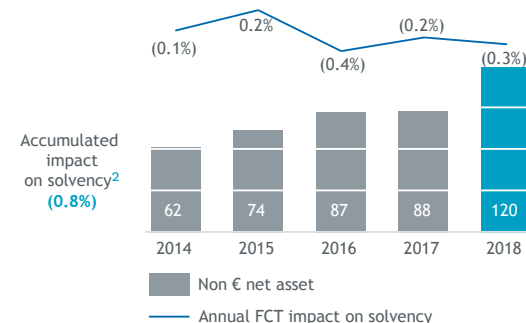
Our presentation currency is €. Exposure to other currencies arises in the course of ordinary trading. A proportion of our profits and net assets are non € and are primarily denominated in the currencies referred to above.

During 2018, the £, CA\$, SEK and NOK weakened against the € by 1.7%, 3.6%, 4.2% and 1.3% respectively.

The proportion of our underlying operating profits denominated in currencies other than € and DKK increased to ~30% (2017: ~26%) in 2018.

We do not currently hedge our foreign currency translation (FCT) exposure on equity. The weakening of currencies referred above resulted in a translation loss of €(4.0)m (2017: €(2.5)m) on our non-€ denominated net asset position at year end. The table below summarises our non € net assets, impact of FCT on solvency, percentage of net assets in non € and annual FCT gains/losses.

## Non € net assets (€m)<sup>1</sup>



% of total net assets	27%	29%	29%	27%	39%
FCT movement (€m)	(1.0)	1.9	(5.5)	(2.5)	(4.0)

<sup>1</sup> DKK is excluded from non € net assets as it is formally tied to the €

<sup>2</sup> Refer to note 30.3 of financial statements for definition

In cases where sales or purchases are invoiced in other than the local currency and there is not a natural hedge with our other activities, we generally hedge those transactions greater than €5m equivalent for the subsequent two months or for the expected delivery time of the related capex.

## Cash flow and gearing

Our free cash flow was €(78)m (2017: €(41)m) and was principally financed by an increase in debt from our RCF, ABS, FLB and TL facilities. This, combined with the cash flow from our EBITDA, allowed us to invest €258m (2017: €186m) in net capital expenditures and €67m (2017: €9m) in acquisitions.

A summary of the Group's cash flow is shown below:

€m	2014	2015	2016	2017	2018
EBITDA	96	105	143	180	205
Net capital expenditures	(106)	(167)	(217)	(186)	(258)
Lease in cost	(5)	(7)	(10)	(13)	(13)
Net taxation payments	(1)	(1)	(1)	(2)	(11)
Net working capital/other non-cash items	(3)	(29)	(10)	(20)	(1)
<b>Free cash flow</b>	<b>(19)</b>	<b>(99)</b>	<b>(95)</b>	<b>(41)</b>	<b>(78)</b>
Acquisitions	(17)	(44)	(149)	(9)	(67)
Net interest payments	(14)	(2)	(11)	(22)	(22)
Debt issuance fees	(4)	(13)	-	-	-
HNA equity	301	-	-	-	21
HNA loan repayment/(provided)	(268)	-	35	-	-
<b>Net cash (outflow)/generated</b>	<b>(21)</b>	<b>(158)</b>	<b>(220)</b>	<b>(72)</b>	<b>(146)</b>
Opening net debt	200	222	379	582	645
Net cash outflow/(generated)	21	158	220	72	146
Exchange differences	1	(1)	(17)	(9)	(9)
<b>Closing net debt</b>	<b>222</b>	<b>379</b>	<b>582</b>	<b>645</b>	<b>782</b>

The ongoing strong EBITDA cash flow and available liquidity, together with our diverse approach to financing, will enable us to continue to renew our fleet, capture leasing opportunities and expand our services business while executing additional bolt-on acquisitions.

Our gearing ratio increased to 72% (2017: 53%) as a result of the distribution to our former shareholder and settlement of the HNA loan and related receivables in July 2018. As part of our funding arrangements, the HNA loan has been excluded from the solvency calculation (see note 30.3 of the financial statements for definition of solvency). Applying this approach to our gearing ratio, it has fluctuated between 67% and 72% over the past three years. We consider this appropriate for a long-lived asset leasing business.



## **Business and financial controls**

Strong business and financial controls are necessary to ensure the integrity and reliability of financial and other information on which we rely for day-to-day operations, long term planning and funding as well as external reporting. We exercise business and financial controls through a combination of: appropriately qualified and experienced personnel, rigorous business planning processes, detailed performance analysis, integrated accounting, reporting, analysis and treasury systems, and clearly defined approval limits. The internal and external auditors test the effectiveness of business and financial controls. External advisors provide advice on specific technical accounting and tax issues. To avoid conflicts of interest, this advice is generally not provided by the Group auditor. Investment decisions are accompanied by detailed cost benefit analysis (CBA) of the opportunities and details on markets we are considering investing in.

## **High quality, timely, comprehensive business and financial reporting**

We are committed to ensuring that our annual report is of a high quality, easy to understand and transparent. We also aim to have our annual report approved by our directors and auditors within 2 months from year end. Access to capital, both equity and debt, is critical to our business. Having this report, and other funding marketing materials continuously updated, is therefore a critical element to ensure we can react quickly to unforeseen events, risks as well as growth opportunities. Two examples illustrate our proactive approach:

- a) Although we are only required under IFRS to provide a single-year comparative in our financial statements we actually provide 2 years. This provides us, at all times, with 3 years full IFRS audited financial statements which is a pre-requisite for raising debt in the public capital markets. We do not currently do so but value the flexibility of being well prepared.
- b) Similarly, we provide a comprehensive overview of our business, risks, governance and company in the non-financial statements section of our annual report. This enables investors to access our business and its investment opportunities quickly.

The value of our integrated, comprehensive and timely approach was clearly demonstrated in 2018. In early February, our former shareholder HNA, due to its well documented difficulties, decided to start a process to assess the potential to sell our business. By early May we had a signed sale and purchase agreement with our new shareholder, I Squared Capital. Bidders in the sale process found the comprehensive nature, quality and ease of use of our annual report greatly facilitating their ability to form views on our business and commit to a transaction quickly. Our annual report also supported a successful refinancing of our RCF facility during the year.

## **Investor Relations**

Our EMT, Investor Relations team and regional Finance Directors are committed to interacting regularly with the international financial community to ensure a full understanding of our markets, business, strategic plans, performance against those plans, as well as business opportunities and risks. During the year, members of the EMT and Investor Relations team presented to 20+ equity investors and conducted ~200 debt investor one-on-one's, group meetings and conference calls.

The value of this commitment was clearly demonstrated during the year as we both successfully found a new shareholder and refinanced our RCF facility.

## Taxation

Our approach to tax is aligned with the EMT and the Boards' strategy. It applies to all taxes, both direct and indirect, in the countries where we operate. Our goal is to ensure that we pay the appropriate tax proportionate to our activities in each country. Our tax strategy is reviewed and revalidated periodically and would be adapted when needed in the light of factors such as material changes

to our business strategy, business model or tax legislation. We endeavour to comply with the applicable tax legislation in the countries where we operate and utilise, where appropriate, available legislative reliefs.

Responsibility for tax risk and tax operations rests with our CFO while day-to-day responsibility is delegated to the Tax Director and our tax team. To ensure that we fully understand our tax obligations and keep up to date with changing legislation across the Group, we engage advisors as required. We seek to proactively engage with tax authorities. Where practical, we seek opportunities to meet

with tax authorities to ensure that our business and tax positions are understood and we aim to file our tax obligations in a timely and accurate manner. The EMT receives regular status updates on all tax filing obligations and ongoing tax audits.

During 2018, we continued to monitor developments in the OECD's work on Base Erosion and Profit Shifting ('BEPS') and Country-By-Country Reporting ('CBCR'). We do not expect our tax positions to be materially impacted by legislative changes arising from the BEPS and CBCR recommendations although related compliance cost may increase.



Below is the detail of taxation paid/collected over recent years:

Tax paid/(collected) €m	2014	2015	2016	2017	2018
VAT (based on contribution)	29	36	40	49	56
Payroll	23	28	33	35	38
Corporate	1	1	1	2	11
Other (principally real estate related)	1	1	1	1	2
<b>Total</b>	<b>54</b>	<b>66</b>	<b>75</b>	<b>87</b>	<b>107</b>
% of revenue	17%	18%	17%	17%	19%

As a consequence of the acquisition of the TIP Group by I Squared Capital, our UK operating entities are liable to pay an estimated £4m corporation tax to UK HMRC in early 2019. Based on our current expectations, this payment will reduce future tax payments for an equal amount.

## Credit review

During 2018, we saw a further improvement in the credit quality of our customer portfolio. This has been driven by both increases in the volume of our business with highly rated customers in a number of markets and strengthened customers balance sheets in general as the economy has performed well over the past 2 years.

Against that, we had increases in delinquencies and our days sales outstanding (DSO). These have been largely driven by the customer portfolio mix with a higher concentration of large customers

who increasingly implemented complex sourcing and accounts payable ERP systems and processes, including rigorous 'no purchase order, no pay' policies. This drives increased administrative work on their side as well as ours. With a strong job market, maintaining staffing in these roles is challenging and results in delays in document processing which impacts delinquencies and DSO's.

Our credit losses rose to 0.4% (2017: 0.1%) principally driven by a customer bankruptcy in Sweden, the first significant one we have experienced since 2013. The strength of our business model was demonstrated as we successfully and quickly retrieved almost all our assets and redeployed them on lease and rental contracts with other customers.

Stress credit situations also bring us opportunities. In the UK, two competitors who engaged in

leasing and rental of a wide range of asset types (construction equipment, commercial vehicles, cars, vans, trucks and trailers), went into administration during the year. We were able to step in and take over a significant portion of their trailer assets, contracts and customers. We do not expect an economic downturn in 2019 but should it happen, we will be in a good position with a strong balance sheet, committed funding lines and a supportive shareholder to exploit these types of opportunities. During the great recession of 2009 and a milder downturn in Europe in 2012, we were presented with many opportunities to acquire distressed assets at good prices. However, we could not execute on them as our shareholder at that time was focused on reducing the size, and disposing of its GE Capital business, of which we were part.

## Events after the reporting period and other significant items

On 1 February 2019 we completed the acquisition of a workshop in Germany for approximately €0.9m. The Group has not finalised the accounting treatment of the acquisition.

On 4 February 2019, the Group closed the revolving credit facility financing of €967m which was signed on 20 December 2018. On the same date, €663m was used to repay all outstanding drawdowns and interests on the former revolving credit facility of €700m.



**“It is an exciting time to be part of TIP as we continue to grow in our existing markets** as well as entering new markets in North America. TIP offers invaluable opportunities to develop your skills and experience.”

## Moving in North America

“I joined TIP’s finance team in 2005 as Finance Director for Eastern Europe. After many years as an external auditor, this role provided me with commercial exposure to TIP’s processes and I gained insights into TIP’s management practices, whilst establishing relationships with senior management across the business. TIP has a track record of accelerating the development of finance personnel through promotions and international assignments across functions and regions within the Group. I was subsequently promoted to Regional Risk Director for Central and Eastern Europe and later to Business Development Director, leading a number of key acquisition projects for the business.

My first international assignment was back in Finance as a CFO, based in Auckland, working as part of TIP/HNA proposed €1.8bn acquisition of New Zealand’s largest asset finance company, UDC Finance. The role involved me in negotiating €1.6bn debt financing with a consortium of banks from New Zealand, Australia and the US, the systems and process separation of UDC from its parent - ANZ, managing the introduction of a complex securitisation programme, obtaining Fitch and S&P ratings and staffing UDC finance and treasury functions from scratch.

When I Squared completed the acquisition of TIP, I was offered the role of Finance Director for North America based in Toronto, Canada. Having worked on many acquisition and integration projects as well as with my finance and risk experience at TIP, I have been able to share my knowledge and experience with our Canadian management team.

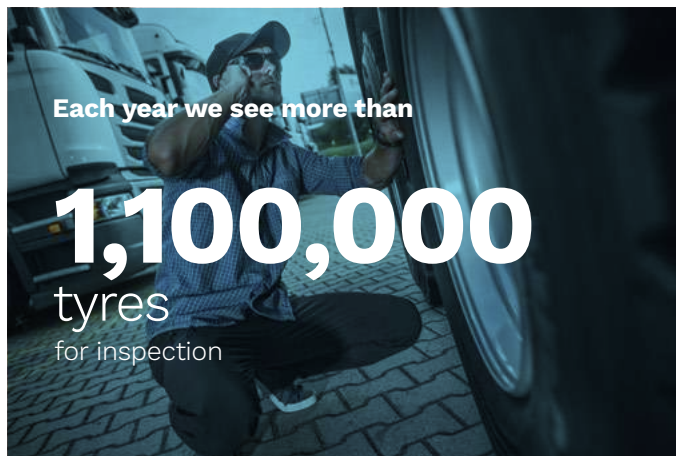
It is an exciting time to be part of TIP as we continue to grow in our existing markets as well as entering new markets in North America. TIP offers invaluable opportunities to develop your skills and experience as well as the global mind-set and the cross cultural competencies needed to operate on an international basis.”

**Pawel Kucha,**

Finance Director, North America







Each year we see more than

**1,100,000**

tyres  
for inspection

We handle

**95,000**  
roadside incidents  
per year

We manage work on

**124,000**  
trailers per year

We manage more than

**7,000**

suppliers  
in our network

We spend

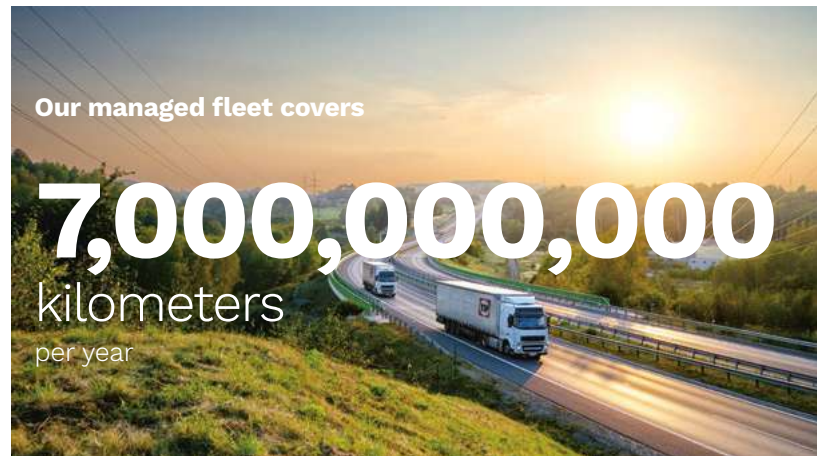
**€96,100,000**

on parts  
annually

Our managed fleet covers

**7,000,000,000**

kilometers  
per year



# Commercial and operational review

## Focus on leasing and rental performance

We have a proven track record of maintaining average daily rates (ADRs) and utilisation (UTE) through a flexible and scalable operational business model. We use our pan-European scale to sustain utilisation rates by transferring trailers across

countries and taking advantage of demand and pricing conditions.

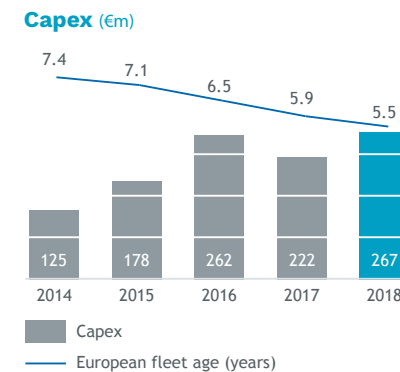
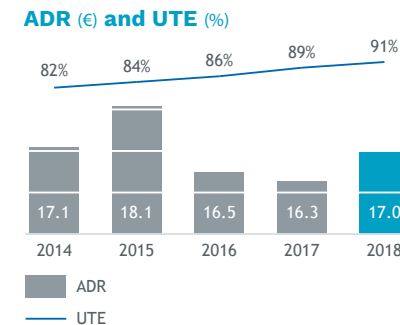
The change in ADR over the past four years is explained as follows:

€	2015	2016	2017	2018
Prior year	17.1	18.1	16.5	16.3
FX impact £, CA\$ vs €	0.4	(0.5)	(0.2)	(0.1)
Declining interest rates	(0.2)	(0.4)	(0.1)	-
Canada mix	-	(0.4)	(0.6)	(0.1)
Grayrentals mix	-	-	-	0.3
Other/mix impact	0.8	(0.3)	0.7	0.6
<b>Current year</b>	<b>18.1</b>	<b>16.5</b>	<b>16.3</b>	<b>17.0</b>

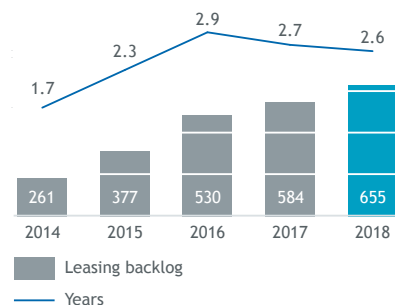
With a continued strong European economy in 2018 and through our continued investment in fleet, we increased our leasing revenue by 14% (2017: 18%). Re-lease rates of expired leases were maintained at a high level of 50% (2017: 51%). Over the past years, an increasing number of our customers have chosen to maintain their fleet with us. We have seen this through an increased proportion of leases with a full service maintenance option (rising from 66% in 2007 to 82% in 2018).

With strong demand for new equipment, we invested €267m (2017: €222m) in new trailers.

As a result of both strong lease renewal and new capex leases, we increased our leasing backlog of €655m, up 12% from the prior year.



### Leasing backlog (€m)



Our ability to reinvest operating cash flow, combined with our unused credit facilities, will enable us to further invest in our fleet during 2019 to satisfy customer demand for new equipment leases.

Strong growth and stable market conditions across Europe and Canada, combined with portfolio acquisitions, had a positive impact on our rental business, which grew 10% to €130m (2017: €118m) supporting our customers' need for flexibility. Our well-maintained rental fleet is an ideal solution in uncertain times and provides customers a means to address peak demand effectively.

Damage protection is our damage waiver programme offered on our own equipment and its revenue is linked to the UTE of our fleet. We monitor its financial performance based on long term margin reviews. Regular analysis of damage, customer loss ratio statistics, strict compliance with damage handling procedures and policies and, when necessary, reviews of damage protection pricing, ensures a healthy balance between revenues and costs at both an aggregate and individual customer level. Damage protection revenue grew 10% in 2018.

In 2016 leasing and rental contribution % showed its first increase since the aftermath of the global financial crisis. This upward trend continued in 2018 with a further increase in margin of 1% to 64%. The principal drivers were as follows:

- With increased fleet investment from 2014 onwards, margins have stabilised and are reversing the trend created due to 5 years of underinvestment by our former shareholder, GE
- 2018 fleet acquisitions were accretive to overall contribution margin
- Improved productivity and cost control from insourcing - €10m (2017: €6m) additional maintenance spend moved in-house
- Damage protection margins have improved again during the year, with customers appreciating the security that is provided to them through this offering
- These positives were partially offset by pricing pressures due to low and negative interest rates across Europe principally affecting new capex

€m	2014	2015	2016	2017	2018
Leasing	150	161	184	217	248
Rental	79	92	98	118	130
Damage protection	16	17	20	20	22
<b>Revenue</b>	<b>245</b>	<b>270</b>	<b>302</b>	<b>355</b>	<b>400</b>
M&R own fleet costs	(96)	(110)	(115)	(121)	(133)
Damage protection costs	(11)	(11)	(11)	(11)	(12)
<b>Contribution</b>	<b>138</b>	<b>149</b>	<b>176</b>	<b>223</b>	<b>255</b>
Contribution %	56%	55%	58%	63%	64%



## Focus on maintenance and repair performance

Our fleet maintenance and repair offering enables our customers to focus on their core business, to ensure compliance with regulatory standards and provides predictability of maintenance costs. Our average annual 3rd party maintenance and repair revenue growth between 2014 and 2018 was 27%. In addition, there is also a significant volume of maintenance and repair revenue generated

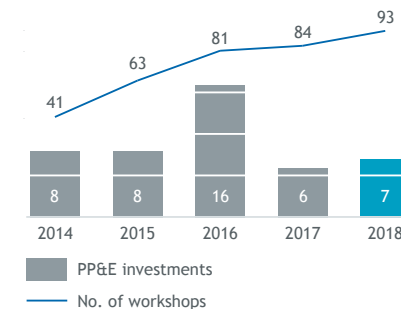
**“When the new international lease standards become effective in 2019, long term leases for customers applying IFRS or US GAAP will be accounted for on the balance sheet.** Applying certain exemptions in the standards, companies may opt to move to shorter lease terms or to rental outsourcing providers instead. In general, as these shorter leases and rental products would still be accounted for based on invoice value in the profit or loss, they will help to reduce the administrative burden and keep profit or loss analysis simple for management and cost control purposes. We are in a strong position to support customers with their needs in these areas.”

**Arjen Kraaij**, Chief Commercial Officer

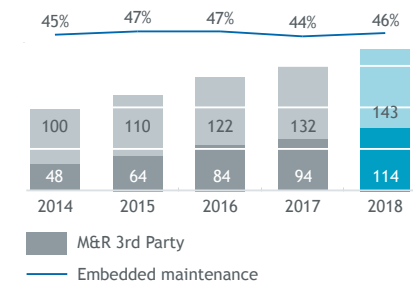


through the maintenance embedded within our owned leasing and rental portfolios. Total maintenance and repair revenue increased from 45% of revenue in 2014 to 46% in 2018. This is down from a peak of 47% in 2015 as we have invested in new fleet requiring less maintenance, and the pace of growth in M&R 3rd party has slowed. We would anticipate total maintenance and repair revenue ranging between 40% and 46% over the coming years as the average age of our own fleet continues to decline.

### PP&E investments (€m)



### Maintenance and repair revenue (€m)





The growth in maintenance and repair revenue in 2018 has been achieved at a lower margin of 20%, down by 3% from prior year. The principal drivers were as follows:

- Investments in new workshops built and acquired in 2017 and 2018 are not yet running at normal operating capacity levels
- Over the past 5 years we have established workshops mainly on existing branches. We are now entering a phase of building on greenfield

### 3rd party maintenance and repair

€m	2014	2015	2016	2017	2018
Revenue	48	64	84	94	114
Contribution	9	11	16	21	23
Contribution %	19%	18%	19%	23%	20%

We added 9 (2017: 3) new workshops in 2018. Not all of these have yet reached normal operating capacity levels. Investments in new workshops generally take 12 to 24 months to achieve normal capacity levels as we need to invest in building our commercial pipeline and to hire and train mechanics. We expect them to support maintaining and growing margins in future years.

Our maintenance offering was enhanced organically through the expansion of our own maintenance infrastructure. We opened 6 (2017: 2) new workshops:

- Spain (Barcelona)
- Sweden (Gothenburg)
- Canada (Montreal, Halifax, North Bolton and Mapanee)

locations, which take longer to reach normal operating capacity levels, build customer pipelines, and establish cost and operating scale

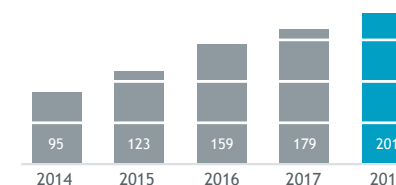
- With tight employment markets in general, and for mechanics in particular, hiring and retaining sufficient staff numbers has been challenging
- With a strong economy over the past 2 years, we have experienced general labour and parts input price pressures

We added further 3 (2017: 1) workshops via acquisitions in 2018:

- Austria (Vienna)
- United Kingdom (Hull and Scunthorpe)

We also added bays to a number of our existing workshops and added numerous shifts increasing our overall capacity. In 2018 we added 22 mobile service units ('MSUs') (2017: 20) and plan to further grow our fleet of MSUs in 2019. Our continued investment in maintenance infrastructure will not only address the strong demand for maintenance, but will also support those customers who require full service maintenance leases.

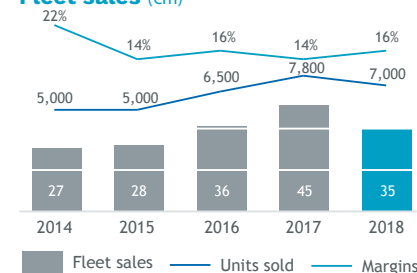
### Mobile service units (MSUs)



### Focus on used assets

With the continuing strong European economy in 2018, we sold around 7,000 assets in 2018, 800 units less than in 2017. Revenue decreased by 22% as, in addition to lower volumes, we sold units which were on average a year older than those sold in 2017. Lower fleet sales volume was driven by strong leasing and rental demand, resulting in less assets available for sale.

### Fleet sales (€m)



Retail and dealer sales accounted for more than 50% of sales. Through our diversified resale model, we managed to offset the fluctuations in some national and export markets.

Margins remained strong and stable in 2018.

The principal drivers were as follows:

- Strong economy supporting retail sales
- Continued focus on retail sales and development of our dedicated remarketing sites
- Strong trade-in performance with OEM's
- Investment and development of our used assets market-leading internet portal
- These positives were partially offset by challenging Russian and Middle Eastern markets

## Focus on acquisitions and integrations

During 2018, we continued our strategy centred on acquiring accretive bolt-on businesses to support growth, leverage our scale and expand our geographical presence. We closed 5 (2017: 4)

acquisitions during the year, comprising of 4 leasing and rental portfolios and 1 maintenance and repair business, for a combined total of €67m (2017: €9m). These acquisitions were spread across 3 (2017: 4) countries.

Acquisition	Country	Month closed
Stadlmüller GmbH	Austria	April
T.O.M. Vehicle Rental Ltd.	United Kingdom	April
Grayrentals Ltd.	United Kingdom	July
Annexus Leasing	Canada	October
Gulliver's Truck Hire Ltd.	United Kingdom	December

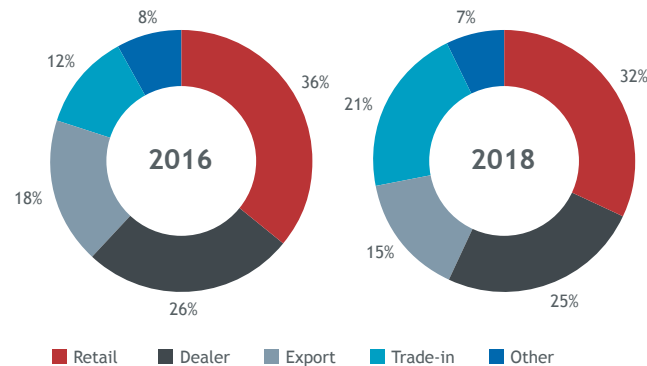
The acquisition of Grayrentals was completed as a share purchase with 1 legal entity taken over as part of the transaction. All other acquisitions were asset deals with no legal entity acquired.

T.O.M. and Gulliver's, both in the UK, were multi-product leasing and rental businesses which went into administration during 2018. We acquired a substantial portion of their trailers and tanker fleets as well as related contracts from the administrators.

Our 2018 acquisitions have contributed directly to our financial performance with €19m of revenue and €7m of EBITDA. They will further add to our financial performance in future years.

We have effectively and successfully integrated areas such as Finance, Human Resources, Commercial, Operations and most IT platforms. These acquisitions will further enhance our revenue and EBITDA over the coming years as we use them as platforms for future growth.

Fleet sales by end markets<sup>1</sup>

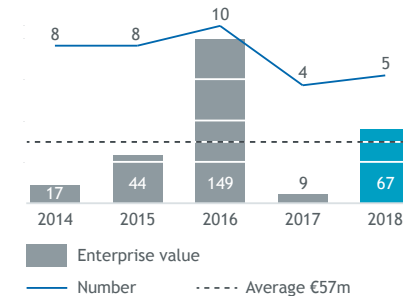


<sup>1</sup> Excludes Canada and 2016 excludes one-time indemnification and recovery, see Glossary for further explanation

Remarketing centres



Acquisitions (€m)



During our integration process we aim to:

- Retain knowledge and skills, whilst increasing operational efficiency and taking advantage of economies of scale
- Retain and reward people while providing a great work environment
- Retain existing processes and systems where they add value and enhance our business

Of the 35 acquisitions completed since the beginning of 2014, there are 8 (2017: 6) remaining on separate operating systems, principally due to these businesses running parts inventory systems which are not currently part of our standard business operational and financial systems.

In addition, Grayrentals and our Canadian business continue to operate standalone operational and financial systems, providing monthly reporting packs to allow us to complete our financial and management reporting.

We added 79 (2017: 22) employees during the year as a result of the above acquisitions. These were principally in Commercial and Operations functions.

## Governance

Our BD and integration teams closely collaborate with regional management teams to identify and qualify appropriate targets and follow the policy guidelines in place with the following key milestones:

- Tollgate 1 - Formal review with EMT and Management Board to agree on valuation

and structure, takes place prior to indicative non-binding proposal being put forward to sellers. Discussions and approvals with the Supervisory Board as appropriate

- Tollgate 2 - Final review with EMT and Management Board, presenting final CBA and due diligence findings, takes place prior to confirmation of final offer to sellers. Approval from Supervisory Board as appropriate
- Tollgate 3 - Formal handover from BD to integration team takes place at closing
- Tollgate 4 - Post acquisition business performance and integration review ~6 months after deal close
- Tollgate 5 - Post acquisition business performance and integration review ~18 months after deal close

## Information technology

### Strategy and objectives

The success of our strategy to grow through fleet capex investments, M&R 3rd party and acquisitions is dependent on the timely delivery and the functionality of information technology systems to support them. We have implemented IT applications to support many of our back office functions, largely completed in 2015, moving many of these applications to a cloud based environment. This increases our flexibility to deploy these applications at speed as we grow.

Our objectives are now to invest in the front end of our business to:

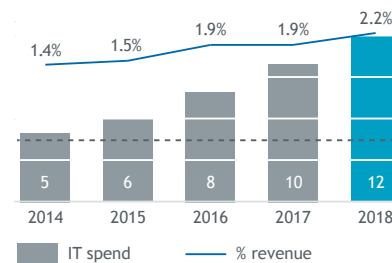
- Increase the speed and quality of customer service

- Increase revenue
- Drive productivity and efficiency
- Provide employees with better tools
- Improve business intelligence
- Efficiently integrate all acquisitions
- Position ourselves to take advantage of the Internet of Things and predictive maintenance for trailers in the future
- Increase the speed of application deployment
- Be more agile for new product implementations and future developments

### IT investments

As we have grown our business over the past five years, we have reduced our opex as a % of revenue from 19% to 15%. During that period, our business has doubled in size, with our M&R business increasing ~3x, the number of workshops moving from 41 to 93 and branches from 53 to 78. To support this growth and drive productivity, we have increased our ongoing IT spend by ~140% to 2.2% as % of revenue.

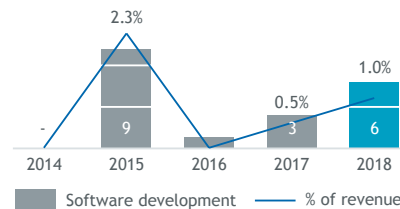
### IT spend (€m)<sup>1</sup>



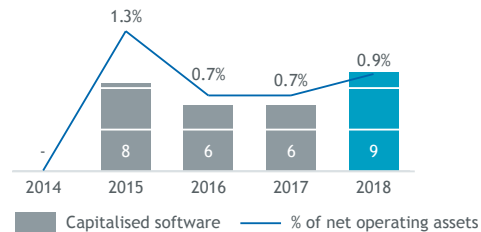
<sup>1</sup> 2016 excludes impact of onerous contract (~€1m per annum from 2016 to 2021), see financial statements note 21.  
2014 excludes one-time credit in relation to software licenses from GE.

In 2018, we invested €6m in developing software. We will continue to make investments in front end software which increases operational, maintenance and workshop productivity in the coming years. We will also invest in software for funding and treasury to support our front end growth and risk management.

#### Annual software development (€m)<sup>1</sup>



#### Capitalised software (€m)<sup>1</sup>



<sup>1</sup> 2016 excludes impact of onerous contract (-€1m per annum from 2016 to 2021), see financial statements note 21. 2014 excludes one-time credit in relation to software licenses from GE.

**“We finished 2018 with 93 workshops (+9), ~610 (+110) workshop bays and ~900 (+70) highly skilled mechanics, and have grown our 3rd party maintenance revenue from €94m to €114m, adding an additional €2m of contribution.** In parallel, 2018 has seen the digital transformation of our business substantially executed.

We have launched the TIP Customer Portal and TIP's Driver inspection applications to enhance the digital experience for our customers. For our suppliers we have implemented a supplier portal for front end purchase orders that enhances efficiency and back end visibility on payment dates. We have fully re-engineered our workshop management process implementing a fully digitised paperless process from quotation → work order → work schedule → work completion → quality check/approval → invoice → customer digital service check sheet.

We also successfully implemented a unified VOIP telephony platform across our business that brings communication improvements and reduces costs. Additionally, we have successfully transformed our indirect sourcing, supplier setup/maintenance and accounts payable process to work primarily with optical character recognition rather than relying on manual processing. 2018 has been a remarkable year in terms of business digitisation.”

**Paul Beadle**, Chief Operating Officer





Chopin  
(OCR/INFOR)  
Poland, Benelux



June/July

Infrastructure  
Server/Dbase  
and Memory



Q3

Infrastructure  
SDWAN POC



Q4

FLB



Q4

UNIFY  
Mediterranean,  
Nordics



January 2019

## TIP 2018 IT milestones

1H18



UNIFY  
UK, NL, BE, PL, AU

Q2



Monitoring  
Infra and Apps

September



Chopin (OCR/  
INFOR) Central

Q3/Q4



UNIFY  
Central

November



Chopin (OCR/  
INFOR) UK, ASC

December



Business  
Intelligence  
Close Safari

January 2019



UNIFY  
Teleconference

### Principal projects

#### Matrix

We are focused on our core business applications aiming to enhance their functionality for leasing, rental, M&R 3rd party and workshop management.

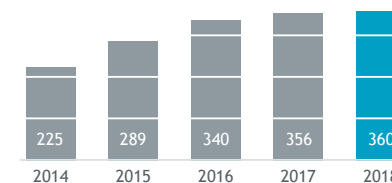
We have successfully completed phase 1.0 of project Matrix, which principally covers workshop job scheduling and management, leveraging our 2017 workshop investments in Wi-Fi and tablet-based technology. Furthermore, using an agile approach to development, we have already rolled out a number of enhancements as part of phase

1.1 and 1.2 covering additional features of our workshop management applications, customer portal and e-Invoice. Matrix will continue to drive digitisation in our operational processes.

One of the areas we will be exploring during 2019 is the possibility of implementing a parts sourcing, management and inventory system. For such a system to work effectively, it is critical that it works seamlessly with our new indirect sourcing, supplier setup/maintenance and accounts payable system (see project Chopin).

### Chopin

#### Number (k) of supplier invoices processed



Maintenance  
Resource planner

June

Maintenance  
(Workshop) delegation

September

Customer portal  
Enhancement(s)

November

MOS  
Driver app

November

Maintenance  
Fleet maintenance

December

## Matrix 2018 milestones

June

Customer portal  
Documents and  
reporting

September

Asset  
Landing page

September

E-Invoice  
DHL POC

November

Maintenance  
(Workshop) quote

Q4

E-Invoice  
IT (new tax  
legislation)

Q4

Customer portal  
Online reservation

December

Maintenance (Workshop)  
timesheets<sup>1</sup>

1. Ready to launch, roll-off in Q1 2019

With the development of our business over the past 5 years, we have seen substantial growth in the number of supplier invoices which we process and pay, reaching 360k invoices in 2018. Our customers outsource their maintenance and repair work to us as well as the administration of the processes associated with that work. It is critical to our customer service delivery and our own productivity that we run both an efficient and effective process for sourcing, cost control, supplier setup/maintenance, invoice processing and payment.

We have historically used a 3rd party provider in India to handle our purchase order matching and invoices processing. We are now moving this in-house to our own service centre in Warsaw, Poland and as part of this project we are currently working to implement a new indirect sourcing, supplier setup/maintenance and accounts payable system with the objectives to:

- Improve productivity through the implementation of OCR technology to reduce manual handling
- Drive increased standardisation with our other operational and financial systems

- Establish a robust and dynamic supplier setup/maintenance process for our 7,000 plus suppliers, who have relatively high churn rates as a result of our pan-European 3rd party supplier network and our commitment to 24-hour breakdown support across Europe
- Improve quality of data provided to other systems, improve VAT compliance and reduce manual rework
- Improve management and analytics to manage the process and business

- Implement a robust ‘no purchase order, no pay’ policy (as many of our customers have already done)

We expect the implementation to be completed in the first half of 2019, with ongoing enhancements after that.

### Business intelligence (BI)

Over the last 3 years we have successfully developed a business intelligence platform which provides the architecture to assist the business in improved decision making and strategic analysis. The insights from the platform can be utilised throughout the company, with data generated from our commercial, operational and financial systems to enable a complete overview. Our aim is to provide world-class service to our internal and external customers.

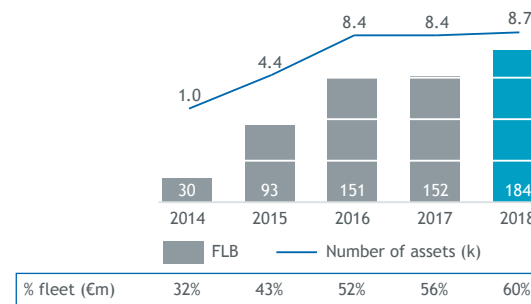
In 2018 we continued to expand our reporting capabilities on branch management and within our growth areas of M&R 3rd party and workshops, with the production of static reports, dashboards and detailed analysis.

Many aspects of our former data warehouse, Safari, were designed for the need of our former shareholder, GE, and were not focused on our

growth areas. With its closure completed during 2018, we are now focused on the future, ensuring we are aligning the business with real-time data and that the architecture is capable of advanced analytics and data science, as well as maintaining and continuously improving our current reporting. All of these achievements will allow the business to focus on value-added analysis, supporting customer delivery, pricing improvement and business profitability.

### Funding lease book (FLB)

#### Funding lease book (FLB) (€m)



As part of our business strategy to diversify sources of funding, and as a consequence of the growth in operating leases (for both workshops and fleet) and a number of acquisitions which use finance leases to extensively fund their business, we have seen

a ~6x growth in our funding lease book. This has been further complicated with increased handling risk from IFRS 16, which from 1 January 2019 will require us to place these operating leases on our balance sheet and effectively treat them as debt, with interest charged to our profit or loss on an effective interest rate basis and depreciation charged on a straight line basis. This will replace the single line invoice cost that is currently charged to our profit or loss. This will make cost analysis and control more difficult.

We are currently working to implement a cloud-based SaaS application with the objectives to:

- Enhance contract governance and contract administration, while also improving accuracy and consistency in handling our funding lease book (operational and finance leases)
- Automate data storage, classification, calculation, analysis and reporting for our funding lease book, providing IFRS 16 compliance
- Support business decisions by automating reports, analysis and pricing of funding lease book

We expect the first phase of the project (contract admin and IFRS 16 compliance) to be completed in the first half of 2019.

It is anticipated that later phases will focus on:

- Automation of interfaces with other systems, e.g. general ledger, BI, accounts payable
- Automation of reconciliation tools
- Management reporting
- Pricing analytics
- IFRS 16 budget/forecast model development

### Telephony

We completed an upgrade to our telephone technology in 2018, which provides substantial benefits and productivity, including:

- A company-wide fixed and integrated line telephony platform, enabling consistent high quality customer contact centre functionality across the business
- Reduction of call costs by routing internal telephone calls via voice over internet protocol (VOIP)
- Integration of land line phone, mobile, video and audio conferencing
- Consistent configuration across all TIP locations allowing remote management by centralised/ outsourced IT
- A scalable solution, able to meet the needs of a changing and growing business

### Integrations

Of the 35 acquisitions completed since the beginning of 2014, there are 8 (2017: 6) remaining on separate operating systems, principally due to businesses running parts inventory systems which are not currently part of our standard business operational and financial systems. In addition, Grayrentals and our Canadian business continue to operate standalone operational and financial systems, providing monthly reporting packs to allow us to complete our financial and management reporting. The annual revenue of the businesses running on these separate operating systems represents 17% (2017:10%) of our total revenue.

During 2018, our focus has been on enhancing our core systems, Matrix, Chopin, BI, telephony, and given the evolution of our business, the implementation of our new funding lease book system. As these new systems implementations reach completion and go live, we will re-focus on bringing the remaining acquisitions onto our standard systems and processes, as appropriate, to further drive productivity and consistency of customer experience across our network. This will also simplify our reporting process, driving increased quality and consistency.

### IT governance

We have a robust governance infrastructure with a Technology Investment Committee (TIC) in place for IT related projects, including project plans which are approved by the EMT and, where material, by the Boards. A member of the EMT then leads these projects and regular progress reviews are performed. We aim to minimise business disruption, cost and time to implement.



## My experience of project Matrix

“Matrix implementation and effective usage is one of the key focus areas for the business. It has been an extraordinary commitment by a broad range of people across the business over the past 12 months to deliver the excellent product which we now have.

After getting involved in the roll-out of a number of key modules and updated and enhanced releases, I can already see big changes in the way we now use the system and how data is easily accessible and trustworthy. My colleagues in the branches and workshops share my enthusiasm as the applications and processes are faster, more user-friendly and reliable than what we have known in the past.

I started my career in TIP as Fleet Controller, where using a fast and reliable system was key to delivering a proper service, both for internal requests and customer queries. Then, I was promoted to Business Operations and Financial Analyst, where reliable data was at the heart of all our activity. The enhanced analytical capabilities that Matrix provides will be essential for financial analysis and providing performance benchmarks between branches, workshops, customers, etc. Today, as Customer Service Leader, Matrix allows me to use the system to improve our customers' deliveries and experience.

The Project Managers in charge of each module have done a tremendous job, leading the development of applications, involving all countries during testing and changes, gathering all feedback, organizing next releases and identifying future needs. I am very proud to have the possibility to work with the Matrix team and bring my contribution to this wonderful project which will change the way we drive our business today, at all levels.”

**Nicolas Delteil**

Customer Service Leader - France



**“My colleagues in the branches and workshops share my enthusiasm as the applications and processes are faster, more user-friendly and reliable than what we have known in the past.”**

## Insurance

We have a low appetite for risks which can be insured. However, we selectively accept certain insurable risks that we consider to be remote and/or where the cost-benefit analysis does not justify the premiums required. In order to minimise costs, we centrally and locally arrange and manage insurance programmes to protect all our entities from the most significant risks. Our insurance policies are issued by leading insurance companies.

The table below outlines our principal insurances and associated annual costs:

€k	2017	2018
<b>Mandatory insurances</b>		
Fleet	3,299	3,315
Company cars	380	347
<b>Total mandatory insurances</b>	<b>3,679</b>	<b>3,662</b>
<b>Optional insurances</b>		
General liability (including business interruption)	215	207
Property	288	289
Director and officer (D&O)	16	63
Employee business travel insurance	80	75
Crime	-	51
Cyber	1	1
<b>Total optional insurances</b>	<b>600</b>	<b>686</b>
<b>Total</b>	<b>4,279</b>	<b>4,348</b>

We divide insurances into mandatory and optional.

### Mandatory insurances

This is where local legislation requires a policy to be in place. The countries where local fleet insurance through external parties is required are the following: Austria, Belgium, Czech Republic, Finland, France, Germany, Italy, Poland, Romania and Spain.

### Optional insurances

During 2018, we, together with our new shareholder, undertook a review of our non-mandatory insurances. This review resulted in additional cyber (effective from 1 January 2019) and crime insurances while D&O insurance was impacted by a one-time payment of €40k associated with providing coverage for the five years pre-I Squared Capital ownership. We have maintained appropriate insurance levels throughout the year to cover all directors against liabilities in relation to TIP Trailer Services.

### Insurance management structure and policy

The Insurance Manager is responsible for establishing and maintaining the insurance programme framework and monitoring our insurance risk profile. Annually, the Insurance Manager prepares a risk appetite overview which includes all risk areas and requires approval by the EMT, Management and Supervisory Boards.

Our overall approach is to selectively accept certain insurable risks. Our objective is to identify and develop an insurance risk profile to continuously monitor and manage these risks. In order to do this, principles are laid down in an insurance risk policy that applies to all our entities.

# Corporate social responsibility

## Our culture

At TIP we believe our people are what drives our success and that they perform at their best in a culture that embraces expertise, customer excellence and passion. We believe in empowering our leaders and encouraging entrepreneurship, allowing them to address local needs. Our company values define who we are as a business and what really matters to us. These values are core to the way we conduct business on a daily basis. It is our people that bring them to life every day. To help our people achieve this, we translate our values into behaviours, and these behaviours are central in our annual review process and reward strategy.

We believe diversity drives innovation. We have a very broad network throughout Europe and Canada. This results in a highly diversified workforce across 17 countries, on two continents, with multiple cultures. The variety of nationalities, cultures and religious and ethnic backgrounds enriches our workforce by bringing together new ideas, innovations and thinking styles that lead to business success. We use best practices from other countries and by using them we improve our company and sometimes even evolve our industry.

We have an informal, down-to-earth culture that fits with our industry. We keep the organisation



as flat as possible with typically 4 to 5 layers of hierarchy and an average span of control of 6. We operate an open-door policy where people are supported in giving their opinion. We are fact-based and solution-oriented. Change is a constant way of life for us. Our people and our leaders embrace change and work to ensure our strategy is successfully executed. In our view, being economically successful and internationally

**Specifically, we focus our corporate responsibility on 4 principal areas:**

- 1** Human rights
- 2** Labour standards
- 3** Environment
- 4** Anti-corruption

competitive generates value for our shareholder, customers and society at large. We apply high environmental and social standards to our business to support a sustainable future. We recognise that we have a duty to our stakeholders to be a reliable partner with the highest integrity and ethics. We engage with and learn from others through open dialogue on mutual interests.

## UN Global Compact

TIP Trailer Services aims to be a leader in responsible business practices. We support the United Nations Global Compact ten principles promoting human rights, labour standard, environmental responsibility and anti-corruption.

We are committed to making the UN Global Compact principles part of our strategy, culture value and the day-to-day operations of our company. Robust management processes drive our corporate responsibility and we apply high environmental and social standards to support a sustainable future. We recognise our duty to our stakeholders including our shareholder, management, employees, lenders and citizens of all the countries where we operate and do business.

We have divided this section into the four areas of human rights, labour standards, environment and anti-corruption in line with the UN Global Compact.

## Human rights

Protecting human rights is important and we believe in the dignity and individual rights of every human being. We protect the rights of our employees by adopting suitable employment practices. We also aim to act ethically in all

our business dealings and have a zero tolerance approach to modern slavery.

TIP employees and suppliers are required to comply with all applicable legal and regulatory requirements. Today's regulatory environment is becoming more and more challenging, subjecting our employees and suppliers to a growing number of regulations and enforcement activities around the world.

This environment requires our employees and suppliers to continue to be knowledgeable about and compliant with all applicable regulations, as well as committed to regulatory excellence.

We require and expect each employee and supplier to comply with all applicable laws and regulations. Unacceptable practices by TIP employees and suppliers are detailed in the following policies:

- Minimum age
- Forced labour
- Environmental compliance
- Health and safety
- Human rights and modern slavery
- Code of conduct
- Business practices and dealings with TIP
- Business entertainment of TIP employees and representatives

- Collusive conduct and TIP procurements
- Intellectual and other property rights
- Export controls and customs matters
- Use sub-suppliers or third parties to evade requirements

## General Data Protection Regulation (GDPR)

We have prepared for the European GDPR which became effective on 25 May 2018 and supports the right of privacy for our customers, employees and suppliers. New GDPR and data privacy training modules were developed and training provided for general awareness amongst our European businesses and for specific business functions.

During 2018, our legal and compliance team worked closely with HR, IT and business teams to develop policies, guidance and implementation actions to address the impact of GDPR. Robust communications were rolled out across the business to complement the training programmes and promote awareness among employees. TIP risk associated with GDPR is limited as the business has limited/no B2C customers. We have also initiated a GDPR data minimisation programme which aims to build privacy by designing it into our computer systems and procedures.





**“It was an exciting year for our people and business with a lot of innovation and successes. In 2018 our staff did an amazing job successfully delivering on many big strategic initiatives. It was great to be part of that.** I am looking forward to this new phase for our business with a new shareholder, I Squared Capital. Heading into 2019, despite tightness in the labour market, I am confident that with the team we have in place we will drive further growth and continuous improvements for all our stakeholders.”

**Hiske Damhuis,**  
Chief Human Resources Officer

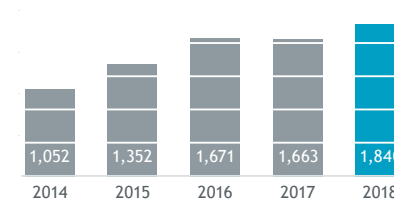


## Labour standards

### Headcount

We aim to keep our headcount stable apart from mechanics directly supporting growth in our maintenance business. Our headcount has grown by 79 people due to our Stadlmüller and Grayrentals acquisitions. The remainder is largely due to a growth in mechanics.

### Headcount<sup>1</sup>



<sup>1</sup> Headcount per end of period (including part-timers)

We employ over 57 nationalities and have a stable 15% of females in a predominantly male-driven industry. We continue to push gender equality through growing and developing our female workforce. During 2018, 17% of all promotions and career development moves were made by our female staff.

### Gender diversity

We are strongly committed to developing diversity among our leadership, including the Boards,

the EMT and the SLT, with a broad range of experience, skills and capabilities. In nominating candidates for our Boards, we support the trend towards higher participation of women. We have not met a ratio of at least 30% women on the Boards.

However, we will take the requirements of Dutch law into account in the future when proposing candidates for election or re-election to the Boards without compromising the company's commitment to hiring the best individuals without discrimination.

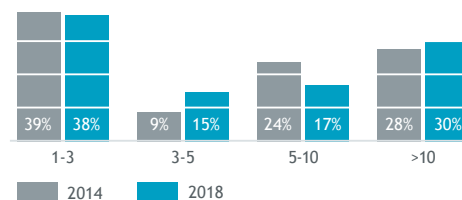
### Experienced employees

The average length of service of our workforce is 7 years (2017: 7 years). However, the portion of employees with less than 5 years' experience has increased from 48% to 53% driven by the 3x increase in our M&R business and acquisitions.

During the year, we added 79 (2017: 22) employees through acquisitions. These employees, although new to TIP Trailer Services, have extensive industry experience and bring fresh, valuable and different perspectives to our business. We learn as much from them as they learn from us.

At TIP Trailer Services we believe people drive the success of our company.

### Employees years of service

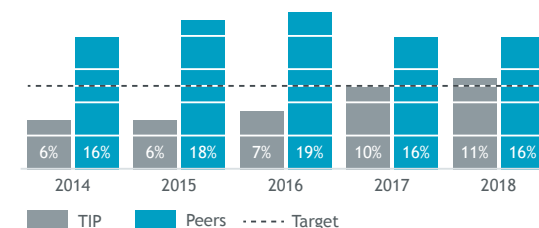


### Attrition

Attrition has risen above our target to 11%. However it still remains substantially below our peer benchmark group. We have increased the number of mechanics in our workforce over the past years as our M&R service business has grown 3x since 2014. This type of work, by its nature, has higher attrition. Attrition for all other staff, excluding mechanics, has declined from 10% in 2017 to 8% in 2018. Our attrition is low relative to our industry. When compared to similar distributed business models, we have lower attrition than our peer benchmark group. This group also has a substantial portion of mechanics and technicians in its workforce but has not had the levels of growth we experienced over the past five years.

Job markets in Northern Europe are very tight with high demand for young well-trained staff. We anticipate the job market will remain difficult over the coming years due to the strong economy and ageing populations.

### Attrition vs peers



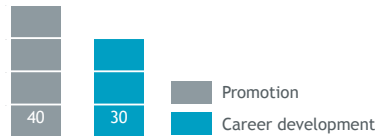
We calculate staff attrition % by dividing the number of permanent employees who left the business voluntarily during the year into headcount at the end of the year. Peers are international businesses with similar distributed business models with substantial requirements for mechanics/technicians. Specifically, we use Ashtead, Aggreko and Northgate. Source for peers: Their most recent annual reports prior to our Board approving this annual report

### Development and learning

We encourage our people to take personal responsibility for their own development and to take the time to leverage both internal and external resources that can help them improve both personally and professionally.

Our company is more dynamic than ever. Roles that did not exist yesterday are being created in areas that did not exist before. At TIP, it is not about finding a single path forward, but exploring, learning and evolving as you go. We had 40 promotions and 30 lateral moves in 2018.

## Promotions and career development 2018



Training provides our people with an opportunity to develop existing skills and learn new ones. In 2018, we spent ~ €200k on course development and training while our people attended ~500 courses.

We have designed a career map that gives our staff insight into the jobs available, potential career paths and moves. We help with career development workshops, training, on-the-job learning and coaching that will help our people develop the various skills and competences they will need to succeed. Our learning and development curriculum includes courses to improve performance and broaden technical and non-technical skills and abilities. We have an extensive offering of courses and run an annual nomination process. In addition, we design tailor-made courses every year that address specific learning needs. Programmes are always aimed at attaining operational excellence and delivering world class customer service.

Enabling our people to become successful leaders, we have developed two tailor-made TIP leadership programmes, one for middle management and one for senior management. These programmes are well received, scoring an average 9 out of 10 amongst participants and help our company to move forward as a cohesive group.

We provide an opportunity to share a career journey best suited to everyone's personality, ability and interests. The development of our people is ongoing and will change as their aspirations change. People learn every day. We provide the tools and encourage our people to take personal responsibility and be proactive in managing their career.

### Internships and apprentices

Our van Dijk internship programme is a first-class undergraduate internship whereby we provide students with real learning experience and the opportunity to develop their skills in a multicultural, international and challenging environment. It provides students with unique opportunities of direct exposure to senior management, networking possibilities and regular feedback for professional and personal development. Since its inception in 2006, over 283 students from over 50 nationalities have successfully completed the programme.

We currently have 14 van Dijk intern positions in our corporate functions. Our vision and belief in this programme goes beyond most internships and it serves as a talent pool for entry-level positions in our company.

We hired 20 apprentices in 2018, growing our total to 33 with the majority being mechanics.

### Engagement

We drive engagement and retention by offering a safe working environment, fair remuneration packages, development opportunities, clear communication and well-maintained tools.

We inform staff about what is happening within the organisation, across functions and countries, by sending newsletters in multiple languages. We organise quarterly 'all employee meetings' and an annual kick off meeting, which are key communication points ensuring engagement and strategic alignment. We organise social evenings regularly, to ensure we keep connected on a more personal level and have fun.

We also have an active 'Ideas' platform for all TIP employees to share their ideas and knowledge across the business, ensuring we use all the potential within TIP. In addition, we introduced e-NPS in 2018 as a multi time run pulse survey

to test the satisfaction of our staff and be able to act where it is needed.

### Talent

One of our top priorities is identifying, developing and retaining our top talents. It is in our culture to lead in our market and be best in class. We can only achieve this by inspiring our people through a strong performance management methodology and a culture of learning and high performance.

There are three essentials to our philosophy:

- We tell people what is expected
- We help them to achieve these expectations
- We hold them accountable

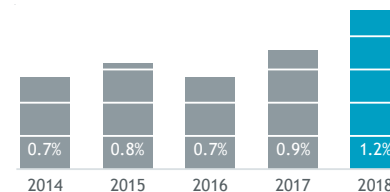
For each of these essentials, we have robust processes and strong controls in place, from goal-setting to a review at the end of the year of performance against goals, strengths and development needs. In 2018 we introduced anytime feedback, a tool where all employees and managers can give each other feedback, making sure employees learn as they go and not only receive feedback at the end of the year. We recognise that everyone is different and values different things, which is why at TIP we practice a total remuneration strategy. This enables us to ensure equality and that performance is rewarded in various forms.

## Environment

### Environment, health and safety (EHS)

We have a rigorous environmental, health and safety programme with well-defined guidelines to effectively manage EHS risks, workplace and employee well-being and safety. Internal as well as external audits covering a variety of areas, including hazard analysis, product handling, ergonomics and hygiene are conducted to identify and remedy areas of deficiency. We have strict EHS policies, reinforced by regular training, monitoring and periodical audits.

#### Accident rate



Our business uses the internationally recognised Frequency Accident Rating (FAR) which is calculated as the number of lost time accidents multiplied by 200,000 (the base for 100 employees working 40 hours per week), divided by the total hours worked. A lost time accident is a work-related injury/illness that results in an employee's inability to work the day after the initial injury/illness.

We offer continuous training and certification for EHS. In addition, we ensure our mechanics develop skills and are certified in a range of technical trainings from welding, to brake system repairs and bodywork renovation. Our 'TIP University' e-learning tool offers the latest technical training directly from trailer manufacturers. We build and maintain a pipeline of talent through our apprentice programmes across Europe. We partner locally with the relevant schools and colleges to ensure our apprentices can qualify through these programmes.

To ensure employee awareness and participation, TIP Trailer Services conducts bi-annual employee surveys to test EHS knowledge and perception of the programme. We tailor training programmes, conduct monthly communications from our Operations leaders and use tools such as scorecards, monthly dashboards and reward programmes to incentivise and motivate employees.

We seek to keep improving the environmental performance of our operations through the efficient use of resources and by applying the most environment-friendly technologies such as 'silent' refrigerated trailers and low emission tractor units. We also organised a number of regional projects across Europe to improve recycling and reduce lighting and water consumption.



We actively track sickness and support our people in their well-being. Our sickness rate runs at low single-digit % levels. In 2018 we significantly reduced it through well-being initiatives with variations per country. These included free mental support and coaching with employee assistance programmes, stress reducing measures like financial external counselling and mindfulness training. We offer external massages in some locations and offer discounts on gyms.

We have rigorous processes in place whereby HR works closely with the manager and employee to address concerns and help employees reintegrate in the workplace.

## Awards

During 2018, we received a number of industry awards and certificates for our outstanding contribution to health and safety.

- British Safety Council



- Alcumus SafeContractor



## European Transport Board

We are the founder and lead member of the European Transport Board (ETB), a group of leading European transport and logistics providers, which together represent a significant part of the industry with almost 300,000 trailers in their combined fleets. The ETB's goal is to share insight and solutions that solve common issues which transcend country borders and individual needs. Its mission specifically aims to:

- Reduce environmental impact
- Reduce congestion from road transport
- Increase road safety
- Improve the effectiveness and efficiency of the industry



With our colleagues in the ETB, we strive to connect:

- Our members to work together more effectively
- With EU priorities
- On environmental and social challenges
- Public and private initiatives
- Demand to supply: reducing congestion and emissions
- The European market to global demand
- All transportation modalities

## Connecting

We combine our culture of performance with a culture of responsibility. We drive our success and operations as one company, connected and enabled to do business where the customer sits. Within TIP we see the value of our diversity and engage our people to achieve excellence, but we also understand we are part of a bigger whole and will actively play our part.

## Communities

We actively engage in volunteer projects through our TIPVolunteers programme, helping those in need within our local communities. Key events in 2018 included:

- A. A 3-day charity bicycle ride from Barcelona to Valencia in Spain covering more than 400km. With 50 participants including employees, customers and suppliers, our UK team raised –€75,000 for the Donna Louise Trust for terminally ill children



Participants in charity bicycle ride

- B. Celebrating our 50th anniversary, the Central team ordered a special edition of small model trailers which were sold at the stand of the IAA exhibition to donate the earnings to a local charity association (Kinderleben e.V.) that cares for terminally ill children and their families. TIP invited the manufacturer Krone as additional charity partner and handed over the collected amount of 2,300 euros on the last exhibition day.



From left: Iris Tomei (TIP), Oliver Bange (TIP), Vanessa Otto (Kinderleben), Ester Peter (Kinderleben), Olaf Otto (Kinderleben) and Ingo Geerdes (Krone)

## Customer Advisory Board (CAB)

Twice a year we take the opportunity to meet with representatives of our top 20 European customers (our Customer Advisory Board (CAB)) to discuss challenges in the transport and logistics sector and within their businesses. These meetings provide all parties with networking and business development opportunities.

The first CAB of the year was held in May in Valencia, Spain. The theme of the event focused on how technology is changing our industry and impacting our customers, including different discussions such as digitisation, big data and smart analytics. The second CAB event took place in October in Porto, Portugal. Some of the topics discussed were blockchain and safety in the transport and logistics sector.

## Partner days

We also host regional partner days to provide insights to our key suppliers and customers into our business strategy and how we can grow our businesses together.

In January, our Benelux team hosted their partner day in Vught, with more than 70 suppliers and customers attending the event. During the day, we provided updates on different topics such as our new sourcing, supplier setup/maintenance and accounts payable system (project Chopin), the European Transport Board and additional/new TIP services, and took the opportunity to share our strategy as well as discuss the current regional needs in our industry. On this partner day, we also announced the winner of our “Supplier of the year” award to Thermo King.



*From left to right: Bastiaan Dirken (Thermo King), Rogier Laan (TIP Trailer Services), Peter Wilms (Thermo King) and Jan van Vugt (TIP Trailer Services)*

In October, our Italian team hosted a customer weekend event in Franciacorta, Italy, together with 2 other solution providers in the transportation industry. With a total of 30 key customers from the 3 organisers attending the event, TIP used the opportunity to present our regional business and its main highlights as well as to share its vision and discuss the challenges and opportunities in the industry with some of the key players in the field.



*Attendees at Franciacorta*

Our Nordic region organised partner days in each of the countries where we are present with more than 120 customers and suppliers attending. We took the opportunity to discuss our products and the future of the transportation business. The meetings were followed by team-building activities and a dinner to celebrate our 50th anniversary.



*From left to right: John Forster (Carrier Transicold), Tony Wahl (TIP Trailer Services) and Jesper Espensen (TIP Trailer Services)*

### **IAA and other exhibitions (Bankers' Day)**

We actively participate in leading industry exhibitions, such as the IAA.

The IAA Commercial Vehicles takes place in Hannover every two years, and is the world's leading trade show for transport, logistics and mobility. It offers a unique cross-section of the entire value chain in the industry, from vehicles to transport and logistics, and from manufacturers to

many medium-sized suppliers. The 2018 exhibition had over 2,200 exhibitors and more than 250,000 visitors. TIP's 80-square metre stand presented our tailor-made products and services with a team of 24 colleagues from our Central region. A big touch screen was placed in the centre of the stand to demonstrate TIP's new customer portal.

During the IAA, we also hosted our second Bankers' Day. We invited our key banking partners for a business update and to network and interact with senior business executives and our new shareholder. The event also provided them with the opportunity to understand and discuss industry trends while meeting several key trailer equipment manufacturers and suppliers.



*TIP exhibition stand at IAA*

## Anti-corruption

### Employee compliance

Our employee compliance framework is our interlocking system of rules, policies and controls that allow us to realise our core values and is comprised of tools such as our Ombuds system, our code of conduct and extensive integrity policies covering a variety of concerns. This framework allows us to competitively run the company by enforcing and nurturing a culture of accountability and compliance.

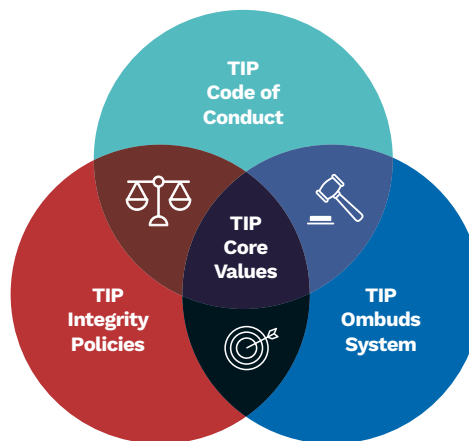
We continuously monitor compliance with our policies. Each employee is accountable for his or her actions and our integrity policies require employees to report any compliance concern or breach. The Ombuds system provides a safe and unbiased forum for employees to raise concerns.

Our employee compliance programme is supported by strong corporate governance principles. The compliance programme is comprised of three elements. These elements are:

- The creation of a shared ethical culture within our company
- Providing clear functional guidance to our teams throughout the organisation
- Providing an enforcement and advisory system to defend the high standards of ethical behaviour we demand from our employees

### Code of conduct

Our code of conduct is an overarching statement of our values and a commitment to our employees and communities to run our business in a socially responsible manner. Our code of conduct is a commitment by employees to act honestly, to ensure a fair and enjoyable work environment, to comply with applicable laws, to embrace our culture of diversity and transparency, and a commitment to balance profitability with accountability.



### Integrity policies

Our integrity policies are a series of issue-specific policies governing a variety of regulatory and compliance issues that our employees encounter

on a daily basis. These issue-specific policies provide practical and specific guidance to our teams to ensure company-wide compliance with internal rules and external regulations. All new employees review and agree to abide by these policies and refresher courses are given regularly.

### Ombuds system

Our Ombuds system is a parallel reporting system designed to provide employees with a secure way to report possible non-compliance with internal rules and external regulations. The system is comprised of trained volunteers who consult with concerned employees and refer the matter to the compliance team for further investigation where appropriate. We have a strong policy of non-retaliation and the Ombuds system reinforces this policy with an option to raise concerns anonymously to further encourage transparency.

We continuously improve our employee compliance procedures, policies and business operations so that TIP's values become an integral part of our strategy, culture and day-to-day operations.







# Governance

## **In this section**

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# Boards of Directors

The Boards' leadership responsibilities involve working with senior leadership teams to develop strategy **and set corporate values in the interest of delivering long term value to our shareholder.**

This includes, amongst others, deciding which risks TIP Trailer Services is prepared to take in pursuing its strategic objectives. The Boards' oversight responsibilities involve constructively challenging the senior leadership team in relation to operational aspects of the business, including approval of budgets, and probing whether risk management and internal controls are appropriate. They are also responsible for ensuring that accurate, timely and understandable information about the Group is provided to our shareholder, debt providers and other stakeholders.

## Boards legend

- Supervisory Board
- Management Board
- Holdings Board
- The Board
- EMT
- SLT



**Adil Rahmathulla** –  
Canadian

● Adil is one of the founding Partners of I Squared Capital. He was previously at Morgan Stanley for several years where he was the head of Morgan Stanley Infrastructure Americas Executions, part of Morgan Stanley Infrastructure Partners, a US\$4bn infrastructure investment fund. Prior to joining Morgan Stanley, Adil worked on M&A and financings at Credit Suisse and as a consultant and auditor for several years with Arthur Andersen and PricewaterhouseCoopers (PwC).

Adil was appointed chairman of the Supervisory Board in 2018 after the sale of TIP to I Squared Capital.



**Mohamed Adel El-Gazzar** –  
British

● Mohamed has been a Managing Director of I Squared Capital since 2012. He was formerly an Executive Director of Morgan Stanley Infrastructure (MSI), a global platform for infrastructure investments at Morgan Stanley Investment Management where he focused on investments in high-growth markets. During his 12-year career at Morgan Stanley, Mohamed held various positions and was involved in strategic transactions and financing in the energy space in Europe, Asia and the Middle East in both investing and financing roles.

Mohamed was appointed to the Supervisory Board in 2018 after the sale of TIP to I Squared Capital.



**Enrico Del Prete** –  
British/Italian

● Enrico has been a principal at I Squared Capital since 2015. He was formerly an Investment Director in the Energy and Infrastructure team at Terra Firma Capital Partners. Enrico started his career as a management consultant at McKinsey. He has been a visiting lecturer on Private Equity at Imperial College, London and at the Said Business School, University of Oxford.

Enrico was appointed to the Supervisory Board in 2018 after the sale of TIP to I Squared Capital.



**Maxime Jacqz** –  
French/British

● Maxime is an Operating Director of I Squared Capital. He focuses on portfolio company management and asset optimisation in Europe. Maxime has over 13 years of infrastructure experience, notably within EISER Infrastructure Partners (previously known as the ABN AMRO Global Infrastructure Fund) where he was a Director responsible for the infrastructure sub-sectors of transportation, energy and environmental services. Maxime started his career in the M&A team of ABN AMRO in 2004 where he advised numerous corporates in their acquisition strategies. Maxime has served on the boards of Belfast City Airport, ASTE, a leading Spanish solar power generator, and Herambiente, a leading Italian waste management business.

Maxime was appointed to the Supervisory Board in 2018 after the sale of TIP to I Squared Capital.



**Thomas (Tom) J. Donohue, Jr.<sup>1</sup>** –  
American

● Tom is the President and founder of Adelphi Capital. Over the past two decades Tom has built Adelphi's merchant banking practice through principal investments and advisory activities across several industry sectors where the firm has developed deep expertise, including: transportation, telecommunications and technology, financial services, infrastructure, and national security. Tom currently serves as an Operating Partner Advisor to I Squared Capital and sits on the boards of several companies and organisations including Convergent Technologies, Inventus Power, Blackpoint Technologies and Orbis Operations, as well as several leading companies related to the transportation and logistics industry such as American Intermodal Management, Express Freight Finance and Entegra Capital. He is also a board member of the National Chamber Foundation, the research arm of the US Chamber of Commerce.

Tom was appointed to the Supervisory Board in 2018 after the sale of TIP to I Squared Capital.

<sup>1</sup> Independent Director





**Bob Fast** – American  
**President and Chief Executive Officer**



Bob (1956) was first appointed CEO of TIP in 2003. In 2009, he additionally assumed the position of President and CEO of GE Equipment Services<sup>1</sup>. Bob led the carve out and sale of TIP from GE to HNA in 2013 and subsequently from HNA to I Squared Capital in 2018. He led the integration into HNA and is currently leading the integration into the I Squared Capital structures and processes.

Bob joined GE in 1982 and held leadership positions in a number of GE divisions including roles in Finance, Sales, Business Development, Marketing, Leasing, and General Management. Bob was reappointed President and CEO of TIP Trailer Services after its sale to HNA in 2013. He is based in the Netherlands.

Bob has served on the Board and the Holdings Board since 2014 until the latter was merged into Cube Transportation in 2018. After the sale of TIP to I Squared Capital, Bob was appointed to the Management Board in 2018.



**Malachy Mc Enroe** – Irish  
**Chief Financial Officer**



Malachy (1965) was appointed CFO for TIP and GE Equipment Services in 2008. In this role, Malachy led the carve-out, execution of the deal structuring and sale of TIP from GE to HNA in 2013 and subsequently from HNA to I Squared Capital in 2018. He led the debt financing for the HNA acquisition and the refinancing following the acquisition by I Squared Capital. Malachy also led the integration into HNA and is currently leading the integration into the I Squared Capital structures and processes from a finance perspective.

Malachy joined TIP/GE in 1997 and has held senior finance roles within different commercial leasing, rental and services divisions, as well as within GE's retail finance division. Prior to TIP/GE, he worked for various multinational companies in a number of different industries operating across Europe. He is based in the Netherlands.

Malachy has served on the Board since 2014. After the sale of TIP to I Squared Capital, Malachy was appointed to the Management Board and to the Holdings Board in 2018 until the latter was merged into Cube Transportation in 2018.



**Arjen Kraaij** – Dutch  
**Chief Commercial Officer**



Arjen (1974) joined GE/TIP in 1997 and over the years has held several commercial and general management roles, including Commercial Director for the Benelux Region and General Manager for Eastern Europe. His previous role was leading the European Marketing and Services organisation, as well as the International and Strategic Accounts Group. Arjen was appointed Vice President Corporate Development in 2013, successfully leading the closure of 30+ acquisitions.

He was appointed to his current role as CCO in 2017 and led the commercial due diligence of the TIP Trailer Services sale to I Squared Capital in 2018. He is based in the Netherlands.

After the sale of TIP to I Squared Capital, Arjen was appointed to the Management Board in 2018.



**Hiske Damhuis** – Dutch  
**Chief Human Resources Officer**

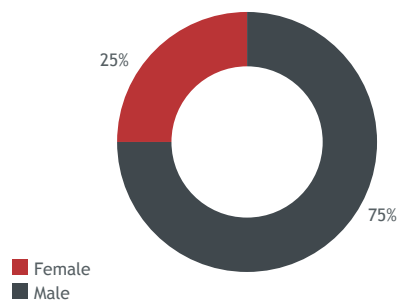


Hiske (1976) was appointed as HR Director of TIP in 2006. She was promoted to HR Director of GE Equipment Services in 2009. In addition to this role, she was a board member of the GE Pension fund in the Netherlands and HR Council leader for the GE businesses in the Benelux from 2010 until 2013. Hiske led the carve out from GE upon the sale to HNA from the perspective of people and employee communication, payroll and benefits, HRIS and employee relations. Prior to joining TIP, Hiske worked for another multinational for more than 10 years in various HR roles. She is based in the Netherlands.

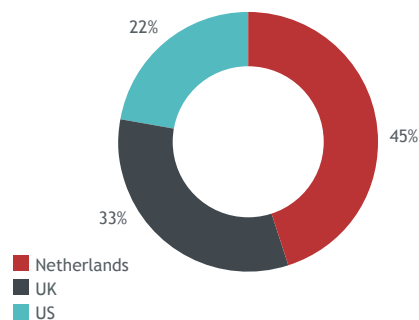
After the sale of TIP to I Squared Capital, Hiske was appointed to the Management Board in 2018.

<sup>1</sup> GE Equipment Services was a multi-product commercial transportation and construction equipment leasing and rental division of General Electric. GE Equipment Services contained various trading divisions including TIP, GE Rail Services, GE Key Lease, GE Modular Space, TLS Van Rental, GE Plant Hire and GE Fleet Services. TIP was owned by GE from 1993 until 2013.

#### Management Board gender diversity



#### Cube Transportation Board geographical spread (by residency)



#### Management Board TIP years of experience



# Senior leadership and executive management teams

Deep **industry** and **international experience**

The senior leadership team (SLT) is composed of our executive management team (EMT), our regional and product Vice Presidents, and the Chief Legal Officer and Company Secretary. The SLT provides strategic advice and inputs on commercial and operational matters, business processes, controls and overall strategy.

**Bob Fast\*** ● ●

Main responsibilities: Strategy, business execution and compliance

**Malachy Mc Enroe\*** ● ●

Main responsibilities: Financing, treasury, investor relations, credit risk, planning, financial reporting, accounting and tax

The EMT has responsibility for the day-to-day management of our company, the deployment of our strategy and policies, and the achievement of our objectives and results. Together with the Boards, the EMT determines the values by which the company is run while ensuring compliance with all applicable regulations. The EMT and the Boards are responsible for the integrity of our financial reporting and control environment.

**Arjen Kraaij\*** ● ●

Main responsibilities: Commercial, marketing, business development, fleet sourcing, asset management and remarketing

**Hiske Damhuis\*** ● ●

Main responsibilities: People and employee communication

\* Please refer to the Board of Directors section of this report for a full profile.

● EMT ● SLT











**Paul Beadle** – British  
**Chief Operating Officer**

Paul joined TIP as a trainee manager in 1986. He has extensive transportation and trailer services industry experience having worked through numerous operations positions including branch and regional management, culminating in his appointment as UK Operations Director in 2004. He was promoted to European Operations Director in 2006. Paul assumed the position of European Operations Director for GE Equipment Services<sup>1</sup> in 2009 and led the TIP carve out from GE upon the sale to HNA, from an operations perspective, in 2013. He was reappointed European Operations Director for TIP on completion of the sale to HNA. In 2015, he was appointed to his current role as Chief Operating Officer.

Main responsibilities: Operations, IT, EHS, integration of TIP acquired businesses and non-fleet sourcing

● EMT ● SLT



**Jan Ihlau** – German  
**Chief Legal Officer and Company Secretary**

Jan was appointed Chief Legal Officer and Company Secretary for TIP Trailer Services in 2013 on the completion of the acquisition by HNA. He joined GE Equipment Services<sup>1</sup> in 2003 as Legal Counsel for TIP, GE Rail Services and GE Modular Space sub-divisions in Central Europe and was appointed General Counsel in 2010. He is an experienced General Counsel with more than 20 years of broad international legal leadership experience. Prior to joining TIP Trailer Services, Jan was a senior lawyer with a major German law firm, where he led their corporate and commercial law department. Jan served on the Board from 2014 to 2018. Jan led the carve-out from GE upon the sale to HNA and subsequently on the sale from HNA to I Squared Capital from a legal perspective. Jan also led the integration into HNA and is currently leading the integration into the I Squared Capital structures and processes as well as the refinancing of the business from a legal perspective.



**Oliver Bange** – German  
**Vice President Central Europe Region**

Oliver re-joined TIP Trailer Services in 2015 on his appointment as Vice President for the Central Europe Region. Oliver started his career at BTZ as Country Manager for Italy. He joined GE in 1998 and held various commercial roles in GE Capital. In 2004, he joined TIP as Tankers Director Continental Europe. Oliver left TIP in 2010 to join DKV Euro Service as European Director of Sales.

<sup>1</sup> GE Equipment Services was a multi-product commercial transportation and construction equipment leasing and rental division of General Electric. GE Equipment Services contained various trading divisions including TIP, GE Rail Services, GE Key Lease, GE Modular Space, TLS Van Rental, GE Plant Hire and GE Fleet Services. TIP was owned by GE from 1993 until 2013.



**Mark Crossland** – British  
**Vice President Tankers UK**

● Mark joined TIP in 1996 and has extensive transportation and tanker services industry experience. Over the years he has held several commercial and operational roles in the tanker part of TIP's business including serving as European Operations Director. He has led the development and growth of the UK Tanker business following the HNA acquisition of TIP and was promoted to Vice President Tankers UK in 2015.



**Didier Felice** – French  
**Vice President Mediterranean Region**

● Didier joined TIP in 2005 as General Manager for France. In 2009, he was appointed European Business Development Director for TIP. In 2011 Didier assumed the role of Commercial Leader for the Mediterranean Region. In 2015 he was promoted to Vice President for the Mediterranean Region. Prior to joining TIP, Didier held several general management roles for various global IT companies.



**Michael Furnival** – British  
**Vice President UK and Ireland Region**

● With more than 29 years' experience in the transportation and trailer services industry, Michael initially joined TIP Trailer Services as UK Area Sales Manager in 1988. He left to become Sales Director at Transrent in 2000. Michael re-joined TIP in 2007 as Sales Director for the UK and Ireland. He was promoted to his current position as Vice President for the UK and Ireland Region in 2015.



**Rick Kloepper** – Canadian  
**Vice President Canada**

● Rick joined TIP Trailer Services in 2016 as part of the Train Trailer acquisition in Canada. He originally joined West Van Trailers as General Manager in 2005 and led the subsequent acquisition and integration of Blue Star, West Van and Train to form the current Train Trailer business in Canada. He has over 25 years of equipment leasing and rental experience in the Canadian market. He served as President and Chief Operating Officer of Train Trailer since 2012 and was appointed Vice President for Canada following TIP's acquisition of Train Trailer.



**Rogier Laan** – Dutch  
**Vice President Benelux Region**

● Rogier joined TIP in 1989. He held various international commercial and general management roles within TIP, GE Key Lease and GE in the Netherlands, Spain and Italy, culminating in his appointment as Director of Pan-European Accounts in 2003. Rogier was appointed European Commercial Director for TIP Trailer Services in 2009. Prior to working for TIP, he worked as financial controller for the Dutch local government authorities, Gelco and Citicorp. In 2015 he was promoted to Vice President for the Benelux Region.



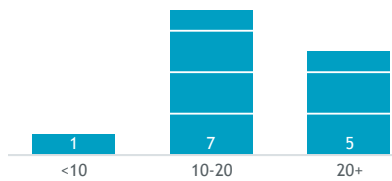
**Christian Petersen** – Danish  
**Vice President Nordic Region**

● Christian re-joined TIP Trailer Services as Commercial Leader for the Nordic Region in 2014. Prior to re-joining TIP, he was General Manager for Northern and Eastern Europe for UTC Fire and Security Products EMEA from 2008 to 2014. Christian originally joined TIP in 2003 as Sales Director for the Nordic Region. He was promoted to Vice President for the Nordic Region in 2015.



### TIP years of experience

The average length of service of our leaders is 18 years (2017: 16 years). In addition to their experience with TIP Trailer Services, our leaders have extensive international, transportation, logistics, outsourcing and trailer industry experience.





# Corporate governance

Our corporate governance provides stakeholders with a safe and agile corporate structure designed **to deliver shareholder returns and ensure effective controls are in place to protect our stakeholders.**

Our corporate governance principles have been approved by our shareholder, Management Board and EMT, and guide our practices and policies across the countries where we operate, ensuring we remain responsive to our shareholder, stakeholders and communities.

## Cube Transportation

Cube Transportation was established on 3 May 2018 to acquire TIP Trailer Services, its direct parent, Holdings and other Holdings' related subsidiaries. On the establishment of Cube Transportation, the following board members were appointed:

- Daniël Christopher Vijselaar - appointed 3 May 2018 resigned 1 August 2018
- Mohamed Adel El-Gazzar - appointed 3 May 2018 resigned 1 August 2018

Cube Transportation members (shareholders) met on 30 July 2018 in London to approve the acquisition and to create a Supervisory Board. The acquisition closed on 1 August 2018.

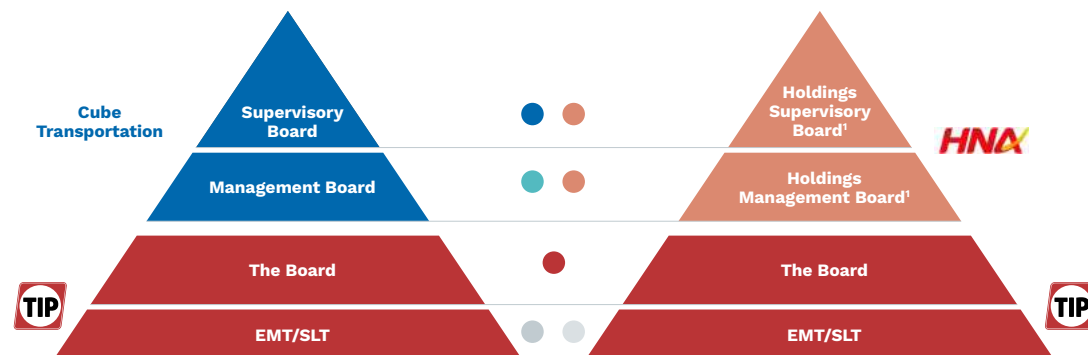
In addition to providing board and management support to TIP Trailer Services, Cube Transportation also provides support activities to the TIP regions and operating entities covering marketing, sourcing, funding, treasury, investor relations, finance, HR and asset management.

## ● The Supervisory Board

The Supervisory Board supervises the Management Board and the general course of affairs of the company. It provides advice to the Management Board and coordinates strategic matters between I Squared Capital and TIP Trailer Services. The Supervisory Directors are guided by the interests

## Our Boards

Current



¹ Relates to Holdings Boards. This entity was merged into Cube Transportation on 7 December 2018.

of the company when performing their duties. Members of the Supervisory Board are appointed for an indefinite period.

**Members** of the Supervisory Board are:

- Mohamed Adel El-Gazzar - appointed 1 August 2018
- Adil Rahmathulla - appointed 27 December 2018
- Enrico Del Prete - appointed 27 December 2018
- Maxime Jacqz - appointed 27 December 2018
- Thomas (Tom) J. Donohue, Jr - appointed 27 December 2018

**Responsibilities** of the Supervisory Board are as follows:

- Coordination between I Squared Capital and TIP
- Supervising the Management Board
- Providing advice to the Management Board
- Strategic Matters

We consider the **effectiveness** of the Board based on the quality of the discussions, the level of interaction with the business and attendance records. The main discussion topics during the year were:

- 2018 annual report
- 2019 budget
- Business strategy
- Significant acquisitions
- Significant increases/changes in financing facilities

The Supervisory Board members regularly interact with the Management Board and SLT on both an individual and group basis. They also met and participated in conference calls with broad groups of employees, on both an individual and group basis.

### ● The Management Board

Our Management Board is ultimately responsible and accountable for the conduct of the business. The EMT offers advice and guidance to the Management Board on strategic decisions and corporate matters relating to the conduct of the business. Members of the Management Board are appointed for an indefinite period.

**Members** of the Management Board are:

- Bob Fast - appointed 1 August 2018
- Malachy Mc Enroe - appointed 1 August 2018
- Arjen Kraaij - appointed 1 August 2018
- Hiske Damhuis - appointed 1 August 2018

**Responsibilities** of the Management Board are as follows:

- Achievement of the business objectives
- Deploying corporate strategy
- The structure and operation of the internal risk management and control systems
- The financial reporting process
- Compliance with legislation and regulations

- Corporate responsibility
- Supervising operations and the EMT

We consider the **effectiveness** of the Board based on the quality of the discussions, the level of interaction with the business, and attendance records. The main discussion topics during the year were:

- 2018 annual report
- 2019 budget
- Execution of the business strategy
- Increase/changes in finance facilities
- Acquisitions
- Significant organisational changes and appointments to the EMT
- Compliance and EHS matters

9 out of 10 Management Board meetings took place in Amsterdam.

Individual Management Board members regularly interact with the SLT on both an individual and group basis. They also met and participated in conference calls with broad groups of employees, on both an individual and group basis.

## ● Holdings Boards

On 1 August 2018 upon the HNA sale of TIP, the Holdings Supervisory Board was dissolved and a single Holdings Management Board structure was instituted. At the same time, the following board members resigned:

- Chris Jin
- Bharat Bhisé
- Stewart Smith
- Jeremy Matthew
- Yiqun (Tom) Zhuo
- Yi (Brent) Zhang
- Shuang (James) Wang
- Liang (Frank) Xu

As a result, the **members** of the Holdings Board were:

- Bob Fast - reappointed 1 August 2018
- Malachy Mc Enroe - appointed 1 August 2018

On 7 December 2018, Holdings was merged into Cube Transportation and ceased to exist. Cube Transportation assumed all of Holdings legal responsibilities and obligations.

Prior to 1 August 2018, the **responsibilities** of the Holdings Supervisory Board were as follows:

- Coordination between HNA and TIP
- Supervising the Holdings Management Board
- Providing advice to the Holdings Management Board
- Strategic Matters

We consider the **effectiveness** of the Board based on the quality of the discussions, the level of interaction with the business, and attendance records. The main discussion topics during the year were:

- 2017 annual report
- 2018 budget
- Business strategy
- Significant acquisitions
- Significant increases/changes in financing facilities

Until 1 August 2018, **responsibilities** of the Holdings Management Board were as follows:

- Achievement of the business objectives
- Deploying corporate strategy
- The structure and operation of the internal risk management and control systems
- The financial reporting processes
- Compliance with legislation and regulations
- Corporate responsibility
- Supervising operations and the EMT

We consider the **effectiveness** of the Board based on the quality of the discussions, the level of interaction with the business, and attendance records. The main discussion topics during the year were:

- 2017 annual report
- 2018 budget
- Execution of the business strategy
- Increase/changes in finance facilities
- Acquisitions

- Significant organisational changes and appointments to the EMT
- Compliance and EHS matters

6 out of 7 Holdings Management Board meetings took place in Amsterdam.

Individual Holdings Management Board members regularly interacted with the SLT on both an individual and group basis. They also met and participated in conference calls with broad groups of employees, on both an individual and group basis.

## ● The Board

**Members** of the Board are:

Bob Fast	Director (formally Director A)	
Malachy Mc Enroe	Director (formally Director A)	
Global TIP Holdings One B.V.	Director A	resigned 1 August 2018
Yi (Brent) Zhang	Director A	resigned 1 August 2018
Jan Ihlau	Director B	resigned 1 August 2018

The Board was divided into resident (the Netherlands) directors (Director A) and non-resident directors (Director B). This distinction no longer exists.

**Responsibilities** of the Board are as follows:

- Achievement of the business objectives
- Deploying corporate strategy
- The structure and operation of the internal risk management and control systems
- The financial reporting processes
- Compliance with legislation and regulations
- Corporate responsibility
- Supervising operations and the EMT

The Board is guided by the interests of the company and its affiliated businesses when performing its duties.

We consider the **effectiveness** of the Board based on the quality of the discussions, the level of interaction with the business, and attendance records. The main discussion topics during the year were:

- 2018 annual report
- 2019 budget
- Execution of business strategy
- Increase/changes in finance facilities
- Acquisitions
- Compliance and EHS matters

15 out of 17 Board meetings took place in Amsterdam.

Individual directors regularly interact with the SLT on both an individual and group basis. They also met and

participated in conference calls with broad groups of employees, on an individual and group basis.

Where appropriate, binding corporate resolutions are implemented to harmonise the policies of our subsidiaries and maximise efficiency.

### Board attendance

To operate effectively, as well as efficiently, board meetings at different levels generally happen concurrently.

In 2018, the number of Boards meetings was significantly higher than prior years due to the business sale, related legal re-organisation, and legal entity simplifications and rationalisations.

### Board attendance

Attendance	Management Board	Holdings Management Board	Holdings Board	The Board
Number of meetings	10	7	9	17
Bob Fast	10	7	9	17
Malachy Mc Enroe	9		8	16
Arjen Kraaij	10			
Hiske Damhuis	10			
Yi (Brent) Zhang		7		6
Shuang (James) Wang		3		
Liang (Frank) Xu		3		
Global TIP Holdings One B.V.				2
Jan Ihlau				5



## Executive management and senior leadership teams

The EMT is responsible for the overall day-to-day management of TIP Trailer Services, the deployment of our strategy and policies, and the achievement of our objectives and results. Together with the Management Board and the Board, the EMT determines the values by which the company is run while ensuring compliance with all applicable regulations. The Management Board, the Board and the EMT are responsible for the integrity of our financial reporting and control environment.

The EMT informs the Management Board and the Board regarding all issues related to our strategy implementation, operational and financial objectives, the structure and operation of the internal risk management and control systems, as well as compliance with legislation and regulations.

Our EMT meets regularly, and strategic decisions of the EMT require approval by the Management Board and the Board.

We have an SLT with all regions and functions represented. The SLT provides strategic advice and inputs to the Management Board, the Board and the EMT on commercial and operational matters, business processes, controls and overall strategy.

### ●● EMT and SLT meetings

The full SLT met 7 times, EMT met 10 times and the Board of Global TIP Holdings Two B.V. convened 17 times during the year.

We consider the effectiveness of the EMT and SLT based on the quality of the discussions, the level of interaction with the Boards, and attendance records.

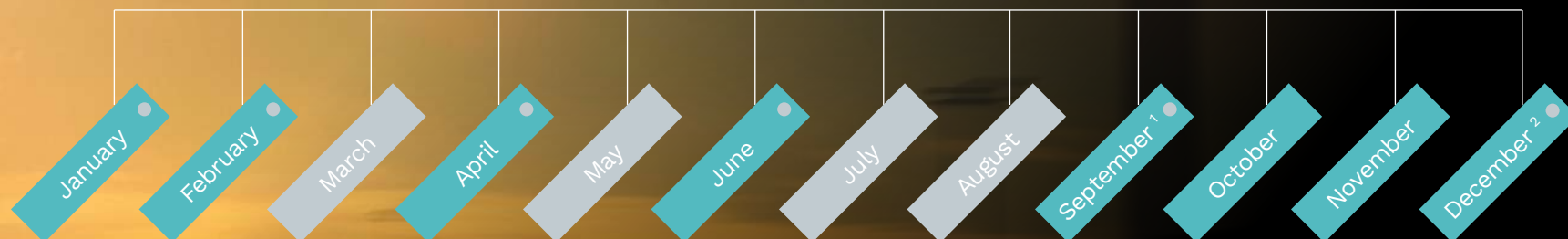
To operate effectively, as well as efficiently, EMT meetings generally happen concurrently with SLT, Management Board and Board meetings, as appropriate. Meetings generally happen in person to facilitate robust dialogues and interactions but certain participants may attend by phone for personal or cost reasons.

### EMT and SLT attendance

Attendance	EMT	SLT
Number of meetings	10	7
Bob Fast	10	7
Malachy Mc Enroe	9	6
Arjen Kraaij	10	7
Hiske Damhuis	9	6
Paul Beadle	10	7
Yi (Brent) Zhang	4	4
Jan Ihlau		5
Oliver Bange		7
Mark Crossland		7
Didier Felice		6
Michael Furnival		6
Rick Kloepfer		7
Rogier Laan		6
Christian Petersen		7



## The principal responsibilities and areas covered are:



### Strategic

- CEO update on strategic and business developments
- I Squared Capital management meetings and debriefings
- Post investment reviews, integrations and lessons learnt

### Financial

- Annual results
- Budget process updates and approval
- Regional and overall business financial performance including forecasts
- Financial compliance update including taxation

### Operational update

- Sales and marketing
- EHS
- Information technology
- Sourcing

### People and culture

- People development and succession plans
- Training plans
- Corporate responsibility update

### Risk management reviews

- Fleet and remarketing
- Portfolio and delinquency
- Liquidity, financial covenants and derivative positions

### Investor relations

- Investor relations updates with analysis and feedback
- Draft results and presentations to analysts
- Annual report

### Compliance

- Monitor status of legal claims
- Compliance update

● Full SLT meeting

<sup>1</sup> The EMT and SLT met 2 times during this month

<sup>2</sup> The EMT met 2 times during this month

8 out of 10 EMT and 5 out of 7 SLT meetings took place in Amsterdam.

**“Our investment in TIP is the result of a detailed review of global transportation opportunities that provide essential links while benefiting from macro-economic tailwinds.** With strong market positions across Europe and a sizeable business in North America, TIP’s global reach is an excellent fit for I Squared Capital. We look forward to working with TIP’s seasoned executive management team and roster of world-class logistics and retail customers to continually deliver essential services and position the business to drive growth across Europe, North America and beyond.”

Adil Rahmathulla, Partner



## **The Dutch Corporate Governance Code 2016 and best practices**

We are not required to comply with the Dutch Corporate Governance Code ('the Code'). However, we believe that following the Code's provisions, so far as is appropriate and practicable, is in the best interest of all our stakeholders.

During 2017, we reviewed our governance framework against the updated 2016 Code. The most important change in the Code was the central role given to long term value creation, and the introduction of 'culture' as a component of effective corporate governance. Following this exercise, we expanded the focus on our TIP 2020 strategy and developed increased rigor around measuring and reporting KPIs associated with our long term value creation strategy. We already

had many processes on 'culture' and minimum refinements were made in this area. During 2018, we further expanded our strategic overview of the business by incorporating a market overview and our business model.

Unlike legislation, the Code offers flexibility in that it provides room to depart from its principles and best practice provisions based on the 'comply or explain' principle. We believe we comply with the Code, in all material terms, other than providing detailed formal reports on:

- Remuneration
- The Internal Audit functioning
- Board performance evaluation

For a company of our size, preparing formal reports in relation to these areas would not be practicable

and, as a privately-owned business, of limited value. We have internal processes and reviews on these matters and many of these are referred to in other sections of this annual report.

There are also no term limits on Boards member appointments, which we believe is appropriate to ensure we can retain key knowledge, expertise and experience. In addition, only one Supervisory Board member is considered independent.

We aim to continue monitoring trends and recommendations while moving closer to becoming a 'best practice' model in corporate governance terms for a company of our size and operating in our industry.

## Shareholder

Our ultimate shareholder is ISQ Global Infrastructure Fund II, a limited partnership managed by I Squared Capital. I Squared Capital is an independent global infrastructure investment manager with over US\$13bn of assets under management focusing on the energy, utilities and transportation sectors in the Americas, Europe and Asia. The firm has offices in New York, Miami, Houston, London, New Delhi, Hong Kong and Singapore.

Our senior leaders regularly participate in I Squared Capital portfolio conferences and best practice sharing events.

### What is a typical infrastructure fund?

Infrastructure funds typically invest in physical assets or businesses with substantial long-lived assets such as:

- **Energy:** power plants, oil and gas pipelines and terminals, renewable energy assets
- **Utilities:** electricity, gas, water distribution, communications equipment and infrastructure
- **Transportation:** road, rail, airports, harbours, bridges
- **Social infrastructure:** hospitals, education facilities

Investors in infrastructure funds are divided into two main groups: fund managers and institutional investors, e.g. insurance companies, sovereign wealth funds and pension funds. Holding periods for infrastructure investments are generally for up to 10 years.

For investors, infrastructure funds normally possess the following:

- Linked to macro indicators such as GDP, population growth and inflation
- Stable cash flow, low volatility, downside protection and low risk
- Resilient and defensive performance profile
- Low correlation with other investment classes
- Assets that often yield cash





## Conflict of interest

Decisions to enter into transactions under which members of the Boards would be facing conflicts of interest, which are of material significance to the business and/or to the relevant members of the Board, require the approval of the Board. The Boards are responsible for deciding on how to resolve conflicts of interest between members of the EMT and the SLT, members of the Boards, our shareholder and the external auditor.

During 2018, no significant conflicts of interest were identified.

## The financial statements, related control systems and Directors' responsibility statement

The Boards are responsible for maintaining proper accounting records, for safeguarding assets, as well as preventing and detecting fraud and other irregularities. The Boards are also responsible for the quality and completeness of publicly disclosed financial reports.

The Directors believe that they have complied with these requirements by providing adequate resources to maintain proper books and accounting records throughout the Group, including the appointment of personnel with appropriate qualifications, experience and expertise.

The most important elements of our control systems to ensure reliable consolidated financial statements are:

- A standard set of accounting and reporting principles applied throughout the Group based on our application of International Financial Reporting Standards
- Monthly reporting is prepared and financial results and developments are analysed, explained and linked to our risk information
- Compliance with standard accounting and reporting principles is monitored by our financial Planning, Analysis and Control (fPAC) and Tax teams, as well as reviewed by the external auditors.

On 27 February 2019, the members of the Board conducted a meeting with Ernst & Young Accountants LLP (EY), the independent external auditors, and discussed the consolidated financial statements for 2018 and the independent auditor's assurance report that EY had issued on those financial statements. Following that discussion, the Board authorised the consolidated financial statements for the year 2018 for issuance.

As required by section 5:25c paragraph 2(c) of the Dutch Act on Financial Supervision, each member of the Board hereby confirms that to the best of his or her knowledge:

- Our financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of TIP Trailer Services

- Additional disclosures have been provided when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and performance
- Our annual report, taken as a whole, gives a fair, balanced and understandable view of the position at the balance sheet date, the development and performance of our business during the financial year, together with a description of the principal risks and uncertainties that TIP Trailer Services is confronted with, providing appropriate information for stakeholders to assess the Group's performance, business model and strategy

Amsterdam, 2019

Bob Fast

Malachy Mc Enroe

## External auditor

The EMT and the Management Board oversee the relationship with the external auditor, including approval of the external auditor's fee proposals.

The EMT, the Management Board and fPAC Director reviewed the EY external audit plan at a meeting held in September 2018 and received an update at a meeting held in February 2019, at the commencement of the audit. Following the audit, the EMT and the Management Board met with EY to review the findings from their audit of the Group financial statements.

In accordance with their responsibilities, the EMT and the Management Board are required to make a recommendation to the Supervisory Board on the appointment, re-appointment and removal of the external auditor. During 2018, the EMT and the Management Board launched a rigorous 'request for service' process involving the existing auditor and a number of other leading firms. This project was led by the fPAC Director and resulted in the re-appointment of EY as external auditor.

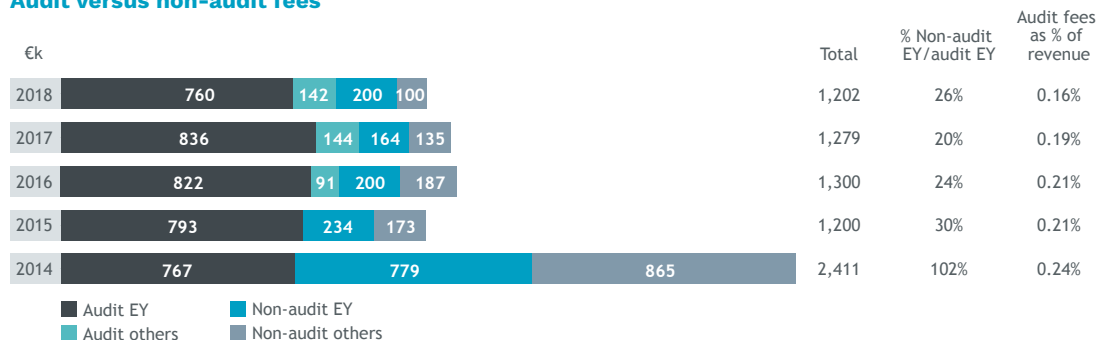
The fPAC and Tax teams review the effectiveness of the external audit process.

As part of this process, audit effectiveness questionnaires are completed and the responses were summarised by the fPAC team in a report to the EMT and the Management Board. Based on their consideration of this report and its own interaction with EY, in the form of reports and meetings, the EMT and the Management Board noted that the overall feedback was positive and that a number of areas for improvement had been agreed. Their conclusions on the effectiveness of the external audit process were reported to the Supervisory Board.

The EMT and the Management Board have a process in place to ensure that the independence of the audit is not compromised, which includes monitoring the nature and extent of services provided by the external auditor through its annual review of fees paid to the external auditor for audit and non-audit work and seeking confirmation from the external auditor that they are in compliance with relevant ethical and professional guidance and that, in their professional judgement, they are independent from the Group.

The EMT and the Management Board have a policy in place on the employment of employees or former employees of the external auditor.

### Audit versus non-audit fees



This policy provides that the fPAC Director will consult with the EMT and the Management Board prior to the appointment to a senior financial reporting position, to a senior management role or to a Company officer role of any employee or former employee of the external auditor, where such a person was a member of the external audit team in the previous two years.

## Internal audit

Our Internal Audit (IA) team provides assurance that our governance, risk management and internal control processes are operating effectively. IA conducts independent audits on our processes that include regional head offices, as well as all operational branches, workshops and our centralised functions and processes. IA keeps a regular dialogue with our external auditors, and performs reviews based on the external auditors' view on areas of business risk. IA reports its findings to the Chief Operating Officer (COO) and the fPAC Director. Findings are reported to the SLT and the Boards of Directors if material concerns are identified. Regular internal meetings are scheduled between the IA team and the COO and the fPAC Director to ensure sufficient attention and follow-up is given to the outcome of the audits. Measures are in place to maintain the independence of the audit function, including the right to directly approach the CEO and the Boards if circumstances so require.

Given the geographically dispersed nature of our business, IA has designed branch and workshop audits so they can be performed by seconded resources from other finance and control functions with the necessary language skills to cover the locations under review. Such seconded resources perform approximately 50% of all branch and workshop reviews, with the balance performed directly by IA. All reports and findings are reviewed by IA. For regional and centralised functions, IA performs all internal audit reviews directly. During the year the IA team held numerous meetings with our external auditors and members of the Control, Risk and Asset Management teams to discuss risk analysis and findings, and to put in place the respective audit plans.

## Legal entity simplification

During 2018, in order to simplify the current Group structure and increase transparency, a number of legal entity simplifications were completed. These simplifications were principally focused on the elimination of holding companies which were required by former shareholders, HNA and GE, for their various legacy acquisition, funding and tax purposes. In total, 8 legal entities were liquidated or merged during the past 12 months. We eliminated/merged:

- All entities associated with the TIP/HNA aborted acquisition of UDC Finance in New Zealand, Global TIP Holdings One B.V., Global TIP Holdings Five B.V. and TIP-HNA New Zealand Holdings Limited

- TIP Holdings (UK) Limited, a UK legal entity which was tax resident in the Netherlands and that we were required to maintain for a period after the business sale of TIP by GE to HNA. During 2018, the related bank guarantee was returned from the UK HMRC. See the Managing our risk section and note 38 of the financial statements
- Global TIP Holdings Three B.V. and Global TIP Holdings Four B.V.
- TIP Fleet Services Netherlands B.V. was merged with TIP Trailer Services Netherlands B.V. as per 1 January, 2019 and in the UK, Bells Trailer (Rentals) Limited was dissolved as per 12 February, 2019

We also took the opportunity to re-position Novacom B.V. and TIP Trailer Services Management B.V., two non-trading entities, under Global TIP Holdings Two B.V. For the overview of the current Group structure, please refer to note 36 of the financial statements.

# Viability statement

The Boards and EMT have assessed our prospects and ability to meet our liabilities as they fall due over the medium term. This assessment has taken account of our current position and the principal risks facing us, which are set out in the Managing our risk section. This longer-term assessment process supports the statements on both viability, as set out below, and going concern included in the financial statements section of this report.

While the Boards and EMT have no reason to believe we will not be viable over a longer period, the period over which they consider it possible to form a reasonable expectation as to our longer-term viability is the five-year period to December 2023. This aligns with the duration of the business plan prepared annually and reviewed by the Boards and EMT and the long term contractual and commercial nature of the business. In addition, we have committed and varied (type, duration, jurisdiction) borrowing facilities which are long term in nature, providing flexible financing for our business needs. We believe this provides a reasonable degree of confidence over our longer-term outlook.

We prepare an annual budget and five-year business plan. This plan considers both our cash flow and covenant projections. It is used to review funding arrangements and available liquidity based on

expected market conditions, capital expenditure plans, used fleet sales and other factors that might affect liquidity. It also considers our ability to raise finance and deploy capital.

The nature of our business is such that our cash flow is counter-cyclical. In times of improving and stable markets, we invest in our leasing and rental fleet, both to replace existing fleet and grow the overall size of the leasing and rental portfolio.

This results in improving margins and profits on the one hand, but negative cash flow from operations in times of rapid growth on the other. However, in weak or declining markets, we invest less in our leasing and rental fleet and, as a result, generate significant cash flow from operations. Demand for our maintenance and repair services tends to be counter-cyclical as equipment ages across the market, helping to generate revenue and cash in a downturn. Recognising the overall cyclical nature of the business, we undertake scenario planning based on the timing, severity and duration of any downturn and subsequent recovery. These scenario plans consider the impact of the economic and market cycles on revenue, margins, cash flow and overall debt levels.

Based on these analyses and considerations, and the Boards and EMT's regular monitoring and review

of risk management and internal control systems, we do not believe there are any reasonably foreseeable events that could not be mitigated through our ability to flex our business plans, which would result in us not being able to meet our liabilities as they fall due.

Based on the foregoing, the Boards and the EMT have a reasonable expectation that we will be able to continue in operation and meet our liabilities as they fall due over the period to December 2023.



# Financial statements

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# Consolidated statement of profit or loss

for the period ended 31 December

€m	Note	2018	2017	2016
Revenue	8	565.0	516.7	447.9
Cost of sales (excl. expected credit losses)	9	(418.5)	(380.1)	(320.2)
Expected credit losses	9	(2.1)	(0.6)	0.8
<b>Gross profit</b>		<b>144.4</b>	<b>136.0</b>	<b>128.5</b>
Administrative and other operating expenses	10	(89.2)	(86.6)	(82.5)
Amortisation of intangible assets	10	(5.7)	(5.9)	(5.1)
Exceptional administrative items	21	-	(6.2)	-
<b>Operating profit</b>		<b>49.5</b>	<b>37.3</b>	<b>40.9</b>
Finance income	18	7.5	13.0	12.5
Finance cost	19	(26.8)	(24.7)	(24.4)
Exceptional finance cost	21	(3.2)	-	-
<b>Profit before taxes</b>		<b>27.0</b>	<b>25.6</b>	<b>29.0</b>
Taxation	20	(7.7)	(7.9)	(8.5)
Exceptional taxation	21	4.0	5.6	(4.9)
<b>Taxation</b>		<b>(3.7)</b>	<b>(2.3)</b>	<b>(13.4)</b>
<b>Net profit</b>		<b>23.3</b>	<b>23.3</b>	<b>15.6</b>
<b>Attributable to:</b>				
Equity holders of the parent		23.3	23.3	15.5
Non-controlling interests	35	-	-	0.1
<b>Net profit</b>		<b>23.3</b>	<b>23.3</b>	<b>15.6</b>
<b>Underlying operating profit<sup>1</sup></b>		<b>55.2</b>	<b>49.4</b>	<b>46.0</b>

<sup>1</sup> Underlying operating profit excludes amortisation of intangible assets and exceptional items in order to provide a better indication of the Group's underlying business performance.

# Consolidated statement of comprehensive income

## for the period ended 31 December

€m	Note	2018	2017	2016
<b>Net profit</b>		<b>23.3</b>	<b>23.3</b>	<b>15.6</b>
Foreign currency translation		(4.1)	(2.5)	(5.5)
Taxation	20.2	-	-	-
<b>Foreign currency translation reserve, net of tax</b>		<b>(4.1)</b>	<b>(2.5)</b>	<b>(5.5)</b>
Cash flow hedge revaluation		0.2	0.9	(1.1)
Taxation	20.2	(0.1)	(0.2)	0.4
<b>Cash flow hedge, net of tax</b>		<b>0.1</b>	<b>0.7</b>	<b>(0.7)</b>
<b>OCI to be reclassified to profit or loss in subsequent periods, net of tax</b>		<b>(4.0)</b>	<b>(1.8)</b>	<b>(6.2)</b>
<b>OCI for the period, net of tax</b>		<b>(4.0)</b>	<b>(1.8)</b>	<b>(6.2)</b>
<b>Comprehensive income for the period, net of tax</b>		<b>19.3</b>	<b>21.5</b>	<b>9.4</b>
<b>Attributable to:</b>				
Equity holders of the parent		19.3	21.5	9.3
Non-controlling interests	35	-	-	0.1
<b>Comprehensive income for the period, net of tax</b>		<b>19.3</b>	<b>21.5</b>	<b>9.4</b>

# Consolidated balance sheet

at period ended 31 December

€m	Note	2018	2017	2016
Fleet	22	997.1	840.3	775.4
Property, plant and equipment	23	77.6	77.2	78.5
Intangible assets	24	66.9	60.9	63.8
Financial assets	25	-	261.3	255.4
Deferred tax assets	26	4.5	5.5	4.6
<b>Non-current assets</b>		<b>1,146.1</b>	<b>1,245.2</b>	<b>1,177.7</b>
Inventories	27	10.6	11.2	15.1
Trade and other receivables	28	106.5	125.2	122.5
Financial assets	25	-	20.2	9.0
Current tax assets	26	1.0	1.2	1.0
Cash and equivalents	29	11.1	18.7	16.6
<b>Current assets</b>		<b>129.2</b>	<b>176.5</b>	<b>164.2</b>
<b>Total assets</b>		<b>1,275.3</b>	<b>1,421.7</b>	<b>1,341.9</b>
Borrowings	30	743.2	20.0	72.5
Derivatives	31	0.9	1.2	1.9
Provisions	32	1.1	2.3	-
Trade and other payables	33	119.1	125.9	144.8
Current tax liabilities	26	7.8	9.8	3.2
<b>Current liabilities</b>		<b>872.1</b>	<b>159.2</b>	<b>222.4</b>
Borrowings	30	52.4	640.5	519.5
Derivatives	31	0.1	0.4	1.6
Provisions	32	1.1	1.7	-
Trade and other payables	33	12.4	10.4	4.2
Deferred tax liabilities	26	27.8	31.9	38.0
<b>Non-current liabilities</b>		<b>93.8</b>	<b>684.9</b>	<b>563.3</b>
<b>Total liabilities</b>		<b>965.9</b>	<b>844.1</b>	<b>785.7</b>
<b>Net assets</b>		<b>309.4</b>	<b>577.6</b>	<b>556.2</b>
Share capital	35	-	-	-
Share premium	35	225.7	513.2	513.2
Retained earnings	35	96.0	72.7	49.4
Other reserves	35	(12.3)	(8.3)	(6.5)
<b>Equity attributable to parent</b>		<b>309.4</b>	<b>577.6</b>	<b>556.1</b>
Non-controlling interests	35	-	-	0.1
<b>Equity</b>		<b>309.4</b>	<b>577.6</b>	<b>556.2</b>



# Consolidated statement of changes in equity

## for the period ended 31 December

€m	Note	Share capital	Share premium	Retained earnings	Other reserves	Equity attributable to parent	Non-controlling interests	Equity
<b>At 1 January 2016</b>		-	513.2	33.8	(0.3)	546.7	-	546.7
Net profit		-	-	15.6	-	15.6	(0.1)	15.5
OCI for the period	35	-	-	-	(6.2)	(6.2)	-	(6.2)
<b>Total comprehensive income</b>		-	-	15.6	(6.2)	9.4	(0.1)	9.3
Business combinations	7	-	-	-	-	-	0.2	0.2
<b>At 31 December 2016</b>		-	513.2	49.4	(6.5)	556.1	0.1	556.2
Net profit		-	-	23.3	-	23.3	-	23.3
OCI for the period	35	-	-	-	(1.8)	(1.8)	(0.1)	(1.9)
<b>Total comprehensive income</b>		-	-	23.3	(1.8)	21.5	(0.1)	21.4
Business combinations	7	-	-	-	-	-	-	-
<b>At 31 December 2017</b>		-	513.2	72.7	(8.3)	577.6	-	577.6
Net profit		-	-	23.3	-	23.3	-	23.3
OCI for the period	35	-	-	-	(4.0)	(4.0)	-	(4.0)
<b>Total comprehensive income</b>		-	-	23.3	(4.0)	19.3	-	19.3
Business combinations	7	-	21.0	-	-	21.0	-	21.0
Distribution	35	-	(308.5)	-	-	(308.5)	-	(308.5)
<b>At 31 December 2018</b>		-	225.7	96.0	(12.3)	309.4	-	309.4

# Consolidated statement of cash flow

for the period ended 31 December

€m	Note	2018	2017	2016
Operating profit		49.5	37.3	40.9
Non-cash adjustments	a	136.7	122.3	85.9
Working capital movements	b	4.8	(7.8)	(4.6)
<b>Cash generated from operations</b>		<b>191.0</b>	<b>151.8</b>	<b>122.2</b>
Net fleet investments	c	(256.3)	(185.3)	(209.6)
Net interest and tax	d	(33.2)	(23.7)	(11.3)
<b>Net cash flow from operations</b>		<b>(98.5)</b>	<b>(57.2)</b>	<b>(98.7)</b>
Business combinations (net of cash acquired)	7	(0.9)	(4.8)	(102.3)
Financial assets	25	2.4	(5.9)	35.7
Proceeds from PP&E sales	10	0.2	2.0	-
PP&E purchases	28.2	(6.3)	(6.1)	(15.6)
Intangible assets additions	28.3	(5.2)	(0.8)	(2.3)
<b>Net cash flow from/(used in) investing activities</b>		<b>(9.8)</b>	<b>(15.6)</b>	<b>(84.5)</b>
<b>Net cash flow after investing activities</b>		<b>(108.3)</b>	<b>(72.8)</b>	<b>(183.2)</b>
Borrowing drawdowns	30	230.0	201.5	266.7
Borrowing repayments	30	(129.9)	(127.4)	(106.5)
<b>Net cash flow from financing activities</b>		<b>100.1</b>	<b>74.1</b>	<b>160.2</b>
<b>Net cash flow after investing and financing activities</b>		<b>(8.2)</b>	<b>1.3</b>	<b>(23.0)</b>
Cash and cash equivalents at 1 January		18.7	16.6	38.2
Net increase/(decrease) in cash and cash equivalents		(8.2)	1.3	(23.0)
Net foreign exchange difference		0.6	0.8	1.4
<b>Cash and equivalents at 31 December</b>	<b>29</b>	<b>11.1</b>	<b>18.7</b>	<b>16.6</b>

# Additional information on the consolidated statement of cash flow for the period ended 31 December

## a) Non-cash adjustments

€m	Note	2018	2017	2016
Gain on disposal of fleet	16	(5.7)	(6.4)	(7.9)
Gain on disposal of PP&E	10	-	(1.4)	-
<b>(Gain)/loss on disposals</b>		<b>(5.7)</b>	<b>(7.8)</b>	<b>(7.9)</b>
Depreciation of fleet	22	129.9	113.4	81.8
Depreciation of PP&E	23	6.7	5.9	5.0
Amortisation of intangible assets	24	5.7	5.9	5.1
<b>Depreciation/amortisation</b>		<b>142.3</b>	<b>125.2</b>	<b>91.9</b>
Other non-sale disposals related to fleet	22	1.9	0.9	1.9
Movement in provisions	32	(1.8)	4.0	-
<b>Other non-cash adjustments</b>		<b>0.1</b>	<b>4.9</b>	<b>1.9</b>
<b>Non-cash adjustments</b>	<b>a</b>	<b>136.7</b>	<b>122.3</b>	<b>85.9</b>

## b) Working capital movement

€m	Note	Inventories	Trade and other receivables	Trade and other payables	Total
<b>At 1 January 2016</b>		<b>7.8</b>	<b>95.4</b>	<b>(92.6)</b>	<b>10.6</b>
Business combinations	7	4.9	16.9	(17.9)	3.9
Increase/(decrease) in fleet held for sale	27	(3.5)	-	-	(3.5)
(Increase)/decrease in fleet payables	33.3	-	-	(25.1)	(25.1)
Increase/(decrease) in work in progress PPE	28.2	-	(0.6)	-	(0.6)
Increase/(decrease) in work in progress software	28.3	-	2.0	-	2.0
Other		-	-	(3.3)	(3.3)
<b>Increase/(decrease) in working capital</b>	<b>b</b>	<b>5.9</b>	<b>8.8</b>	<b>(10.1)</b>	<b>4.6</b>
<b>At 31 December 2016</b>		<b>15.1</b>	<b>122.5</b>	<b>(149.0)</b>	<b>(11.4)</b>
Business combinations	7	0.5	-	-	0.5
Increase/(decrease) in fleet held for sale	27	(0.8)	-	-	(0.8)
(Increase)/decrease in fleet payables	33.3	-	-	3.8	3.8
Increase/(decrease) in work in progress PPE	28.2	-	0.6	-	0.6
Increase/(decrease) in work in progress software	28.3	-	(2.0)	-	(2.0)
Other		-	-	1.6	1.6
<b>Increase/(decrease) in working capital</b>	<b>b</b>	<b>(3.6)</b>	<b>4.1</b>	<b>7.3</b>	<b>7.8</b>
<b>At 31 December 2017</b>		<b>11.2</b>	<b>125.2</b>	<b>(136.3)</b>	<b>0.1</b>
Business combinations	7	1.2	5.3	(4.5)	2.0
Increase/(decrease) in fleet held for sale	27	(0.3)	-	-	(0.3)
(Increase)/decrease in fleet payables	33.3	-	-	14.7	14.7
Increase/(decrease) in work in progress PPE	28.2	-	(0.3)	-	(0.3)
Increase/(decrease) in work in progress software	28.3	-	(0.5)	-	(0.5)
Other <sup>1</sup>		-	(25.3)	-	(25.3)
<b>Increase/(decrease) in working capital</b>	<b>b</b>	<b>(1.5)</b>	<b>2.1</b>	<b>(5.4)</b>	<b>(4.8)</b>
<b>At 31 December 2018</b>		<b>10.6</b>	<b>106.5</b>	<b>(131.5)</b>	<b>(14.4)</b>

<sup>1</sup> Relates to the settlement of trade receivables from former shareholder, HNA, refer to note 28.

## c) Net fleet investments

€m	Note	2018	2017	2016
Proceeds from fleet sales	16	35.0	44.6	38.0
Fleet purchases	22.2	(288.4)	(227.1)	(244.3)
Fleet customisation expenditures paid	22	(2.9)	(2.8)	(3.3)
<b>Net fleet investments</b>	<b>c</b>	<b>(256.3)</b>	<b>(185.3)</b>	<b>(209.6)</b>

## d) Net interest and tax

€m	Note	2018	2017	2016
Interest received	25	1.4	0.5	6.2
Interest paid	30.1	(22.2)	(20.0)	(15.4)
Interest rate swaps realised loss	19	(1.4)	(2.0)	(1.4)
Income tax received	26	0.3	0.3	0.3
Income tax paid	26	(11.3)	(2.5)	(1.0)
<b>Net interest and tax</b>	<b>d</b>	<b>(33.2)</b>	<b>(23.7)</b>	<b>(11.3)</b>



# General notes

## to the consolidated financial statements

### 1. Corporate information

The consolidated financial statements of Global TIP Holdings Two B.V. (hereafter referred to as “Company” or “Parent”) and its subsidiaries (hereafter collectively referred to as the “Group”) for the period ended 31 December 2018, were authorized for issue in accordance with resolution of the shareholders of the Company dated 27 February 2019. Information on the Group shareholding structure is provided in note 36.

The Company is a “besloten vennootschap” (B.V.) incorporated in the Netherlands under Dutch law and domiciled in Amsterdam. Its registered office is located at “Alpha Tower”, De Entree 33, 1101 BH, Amsterdam, The Netherlands.

The immediate parent of the Company at 31 December 2018 is Cube Transportation Europe Coöperatief U.A, a cooperative with excluded liability (coöperatie met uitgesloten aansprakelijkheid) under Dutch law. Its registered office is located at “Alpha Tower”, De Entree 33, 1101 BH, Amsterdam, The Netherlands and its Dutch Trade Register number is 71576614. The ultimate parent (UP) of the Company is I Squared Global Infrastructure Fund II (“Fund II”). ISQ Global Fund II GP, LLC is the general partner who exercises the exclusive management and control decisions on behalf of Fund II. ISQ Global Fund II GP, LLC is a limited liability company incorporated and registered in Delaware (reg: 6370470). Its registered address is at Corporation Service Company, 251 Little Falls Drive, Wilmington, New Castle County, Delaware 19808.

There is no natural person who ultimately is entitled to or controls (in each case whether directly or indirectly) more than a 25% share of the capital, profits, or voting rights of ISQ Global Fund II GP, LLC and the Company other than Mr. Sadek Wahba who indirectly controls more than 25% of the Company via his indirect interest of more than 25% in ISQ Global Fund II GP, LLC. As of the date of this report, there were no investors owning 10% or more of the economic interests in the entire ISQ Global Infrastructure Fund II structure.



(I Squared Capital Advisors (US) LLC) is an independent global infrastructure investment manager with over \$13 billion of assets under management (including Fund II) focusing on the energy, utilities, telecoms and transport sectors in the Americas, Europe and Asia. The firm has offices in New York, Miami, Houston, London, New Delhi, Hong Kong and Singapore and is a registered SEC investment adviser - SEC# 801-78269.

Fund II has a diverse range of investors from public and private pension funds, insurance companies, funds of funds, sovereign wealth funds, asset managers, banks and others. These investors are from North America, Europe, Middle East, Asia and Australia.

On 1 August 2018 Cube Transportation Europe Coöperatief U.A., completed the acquisition of the Group.

The principal activity of the Group is to provide leasing, rental, maintenance and repair and other value added solutions to the transportation and logistics industry.

## 2. Basis of preparation

### a) Functional and presentation currency

Items included in the financial statements of each of the Group companies are measured using the currency of the primary economic environment in which each company operates (the functional currency). The consolidated financial statements of the Group are presented in euros (€) which is the functional and presentation currency of the Parent. All values in the financial statements are rounded to the nearest hundred thousand €, except where otherwise indicated.

### b) Principal accounting convention

The financial statements have been prepared under the historic cost convention as modified by the measurement at fair value of business combinations, certain financial assets and derivatives.

### c) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Parent and its subsidiaries as at 31 December 2018.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the Parent company, using consistent accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

#### d) Comparatives

The consolidated financial statements presents 2 years of comparative figures.

#### e) Statement of cash flow

The statement of cash flow has been drawn up in accordance with the indirect method, classifying cash flow as cash flows from operating, investing and financing activities. Changes in balance sheet items that have not resulted in cash flow have been eliminated for the purpose of preparing this statement.

#### f) Current versus non-current classification

The Group presents assets and liabilities in the balance sheet based on current/non-current classification. An asset is current when it fulfils one or more of the following conditions:

- Expected to be realised or intended to be sold or consumed in a normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period
- Cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when it fulfils one or more of the following conditions:

- Expected to be settled in a normal operating cycle
- Held primarily for the purpose of trading
- Due to be settled within twelve months after the reporting period
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities respectively.

#### g) Statement of compliance

The consolidation financial statements of the Group have been prepared in accordance with IFRS issued by the IASB and as adopted by European Union and part 9 of Book II of the Netherlands Civil Code.

The financial data of the Company is included in these consolidated financial statements.

### 3. Summary of significant accounting policies

#### a) Business combinations and goodwill - note 7

Business combinations are accounted for using the acquisition method, except for those combinations under common control, which are accounted for by applying predecessor accounting ("pooling of interest"). The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value including any contingent consideration payable or receivable. Acquisition related costs are expensed as incurred and included in the expense category consistent with the nature of the expense.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in the profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units (CGU) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a CGU and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the CGU retained.

#### b) Revenue recognition - note 8

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Contingent rents are recognised as revenue in the period in which they are earned.

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duties. The Group has concluded that it is the principal in its revenue arrangements since it is the primary obligor in the revenue arrangements, has pricing latitude, and is also exposed to inventory and credit risks.

In addition to the criteria above, the following revenue recognition criteria apply:

**I) Leasing:** consists of revenue from operating leases with a contractual duration of one year or more. Revenue from operating leases also includes an element related to maintenance and repair (M&R).

Operating lease revenue is accounted for on a straight-line basis over the lease term.

Leasing includes fees for cancellation of lease contracts and excess mileage. Cancellations of lease contracts are recognised at the point that the customers terminates the lease. Excess mileage is recognised once the trailer mileage is ascertained which is typically during maintenance events or at the end of the lease.

The revenue from the M&R component of the leasing contracts is recognised by reference to the cost incurred compared to the expected cost over the life time of the contracts. The expected M&R cost is projected based on historical M&R data per asset type, age, country and contract type.

**II) Rental:** consists of revenue from operating leases with a contractual duration of less than one year. Revenue from rental includes an element related to maintenance and repair. Rental revenue is accounted for on a straight-line basis over the rental term. Rental includes fees for cancellation of rental contracts and excess mileage. Cancellations of rental contracts are recognised at the point that the customer terminates the rental. Excess mileage is recognised once the trailer mileage is ascertained which is typically during maintenance events or at the end of the rental period.

**III) Damage protection:** it is standard business practice for the supplier to recharge to the customer any damage to assets which occurred while the assets were in the customer's care. However, in cases where the customer commits to pay a damage protection fee, the supplier waives such recharges. This revenue is recognised on a straight-line basis over the duration of the relevant lease or rental agreement.

**IV) Maintenance and repair (M&R) 3rd party:** consists of revenue generated from the performance of trailer M&R services for 3rd parties. Such services are typically performed over an indeterminate number of events within a specified period of time.

M&R contracted 3rd party revenue is recognised by reference to the cost incurred compared to the expected cost over the life time of the contracts. The expected M&R cost is projected based on historical M&R data per asset type, age, country and contract type.

**V) Other:** transaction fees which represent commission income earned from 3rd parties for sourcing equipment, equipment funding and related services. Transaction fees are recognised once the relevant transaction is completed. Other also includes buy to sell revenue where the Group purchases assets to resell, advertising and management fees charged to affiliate companies.

Deferred revenue relates to amounts billed in advance.

**VI) Lease determination:** the determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of an asset are classified as operating leases.

### **c) Cost of sales - note 9**

The following cost recognition criteria apply:

**I) Maintenance and repair (M&R) own fleet:** consists of costs incurred in maintaining and repairing the Group's own fleet. These costs are recognised as M&R work is performed. Accruals are recognised for costs which have been incurred but not invoiced. M&R rebills, directly charged to the customers, are included in leasing and rental revenue.

**II) Damage protection:** consists of repair and damage costs incurred for trailers which are subject to damage protection contracts. Costs incurred are

recognised as repair work is performed. Accruals are recognised for costs which have been incurred but not invoiced.

**III) Maintenance and repair (M&R) 3rd party:** consists of costs incurred in providing M&R 3rd party services. Costs incurred are recognised as M&R work is performed. Accruals are recognised for costs which have been incurred but not invoiced.

**IV) Other:** principally consists of buy to sell costs where the Group purchases assets to resell.

**V) Expected credit losses:** consists of credit loss provisions related to trade receivables and impairment on loan receivables.

**VI) Lease in:** represent costs incurred from operating leases concluded by the Group, which assets are then leased on to customers as part of the core business of the Group. Lease in contracts are treated as operating leases and therefore not capitalised as part of the fleet.

**VII) Fleet customisation:** are costs specific for the customer's needs. These costs are capitalised and amortised over the lease term. If a contract is terminated early then the related costs up to the average lease term are expensed to the profit or loss.

**VIII) Depreciation of fleet:** the equipment is depreciated to holding periods and residual values determined by the Group's Asset Management team. For more details see note 3h.

### **d) Administrative and other operating expenses - note 10**

The following cost recognition criteria apply:

By their nature, operating expenses cannot be associated with the earning of specific items of income. Expenses are recognised immediately in the profit or loss when expenditure produces no future economic benefit or when,



and to the extent that, future economic benefits do not qualify, or cease to qualify, for recognition in the balance sheet as an asset. Expenditure is recognised when the related goods or services have been received. Accruals are recognised for all such costs which have been incurred but not invoiced.

The Group operates a policy of charging employee benefit costs to cost of sales for workshop time spent on M&R own fleet and 3rd party equipment, customer service and checking trailers in and out. Employee benefit costs are recognised when the employee has rendered the service in exchange for those benefits.

Rental expense consists mainly of property rentals. Rental income includes rent charged to 3rd parties who use the Group's properties. Other rentals relate principally to office equipment.

Overflow parking is short-term parking space rented for idle units. All operating lease income or costs are recognised in the profit or loss as they occur or on a straight-line basis over the lease term.

The Group operates a policy of charging rental expense to cost of sales in relation to workshop rental expense.

#### **e) Foreign currency translation - note 18, 19 and 35**

##### **Transactions and balances**

Transactions in foreign currencies are initially recorded by the Group subsidiaries in their respective transaction currency. They are then converted to the subsidiaries functional currency at the monthly exchange rate, determined as the spot rate at the beginning of the month.

Monetary assets and liabilities denominated in foreign currencies are retranslated at each month end to the functional currency at the exchange rate then prevailing. All differences are taken to the profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

##### **Group companies**

The assets and liabilities of foreign operations are translated into € at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. All exchange differences are recorded in a foreign currency translation reserve in the consolidated statement of comprehensive income.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the monthly exchange rate applicable at the acquisition date.

#### **f) Taxation - note 20 and 26**

Taxation for the period comprises current and deferred tax. Taxation is recognised in the profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

The effective tax rate is subject to change as a consequence of incentive tax credits, business expenses which are not deductible for taxation, non-taxable income and by irrecoverable withholding taxes which cannot be offset against other taxes due.

##### **Current tax**

Current tax is the expected taxation payable or receivable on the taxable profit for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustments to tax payable or receivable in respect of prior years. Current tax assets and current tax liabilities are only offset if there is a legally enforceable right to offset the recognised amounts.

##### **Deferred tax**

Deferred tax is recognised using the liability method, providing for taxable temporary differences between the carrying amounts of the assets and liabilities for financial reporting purposes and the amounts used for tax

purposes and is calculated using the enacted or substantively enacted rates that are expected to apply when the asset or liability is settled.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Future taxable profits are determined based on business plans. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off tax assets against tax liabilities and when the deferred taxes relate to the same fiscal authority.

#### **g) Exceptional items - note 21**

Exceptional items are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the Group. They are material items of income or expense that have been shown separately due to the significance of their nature or amount.

#### **h) Fleet - note 22**

Fleet acquired is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the expense of replacing equipment components of the fleet if the relevant recognition criteria are met. When significant equipment components of the fleet are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. All other M&R costs are recognised in the profit or loss as incurred.

The following depreciation policies apply: The equipment is depreciated to holding periods and residual values determined by the Group's Asset Management team using internal and external data. Residual values and useful lives are reviewed periodically and adjusted prospectively if necessary. When equipment reaches the end of the holding period, the Group will decide if the equipment should be placed on a new lease or rental term on a straight-line

basis to a revised residual value. At the end of each extended holding period the Group will once again assess whether the equipment should be further leased out or sold.

For the European market the initial holding periods for new equipment ranges from 5 to 9 years, depending on the equipment type. Estimated residual values for the initial holding period range from 32% to 52% of cost, depending on the equipment type.

For the Canadian market the initial holding period for new equipment is 15 years. Estimated residual values for the initial holding period range from 10% or 15% of cost, depending on the equipment type.

#### **i) Impairment of non-financial assets - note 22 and 23**

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

The Group bases its impairment calculation on detailed financial plans, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These detailed plans generally cover a period of five years.

For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year or another appropriate valuation technique is applied.

Impairment losses, including impairment on inventories, are recognised in the profit or loss in expense categories consistent with the nature of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior periods. Such reversal is recognised in the profit or loss. The following assets have specific characteristics for impairment testing:

#### **Fleet**

The Group assesses annually whether there is an indication that an asset group may be impaired. Asset groupings are determined by the Asset Management team. If any indication exists, or when annual impairment testing for an asset group is required, the Group estimates the asset group's recoverable amount. An asset group's recoverable amount is the higher of an asset group's fair value less costs of disposal and its value in use and is determined for an asset group. Where the carrying amount of an asset group exceeds its recoverable amount, the asset group is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The Group bases its impairment calculation on projected fleet cash flows as follows:

- Direct cash flows (revenue and direct M&R cost) are determined based on the Group's most recent financial plans and applied over the remaining holding period of the asset group.
- Cash inflows arising from disposal of the asset at the end of its holding period are based on estimated residual values.
- Impairment losses are recognised in the profit or loss.

In determining fair value less costs of disposal, recent market transactions are taken into account.

#### **j) Property, plant and equipment (PP&E) -note 23**

PP&E is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the PP&E and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of PP&E are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Depreciation is charged through the profit or loss. PP&E is depreciated over its estimated useful life to an estimated residual value on a straight-line basis on the following parameters:

Categories	Useful life (years)
Land	Indefinite
Building and structures	Up to 50
Leasehold improvements	Over the expected lease term
Other	3 to 5

Residual values and useful lives are reviewed periodically and adjusted prospectively if necessary.

The Group sells PP&E, which has either reached the end of its useful life or when the Group exits a location, to 3rd parties in the normal course of business. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, usually on receipt of cash. Book value of the assets sold and any costs directly associated with the sale are recorded at the same time. Sales invoices are typically issued to coincide with cash receipts, therefore at the end of each accounting period there are no trade receivables relating to PP&E sales on the balance sheet.

#### **k) Intangible assets - note 24**

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses, if any. With the exception of capitalized software development costs, internally generated intangible assets are not capitalised and expenditure is reflected in the profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either definite or indefinite.

Intangible assets with definite lives are amortised to a residual value of zero over the useful economic life on a straight-line basis and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a definite useful life are reviewed at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense of intangible assets with definite lives is recognised in the profit or loss in the expense category consistent with the nature of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the CGU defined level.

The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to definite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit or loss when the asset is derecognised.

#### **Capitalised software development costs**

Capitalised software relates to purchased software from 3rd parties and to internally developed software for use by the Group. Costs on research activities undertaken to gain new technical knowledge and understanding are recognised in the profit or loss as incurred. Costs to develop software are recognised as an asset when the Group is able to demonstrate its intention and ability to complete the development and use of the software in a manner that will generate future economic benefits and can measure the costs to complete the development. The capitalised cost of internally developed software includes all costs directly attributable to developing software and are amortised over its useful life. Capitalised internally developed and externally purchased software are measured at cost less accumulated amortisation and accumulated impairment, if any.

Subsequent costs on software assets are capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. When subsequent costs are capitalised, the carrying value of the replaced parts are derecognised.

Intangible assets are amortised as follows:

	Useful life (years)	Amortisation method used	Internally generated or acquired
Goodwill	Indefinite	Not applicable	Acquired
Brandname	Indefinite	Not applicable	Acquired
Customer lists	4-9	Straight line	Acquired
Software	3-5	Straight line	Acquired/internal

## l) Financial assets - note 25

### Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through the profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset.

### Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss.

### Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held with the objective to hold financial assets in order to collect contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment, if any. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the profit or loss. The losses arising from impairment are recognised in the profit or loss.

This category generally applies to loans receivable, trade and other receivables and cash restricted in escrow accounts.

### Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised i.e. removed from the Group's balance sheet, when either:

- The rights to receive cash flows from the asset have expired
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a 3rd party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.



### Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL). For trade receivables the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (including future expected credit losses). The present value of the estimated future cash flows is discounted at the financial asset's original EIR.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

### m) Inventories - note 27

#### Fleet/Buy to sell

Inventories are carried at the lower of cost or net realisable value and are to be sold within one year. The cost of inventories if it is related to owned units is the current net book value of fleet transferred to inventories and is determined for each item individually while for units acquired with the intention to be sold, the cost of inventory is the purchase price. The net realisable value is periodically reassessed for all units that have been held for sale for six months or more and adjusted if necessary.

Sales of inventories are recognised when the significant risks and rewards of ownership have been transferred to the buyer, usually upon payment. Book value of the units sold and any costs directly associated with the sale are recorded at the same time. The revenue and the related book value are recognised as revenue from disposal of fleet and cost of disposed fleet respectively in the profit or loss. Sales invoices are typically issued to coincide with receipt of payment, therefore at the end of each accounting period there are no trade receivables relating to fleet sales on the balance sheet.

#### Parts

Parts are stated at the lower of cost and net realisable value. The costs of individual parts are determined using weighted average costs. Costs of parts are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Parts are stated net of any provision for obsolete or slow moving items.

### n) Cash and equivalents - note 29

Cash and short-term deposits on the balance sheet comprises of cash at banks, restricted cash at banks and on hand and short-term deposits with a maturity of three months or less. Cash restricted for specific purposes in escrow accounts is included in other financial assets on the balance sheet.

### o) Borrowings and trade payables - note 30 and 33

#### Initial recognition and measurement

Borrowings (excluding finance leases) and trade payables are recognised at fair value, net of directly attributable transaction costs.

#### Subsequent measurement

After initial recognition, the borrowings (excluding finance leases) and trade payables are measured at amortised cost using the EIR method. Gains and losses are recognised in the profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance cost in the profit or loss.

#### Derecognition

Borrowings (excluding finance leases) and trade payables are derecognised when the obligation under the liability is discharged, cancelled, or expired. When an existing borrowing and trade payable is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the profit or loss.

#### Offsetting of financial assets, borrowings and trade payables

Financial assets, borrowings (excluding finance leases) and trade payables are offset and the net amount is reported on the balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, i.e. to realise the assets and settle the liabilities simultaneously.

#### Special purpose vehicle (SPV)

An SPV is a company created to accomplish a narrow and well-defined objective, such as the securitisation of leased assets. The financial statements of a special purpose company are included in the Group's consolidated financial statements where the substance of the relationship is that the Group continues to be exposed to risks and rewards from the securitised leased assets.

The Group uses a legal entity, which was incorporated specifically for the Group's securitisation transactions and is effectively controlled by the Group. This company is therefore regarded as a subsidiary and included in the consolidated financial statements of the Group.

Specifically, the Group controls an SPV if, and only if, the Group has:

- Power over the SPV (i.e. existing rights that give it the current ability to direct the relevant activities of the SPV)
- Exposure, or rights, to variable returns from its involvement with the SPV
- The ability to use its power over the SPV to affect returns

The Group refers to the debt in the SPV as asset backed securitisation debt (ABS).

#### Finance leases

Leases of fleet where the Group, as customer, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding lease obligations, net of finance charges, are included in borrowings.

Each lease payment is allocated between the capital liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The fleet acquired under finance leases is depreciated over the asset's holding period or the related customer lease, whichever is longer.

### Operating leases

Leases of assets by the Group which do not qualify as finance leases are accounted for as operating leases. The related operating lease payments are recognized as an expense on a straight line basis over the lease term.

### p) Derivatives - note 31

#### Initial recognition and subsequent measurement

The Group uses derivatives, principally interest rate swaps, to hedge its interest rate risks. Such derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as derivative assets when the fair value is positive and as derivative liabilities when the fair value is negative.

For the purpose of hedge accounting, interest rate swaps are classified as cash flow hedges, which hedge the exposure to variability in cash flows that is attributable to an interest rate risk associated with borrowings.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to the profit or loss, except for the effective portion of cash flow hedges, which is recognised in OCI and later reclassified to the profit or loss when the hedge item is no longer effective.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship (between the interest rate swaps and borrowings) to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. Before 1 January 2018 the documentation includes identification of the hedging instrument (interest rate swaps), the hedged item or transaction (borrowings), the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on

an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Beginning 1 January 2018, the documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is 'an economic relationship' between the hedged item and the hedging instrument.
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedges that meet the strict criteria for hedge accounting are accounted for as follows:

The effective portion of the gain or loss on the cash flow hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in profit or loss as gain/(loss) from derivatives.

Interest payments in respect of the cash flow hedging instruments are recognised in the profit or loss as finance income or finance cost as appropriate.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through the profit or loss.

These embedded derivatives are measured at fair value with changes in fair value recognised in the profit or loss. Reassessment only occurs if there is either; a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a derivative out of the fair value through the profit or loss.

### **Derecognition**

Amounts recognised in OCI are transferred to the profit or loss when the hedged transaction is no longer effective, such as when the hedged financial income or financial expense is recognised.

If the hedging instrument expires, is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognised in OCI is charged to the profit or loss over the remaining term of the instrument.

### **q) Fair value measurement - note 31 and 40**

The Group measures financial instruments, such as, derivatives, at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2: valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3: valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

### **r) Provisions - note 32**

Provisions are recognised when:

- The Group has a present obligation (legal or constructive) as a result of a past event
- It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and
- A reliable estimate can be made of the amount of the obligation

When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain.

In addition to the criteria above, the following policies apply:

#### **5Q provision**

The Group has made commitments to purchase or repurchase equipment originally estimated to be not less than its realisable value at the time of purchase or repurchase. The Group's policy is to review each of these commitments falling due for instances where the repurchase commitment is expected to exceed the realisable value of the assets and provide for the difference. No adjustments are made if the realisable value is expected to exceed the repurchase commitment.

Based on experience, the Group does not consider purchase or repurchase commitments falling due after more than 5 quarters to be probable or accurately estimable in this way. The expense relating to the 5Q provision is presented in cost of sales.

#### **Restructuring provision**

Restructuring provisions are recognised when general recognition criteria for provisions are fulfilled. Additionally, the Group follows a detailed formal plan about the business or part thereof, the location and number of employees affected, a detailed estimate of the associated costs and an appropriate time-line. The people affected should also have a valid expectation that the restructuring is being carried out or that the implementation has already been initiated.

If the effect of the time value of money is material, provisions are discounted using a current rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

#### **s) Pension obligations - note 34**

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

The Group is operating defined contribution plans in: the United Kingdom, Ireland, Italy, Spain, Denmark, Finland, Norway, Sweden, Belgium, the Netherlands and Canada. The yearly contribution is usually a percentage of pay and may be further dependent on one or more factors such as age and years of service. The contribution paid by the Group is charged to the profit or loss.

In France, Germany, Austria, Poland, Czech Republic and Romania the Group contributes to pensions through the state social security system. These contributions paid by the Group are charged to the profit or loss.

The Group has no defined benefit plans or related obligations.

#### **t) Cash dividend and non-cash distribution to equity holders of the Parent**

The Company recognises a liability to make cash or non-cash distributions to the equity holder of the Parent when the distribution is no longer at the discretion of the Company. As per the laws of the Netherlands a distribution is duly authorised when it is approved by the general meeting of shareholders of the Company.

A corresponding amount is recognised directly in equity. Non-cash distributions are measured at the fair value of the assets to be distributed with fair value remeasurement recognised directly in equity. Upon distribution of non-cash assets, any difference between the carrying amount



of the liability and the carrying amount of the assets distributed is recognised in the profit or loss.

#### u) New standards, amendments and interpretations

The Group reviewed the following IFRS standards and amendments which became effective during 2018 and concluded that they had no significant impact on the consolidated financial statements and accounting policies:

- IFRS 9: Financial Instruments
- IFRS 15: Revenue from Contracts with Customers
- IFRIC Interpretation 22: Foreign currency transactions and advance consideration
- Amendments to IAS 40: Transfers of investment property
- Amendments to IFRS 2: Classification and measurement of share-based payment transactions
- Amendments to IFRS 4: Applying IFRS 9 financial instruments with IFRS 4 insurance contracts
- Amendments to 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
- Amendments to IFRS 1: First-time adoption of international financial reporting standards - deletion of short-term exemptions for first-time adopters

As a result of the introduction of IFRS 9, the Group presents expected credit losses as a separate line within gross profit and contribution. The Group had implemented these presentation changes in 2017.

#### 4. Significant accounting judgments, estimates and assumptions

The preparation of the Group's consolidated financial statements requires the Executive management team (EMT) to make judgments, estimates and assumptions that affect the reported amounts of revenues, costs, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material

adjustment to the carrying amount of the asset or liability affected in future periods.

#### Judgments

In the process of applying the Group's accounting policies, the EMT has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

##### a) Business combinations - note 7

The EMT applied the following key judgements in respect of treatment of various acquisitions:

- Identification of a business combination: these acquisitions included assets under lease contracts and associated working capital (inputs), as well as the workforce and operations (processes) generating revenues (outputs) from these businesses; therefore these acquisitions of assets and operations are treated as business combinations rather than standalone asset purchases
- Identification of the acquirer: for each acquisition an existing Group entity was identified as the acquirer and it is treated as the acquirer which obtains control of the acquisition

##### b) Lease classification - note 8

The lease classification is determined on a contract-by-contract basis, taking into consideration the substance of the transaction and the specific details of each lease contract. The key factor is whether or not substantially all of the risks and rewards incidental to ownership are transferred. Various criteria are used to determine the lease classification of which the most important are:

- Whether the lease transfers ownership of the equipment to the customer by the end of the lease term
- Whether the customer has the option to purchase the equipment at a price which is expected to be sufficiently lower than the fair value at the date the option becomes exercisable such that, at the inception of the lease, it is reasonably certain that the option will be exercised (frequently called a 'bargain purchase' option)
- Whether the lease term is for the major part of the equipment's economic life even if the title is not transferred

- Whether at the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased equipment
- Whether the leased equipment is of a specialised nature such that only the customer can use them without major modifications being made

Based on the above criteria the vast majority of the Group's lease contracts are accounted for as operating leases.

### **c) SPV for ABS funding - note 30**

Determining whether the Group has control of an entity is generally straightforward based on ownership of the majority of the voting capital. However, in certain instances this determination will involve significant judgment, particularly in the case of structured entities where voting rights are often not the determining factor in decisions over the relevant activities. This judgment may involve assessing the purpose and design of the entity. It will also often be necessary to consider whether the Group, or another involved party with power over the relevant activities, is acting as a principal in its own right or as an agent on behalf of others. Via contractual arrangements between the SPV and the rest of the Group all risks (including asset risk, credit risk, liquidity risk and interest rate risk) are transferred to the Group by means of a subordinated loan, residual value guarantees provided to the SPV and other instruments.

### **Estimates and assumptions**

The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

The key assumptions concerning the future and other key sources of estimation of uncertainty at the reporting date, that have a significant risk of causing a

material adjustment to the carrying amounts of assets and liabilities within the next financial period, are described below:

### **a) Fair valuation of acquired net assets - note 7**

Business combinations are accounted for using the acquisition method of accounting. In the course of initial consolidation, the identifiable assets, liabilities, and contingent liabilities of the acquiree are recognised at fair value. Assumptions around recognition and estimation of fair values of the acquired assets and liabilities are disclosed in note 7.

### **b) Taxation - note 20 and 26**

The Group is subject to corporate tax in numerous jurisdictions. Significant estimates are required in determining the Group provision for current and deferred tax positions. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact current and deferred tax provisions in the period in which such determination is made.

When the Group estimates the extent to which the deferred tax assets and liabilities should be recognised, the two principal areas of judgement are the business plan and any tax losses or unused capital allowances which one of the prior owners (GE) may utilize to settle liabilities relating to open tax periods ending before 23 October 2013 which remain open for tax audits.

### **c) Impairment of non-financial assets - note 22, 23 and 24**

Impairment exists when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs of disposal or its value in use. The fair value less costs of disposal calculation is based on available data from sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset.

The value in use calculation is based on a discounted cash flow (DCF) model. The cash flows are derived from the detailed financial plan for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash inflows and the growth rate or other valuation technic used for extrapolation purposes.

#### **d) Fair value measurement of financial assets, borrowings, derivatives and trade payables - note 25, 30, 31 and 33**

When the fair values of financial assets, borrowings, derivatives and trade payables recorded on the balance sheet cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including DCF models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values.

Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial assets, borrowings, derivatives and trade payables.

### **5. Standards issued but not yet effective**

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

#### **IFRS 16 Leases**

IFRS 16 was issued in January 2016. It sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor').

IFRS 16 is effective from 1 January 2019. A company can choose to apply IFRS 16 before that date but only if it also applies IFRS 15 revenue from contracts with customers. The new standard replaces IAS 17 and related interpretations.

#### **Customers**

All leases result in a company (the customer) obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single customer accounting model. Applying that model, a customer is required to recognize;

- assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and
- depreciation of lease assets separately from interest on lease liabilities in the profit or loss.

#### **Suppliers**

IFRS 16 substantially carries forward the supplier accounting requirements in IAS 17. Accordingly, a supplier continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Group has included an estimated overview of the impact of IFRS 16 in the management section of this annual report under "Potential impact of new lease accounting". This estimate does not form part of the financial statements and is merely for illustration purpose. It does not indicate an early adoption of the standard.

#### **IFRS 17 Insurance contracts**

In May 2017, the IASB issued IFRS 17 Insurance Contracts, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005.

IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features.

A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach).
- A simplified approach (the premium allocation approach) mainly for short-duration contracts.

IFRS 17 is effective for reporting periods beginning on or after 1 January 2021, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Group.

### IFRIC 23 Uncertainty over income tax treatments

IFRIC 23 was issued in June 2017; with an effective date of 1 January 2019. It clarified the accounting for uncertainties and income taxed. The Group is currently evaluating the impact of this interpretation on future periods.

## 6. Capital management

The Group's objective is to maintain a balance sheet structure that is efficient in terms of providing long-term returns to shareholders and safeguards the Group's balance sheet through economic cycles. For the purpose of capital management, capital includes issued capital, share premium and all other financial reserves.

In order to achieve this overall objective, the Group's capital management, amongst other things, aims to ensure that it meets the financial covenants attached to its borrowings. Should a potential breach of any of the financial covenants occur the Group aims to proactively take all reasonable steps to prevent or remedy the situation, always in open and close communication with the Group's banking partners and investors. The table below shows the financial covenants related to the Group's principal borrowings under its revolving credit facility (RCF):

	2018	2017	2016
Interest cover	2.1x	2.0x	2.3x
Solvency	22%	24%	25%
Loan to value	89%	88%	84%

The interest cover and solvency covenants also apply to the Group's ABS facilities. There have been no breaches in the financial covenants of any borrowings in the current period.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of its financial covenants. To maintain or adjust the capital structure, the Group may issue new shares and monitors capital using a gearing ratio, which is net debt divided by total equity plus net debt.

The Group expects to grow in 2019 which will lead to an increase in its gearing ratio.

€m	Note	2018	2017	2016
Gross borrowings after foreign exchange	30	793.0	663.9	598.1
Less: cash and equivalents	29	(11.1)	(18.7)	(16.6)
<b>Net debt</b>		<b>781.9</b>	<b>645.2</b>	<b>581.5</b>
Equity		309.4	577.6	556.2
<b>Capital and net debt</b>		<b>1,091.3</b>	<b>1,222.8</b>	<b>1,137.7</b>
<b>Gearing ratio</b>		<b>72%</b>	<b>53%</b>	<b>51%</b>

# Specific notes

## 7. Business combinations

### Asset acquisitions and business combinations

The following is a summary of the acquisitions completed by the Group:

€m	2018	2017	2016
Enterprise value	66.8	9.1	148.9
Purchase consideration	35.1	9.1	121.8
Acquisition related costs	0.1	0.1	1.9
Number of transactions	5	4	10
Number of countries	3	4	6

Acquisition related costs amounting to €0.1m (2017: €0.1m, 2016: €1.7m) have been included in the administrative and other operating expenses and nil (2017: nil, 2016: €0.2m) have been included in finance costs.

### Details of the acquisitions made in 2018:

Seller/entity acquired	Country	Month closed	Treatment
Stadlmüller GmbH	Austria	April	Business combination
T.O.M Vehicle Rental Ltd	UK	April	Asset acquisition
Grayrentals Ltd	UK	July	Business combination
Annexus Leasing	Canada	October	Asset acquisition
Gulliver Truck Hire Ltd	UK	December	Asset acquisition

€m	Note	2018	2017	2016
Asset acquisitions not qualifying as business combinations		10.1	4.3	10.8
Business combinations	a	25.0	4.8	111.0
<b>Purchase consideration</b>		<b>35.1</b>	<b>9.1</b>	<b>121.8</b>

### a) Business combinations

€m	2018	2017	2016
Fleet	50.7	3.2	124.2
PP&E	1.1	0.5	4.9
Intangible assets	6.5	0.4	6.5
Deferred tax assets	0.4	-	-
Inventories	1.2	0.5	4.9
Trade and other receivables	5.3	-	16.9
Cash and equivalents	3.1	-	8.7
<b>Assets</b>	<b>68.3</b>	<b>4.6</b>	<b>166.1</b>
Borrowings	34.8	-	35.8
Deferred tax liabilities	3.6	-	19.8
Trade and other payables	4.5	-	17.9
Current tax liabilities	0.4	-	0.5
<b>Liabilities</b>	<b>43.3</b>	<b>-</b>	<b>74.0</b>
<b>Total identifiable net assets acquired</b>	<b>25.0</b>	<b>4.6</b>	<b>92.1</b>
Goodwill	-	0.2	19.1
Non-controlling interest	-	-	(0.2)
<b>Total consideration</b>	<b>25.0</b>	<b>4.8</b>	<b>111.0</b>
Share premium issued	(21.0)	-	-
<b>Total cash consideration</b>	<b>4.0</b>	<b>4.8</b>	<b>111.0</b>

Net cash flow used in business combinations	2018	2017	2016
Cash consideration	4.0	4.8	111.0
Less: net cash acquired	(3.1)	-	(8.7)
<b>Total</b>	<b>0.9</b>	<b>4.8</b>	<b>102.3</b>



Grayrentals Ltd was acquired on 10 July 2018 and, as an entity under common control, was accounted for by applying predecessor accounting (“pooling of interest”). Its assets and liabilities are included above using predecessor accounting book values. The consideration, which was equivalent to the business fair value, was satisfied through the issue of share premium. No other business combinations in the current or prior periods have been accounted for using predecessor accounting.

The consideration and fair values of the identifiable assets and liabilities of all other business combinations, at their date of acquisition, are included above.

The business combinations completed during the periods were private transactions and were not considered sufficiently material to warrant separate disclosure.

#### Goodwill

The principal factor contributing to the recognition of the goodwill on business combinations is the realisation of cost savings, other synergies and ability to redeploy assets within existing entities in the Group and which do not qualify for separate recognition as intangible assets. Of the goodwill recognized nil (2017: €0.2m, 2016: nil) is expected to be deductible for tax purposes.

#### Revenue and operating profit or loss related to business combinations

The amount of revenue and operating profit of the acquirees, since the date of control, included in the Group’s profit or loss were as follows:

€m	2018	2017	2016
Revenue	18.6	2.6	24.0
Operating profit	1.7	-	2.7

If the combinations had taken place at the beginning of the current reporting period, the Group’s revenue and operating profit would have been as follows:

€m	Pro-forma Group excluding		Pro-forma consolidated		
	2018 acquisitions	2018 acquisitions	2018	2017	2016
Revenue	33.9	546.4	580.3	521.4	493.0
Operating profit	3.4	47.8	51.2	37.5	39.7

## 8. Revenue

€m	Note	2018	2017	2016
Leasing		248.2	217.5	184.3
Rental		129.5	117.8	98.5
Damage protection		22.2	20.2	19.6
<b>Leasing and rental</b>	<b>16</b>	<b>399.9</b>	<b>355.5</b>	<b>302.4</b>
M&R 3rd party	16	113.7	94.1	84.1
Fleet sales	16	35.0	44.6	38.0
Other	16	16.4	22.5	23.4
<b>Total</b>	<b>16</b>	<b>565.0</b>	<b>516.7</b>	<b>447.9</b>

Included in leasing and rental is revenue attributable to maintaining the equipment as follows:

€m	2018	2017	2016
Embedded maintenance revenue	143.4	132.0	122.4

## 9. Cost of sales

€m	Note	2018	2017	2016
M&R own fleet	a	132.7	120.8	115.3
Damage protection		11.9	10.7	11.2
<b>Leasing and rental variable</b>	<b>16</b>	<b>144.6</b>	<b>131.5</b>	<b>126.5</b>
M&R 3rd party	16	90.8	72.9	67.8
Fleet sales	16	29.3	38.2	30.1
Other	16	10.6	11.0	3.6
<b>Variable (excl. expected credit losses)</b>	<b>16</b>	<b>275.3</b>	<b>253.6</b>	<b>228.0</b>
Expected credit losses	16	2.1	0.6	(0.8)
<b>Total variable</b>		<b>277.4</b>	<b>254.2</b>	<b>227.2</b>
Depreciation of fleet (including fleet customisation)	22	129.9	113.4	81.8
Lease in		13.3	13.1	10.4
<b>Total fixed</b>	<b>17</b>	<b>143.2</b>	<b>126.5</b>	<b>92.2</b>
<b>Total</b>		<b>420.6</b>	<b>380.7</b>	<b>319.4</b>

### a) M&R own fleet is made up of:

€m	Note	2018	2017	2016
Direct M&R own fleet		109.6	98.0	94.5
Other variable cost		23.1	22.8	20.8
<b>Total</b>		<b>132.7</b>	<b>120.8</b>	<b>115.3</b>

## 10. Administrative, other operating expenses and amortisation of intangible assets

€m	Note	2018	2017	2016
<b>Employee benefit expenses</b>	<b>11</b>	<b>40.7</b>	<b>40.8</b>	<b>39.8</b>
Outside service fees	12	18.8	16.4	15.2
Travel and living	14	6.4	6.9	6.7
Rental expense	15	7.2	8.0	7.1
Other facilities		4.4	4.5	3.6
Office expenses		2.0	2.2	2.1
Sales promotion		1.7	1.6	1.1
Other expenses		1.3	1.7	1.9
<b>Other operating expenses</b>	<b>17</b>	<b>41.8</b>	<b>41.3</b>	<b>37.7</b>
Depreciation of PP&E	23	6.7	5.9	5.0
(Gain)/loss on disposal of PP&E	b	-	(1.4)	-
<b>Total excluding exceptional</b>		<b>89.2</b>	<b>86.6</b>	<b>82.5</b>
Exceptional items	21	-	6.2	-
<b>Total</b>		<b>89.2</b>	<b>92.8</b>	<b>82.5</b>
<b>Amortisation of intangible assets</b>	<b>24</b>	<b>5.7</b>	<b>5.9</b>	<b>5.1</b>

### b) (Gain)/loss on disposal of PP&E is made up of:

€m	Note	2018	2017	2016
Proceeds from PP&E sales		(0.2)	(2.0)	-
NBV of PP&E sales		0.2	0.6	-
<b>Total</b>		<b>-</b>	<b>(1.4)</b>	<b>-</b>

## 11. Employee benefit expenses

€m	Note	2018	2017	2016
Wages and salaries		78.4	71.3	66.9
Social security		12.1	12.5	11.3
Pension		5.9	5.7	5.2
Other		1.2	0.2	1.1
<b>Compensation and benefits</b>		<b>97.6</b>	<b>89.7</b>	<b>84.5</b>
Wages and salaries		(45.1)	(38.4)	(30.0)
Social security		(6.7)	(6.8)	(6.3)
Pension		(3.0)	(2.7)	(2.5)
Other		(0.7)	(0.1)	(0.4)
<b>Included in cost of sales</b>		<b>(55.5)</b>	<b>(48.0)</b>	<b>(39.2)</b>
Wages and salaries		(1.4)	(0.9)	(0.8)
Social security		-	-	-
Pension		-	-	-
Other		-	-	-
<b>Included in software (capitalised/work in progress)</b>		<b>(1.4)</b>	<b>(0.9)</b>	<b>(0.8)</b>
Wages and salaries		31.9	32.0	31.4
Social security		5.4	5.7	5.0
Pension		2.9	3.0	2.7
Other		0.5	0.1	0.7
<b>Total</b>	<b>10</b>	<b>40.7</b>	<b>40.8</b>	<b>39.8</b>
<b>Average headcount</b>				
The Netherlands		342	346	334
Other countries		1,439	1,355	1,188
<b>Total<sup>1</sup></b>		<b>1,781</b>	<b>1,701</b>	<b>1,522</b>
Cost of sales		1,261	1,176	1,020
Administrative and other operating expenses		520	525	502
<b>Total<sup>1</sup></b>		<b>1,781</b>	<b>1,701</b>	<b>1,522</b>

<sup>1</sup> The headcount is a monthly average throughout the period.

## 12. Outside service fees

€m	Note	2018	2017	2016
IT services		9.4	7.8	5.6
Legal		1.6	1.4	1.2
Consultancy		0.5	0.6	2.1
Audit and accounting advisor fees	13	1.2	1.3	1.3
Temporary staff		1.6	1.5	1.4
Accounts payable services		0.8	0.7	0.7
Payroll processing		0.6	0.6	0.4
Business process outsourcing		0.5	0.2	0.5
Banking services		0.5	0.6	0.3
Training		0.4	0.4	0.2
Recruitment		0.3	0.3	0.4
Other		1.4	1.0	1.1
<b>Total</b>	<b>10</b>	<b>18.8</b>	<b>16.4</b>	<b>15.2</b>

## 13. Audit and advisor fees

€m	Note	2018	2017	2016
Fees to Group auditor for audit of Group's annual financial statements		0.2	0.2	0.1
Fees to auditors for audit of subsidiaries pursuant to legislation		0.7	0.8	0.8
<b>Audit fees<sup>1</sup></b>		<b>0.9</b>	<b>1.0</b>	<b>0.9</b>
Tax services		0.2	0.2	0.2
<b>Non-audit fees group auditor<sup>1</sup></b>		<b>0.2</b>	<b>0.2</b>	<b>0.2</b>
Other services		0.1	0.1	0.2
<b>Non-audit fees paid to other accounting firms</b>		<b>0.1</b>	<b>0.1</b>	<b>0.2</b>
<b>Total</b>	<b>12</b>	<b>1.2</b>	<b>1.3</b>	<b>1.3</b>

<sup>1</sup> Audit and other services were mainly provided by Ernst & Young Accountants LLP (EY). Tax services were provided by other entities of the EY group. Non-audit services provided by the group auditor are within the permitted services allowed under ViO independence guidance.

## 14. Travel and living expenses

€m	Note	2018	2017	2016
Car expenses		2.9	3.3	3.1
Travel and subsistence		3.5	3.6	3.6
<b>Total</b>	<b>10</b>	<b>6.4</b>	<b>6.9</b>	<b>6.7</b>

## 15. Rental expenses

€m	Note	2018	2017	2016
Gross rental expense		13.0	13.2	11.7
Included in cost of sales		(4.8)	(4.4)	(3.8)
Rental income		(1.0)	(0.8)	(0.8)
<b>Total</b>	<b>10</b>	<b>7.2</b>	<b>8.0</b>	<b>7.1</b>

Rental expenses can be further analysed as follows:

€m	Note	2018	2017	2016
Rental expense		6.6	7.0	6.2
Other rentals		0.8	0.9	0.8
Overflow parking		0.8	0.9	0.9
Rental income		(1.0)	(0.8)	(0.8)
<b>Total</b>	<b>10</b>	<b>7.2</b>	<b>8.0</b>	<b>7.1</b>

## 16. Contribution analysis

€m	Note	2018	2017	2016
<b>Leasing and rental</b>				
Revenue	8	399.9	355.5	302.4
Variable costs	9	(144.6)	(131.5)	(126.5)
<b>Contribution</b>		<b>255.3</b>	<b>224.0</b>	<b>175.9</b>
<b>Contribution %</b>		<b>64%</b>	<b>63%</b>	<b>58%</b>
<b>M&amp;R 3rd party</b>				
Revenue	8	113.7	94.1	84.1
Variable costs	9	(90.8)	(72.9)	(67.8)
<b>Contribution</b>		<b>22.9</b>	<b>21.2</b>	<b>16.3</b>
<b>Contribution %</b>		<b>20%</b>	<b>23%</b>	<b>19%</b>
<b>Fleet sales</b>				
Revenue	8	35.0	44.6	38.0
Variable costs	a	(29.3)	(38.2)	(30.1)
<b>Contribution</b>		<b>5.7</b>	<b>6.4</b>	<b>7.9</b>
<b>Contribution %</b>		<b>16%</b>	<b>14%</b>	<b>21%</b>
<b>Other</b>				
Revenue	8	16.4	22.5	23.4
Variable costs	9	(10.6)	(11.0)	(3.6)
<b>Contribution</b>		<b>5.8</b>	<b>11.5</b>	<b>19.8</b>
<b>Contribution %</b>		<b>35%</b>	<b>51%</b>	<b>85%</b>
<b>Total</b>				
Revenue	8	565.0	516.7	447.9
Variable costs	9	(275.3)	(253.6)	(228.0)
<b>Contribution (excl: credit losses)</b>		<b>289.7</b>	<b>263.1</b>	<b>219.9</b>
<b>Contribution (excl: credit losses) %</b>		<b>51%</b>	<b>51%</b>	<b>49%</b>
Credit losses	9	(2.1)	(0.6)	0.8
<b>Contribution</b>		<b>287.6</b>	<b>262.5</b>	<b>220.7</b>
<b>Contribution %</b>		<b>51%</b>	<b>51%</b>	<b>49%</b>
<b>a) Variable cost of fleet sales consist of:</b>				
NBV of fleet sales		(29.0)	(37.7)	(29.6)
Selling costs		(0.3)	(0.5)	(0.5)
<b>Total</b>	<b>9</b>	<b>(29.3)</b>	<b>(38.2)</b>	<b>(30.1)</b>

## 17. Earnings before interest, taxes, depreciation and amortisation (EBITDA)

€m	Note	2018	2017	2016
<b>Contribution</b>	16	<b>287.6</b>	<b>262.5</b>	<b>220.7</b>
Employee benefit expenses	11	(40.7)	(40.8)	(39.8)
Other operating expenses	10	(41.8)	(41.3)	(37.7)
<b>EBITDA</b>		<b>205.1</b>	<b>180.4</b>	<b>143.2</b>
<b>EBITDA %</b>		<b>36%</b>	<b>35%</b>	<b>32%</b>

### Reconciliation of EBITDA to operating profit

€m	Note	2018	2017	2016
<b>EBITDA</b>		<b>205.1</b>	<b>180.4</b>	<b>143.2</b>
Fixed cost	9	(143.2)	(126.5)	(92.2)
Depreciation of PP&E	10	(6.7)	(5.9)	(5.0)
Gain/(loss) on disposal of PP&E	10	-	1.4	-
<b>Underlying operating profit</b>		<b>55.2</b>	<b>49.4</b>	<b>46.0</b>
Amortisation of intangible assets	10	(5.7)	(5.9)	(5.1)
Exceptional administrative items	21	-	(6.2)	-
<b>Operating profit</b>		<b>49.5</b>	<b>37.3</b>	<b>40.9</b>

## 18. Finance income

€m	Note	2018	2017	2016
Interest	25	7.0	11.7	12.5
Foreign exchange gains		-	-	-
<b>Finance income before derivatives</b>	37	<b>7.0</b>	<b>11.7</b>	<b>12.5</b>
Interest rate swap realised gain		-	-	-
Interest rate swaps fair market value gain		0.5	1.3	-
<b>Derivatives</b>		<b>0.5</b>	<b>1.3</b>	<b>-</b>
<b>Total</b>		<b>7.5</b>	<b>13.0</b>	<b>12.5</b>

Interest income relates to related party loan receivables as set out in notes 25 and 37.

## 19. Finance cost

€m	Note	2018	2017	2016
Interest	30.1	21.9	18.7	14.3
Commitment fees	30.1	0.8	1.3	1.9
Amortisation of deferred fees	30.2	2.7	2.7	2.7
<b>Funding related</b>		<b>25.4</b>	<b>22.7</b>	<b>18.9</b>
Foreign exchange losses		-	-	2.5
<b>Finance cost before derivatives</b>		<b>25.4</b>	<b>22.7</b>	<b>21.4</b>
Interest rate swap realised loss		1.4	2.0	1.4
Interest rate swaps fair market value loss		-	-	1.6
<b>Derivatives</b>		<b>1.4</b>	<b>2.0</b>	<b>3.0</b>
<b>Total excluding exceptional</b>		<b>26.8</b>	<b>24.7</b>	<b>24.4</b>
Exceptional items	21	3.2	-	-
<b>Total</b>		<b>30.0</b>	<b>24.7</b>	<b>24.4</b>

Funding related costs occur on borrowings as set out in note 30.

In 2016 the foreign exchange losses of €2.5m arose largely in the first half driven by significant movement on £ exchange rates in the lead up to the Brexit vote on unhedged elements of Group funding balances dominated in £. Since the first half of 2016 these balances have been hedged at over 90%.

In 2015 the Group entered into floating to fixed swaps to hedge interest rates on an increased RCF facility. During that year the majority of the € denominated swap contracts ceased to qualify for hedge accounting and so movements in fair market value have been reported in the profit or loss. Reductions in € interest rate curves during 2016 led to fair market value losses during the period. In 2017 and 2018 subsequent increases in € interest rate curves led to fair market value gains during those period and are reflected in note 18.



## 20. Taxation

### 20.1 Taxation for the period

The major components are as follows:

€m	Note	2018	2017	2016
Current taxation for the period		10.1	5.2	3.7
Adjustment to prior periods	26.2	(0.6)	3.3	(1.5)
<b>Current tax</b>		<b>9.5</b>	<b>8.5</b>	<b>2.2</b>
Changes in tax rates	26.5	(2.0)	(2.0)	0.2
Deferred taxation for the period	26.6	(4.2)	(0.6)	8.8
Adjustment to prior periods	26.7	0.4	(3.6)	2.2
<b>Deferred taxes</b>		<b>(5.8)</b>	<b>(6.2)</b>	<b>11.2</b>
<b>Taxation</b>		<b>3.7</b>	<b>2.3</b>	<b>13.4</b>
Non-exceptional taxation		7.7	7.9	8.5
Exceptional taxation	21	(4.0)	(5.6)	4.9
<b>Taxation</b>		<b>3.7</b>	<b>2.3</b>	<b>13.4</b>

### Effective tax rate (ETR) reconciliation

In the tables below, the reconciliation between the statutory tax rate in the Netherlands and the ETR for the Group is shown:

2018	Non-exceptional		Exceptional		Total	
	€m	%	€m	€m	%	
Profit before taxes	30.2		(3.2)	27.0		
Dutch statutory tax	(7.6)	25%	0.8	(6.8)	25%	
Effect of tax rates in foreign jurisdictions	0.1	-	-	0.1	-	
Non-deductible expenses	(0.2)	1%	-	(0.2)	1%	
Non-taxable income	(0.1)	-	-	(0.1)	-	
Change in tax rates	-	-	2.0	2.0	(7%)	
Deferred taxation for the period	(0.1)	-	1.2	1.1	(4%)	
Adjustment to prior periods	0.2	(1%)	-	0.2	(1%)	
<b>Taxation and ETR</b>	<b>(7.7)</b>	<b>25%</b>	<b>4.0</b>	<b>(3.7)</b>	<b>14%</b>	

2017	Non-exceptional		Exceptional		Total	
	€m	%	€m	€m	%	
Profit before taxes	31.8		(6.2)	25.6		
Dutch statutory tax	(7.9)	25%	1.6	(6.3)	25%	
Effect of tax rates in foreign jurisdictions	(0.2)	1%	-	(0.2)	1%	
Non-deductible expenses	(0.4)	1%	-	(0.4)	1%	
Non-taxable income	(0.1)	-	-	(0.1)	-	
Change in tax rates	-	-	2.0	2.0	(8%)	
Deferred taxation for the period	0.4	(1%)	2.0	2.4	(9%)	
Adjustment to prior periods	0.3	(1%)	-	0.3	(1%)	
<b>Taxation and ETR</b>	<b>(7.9)</b>	<b>25%</b>	<b>5.6</b>	<b>(2.3)</b>	<b>9%</b>	

2016	Non-exceptional		Exceptional		Total	
	€m	%	€m	€m	%	
Profit before taxes	29.0			29.0		
Dutch statutory tax	(7.3)	25%	-	(7.3)	25%	
Effect of tax rates in foreign jurisdictions	(0.6)	2%	-	(0.6)	2%	
Non-deductible expenses	(0.5)	2%	-	(0.5)	2%	
Non-taxable income	0.6	(2%)	-	0.6	(2%)	
Change in tax rates	-	-	(0.3)	(0.3)	1%	
Deferred taxation for the period	-	-	(4.6)	(4.6)	16%	
Adjustment to prior periods	(0.7)	2%	-	(0.7)	2%	
<b>Taxation and ETR</b>	<b>(8.5)</b>	<b>29%</b>	<b>(4.9)</b>	<b>(13.4)</b>	<b>46%</b>	

The Group's operations are subject to corporate tax in various countries. Excluding certain tax incentives, the statutory tax rates vary from 12.5% to 33.3%.

The difference between the Dutch statutory corporate tax rate and the ETR for the Group is mainly due to: the effect of varying tax rates across the countries in which the Group operates, non-deductible expenses, tax benefits and non-taxable income following country tax legislation, prior period adjustment result from the adjustment of tax positions, the recent reduction in tax rates in France, Belgium and Norway and the impact of new enacted future tax rates

in The Netherlands, United Kingdom and Sweden and the impact of deferred tax using updated business plans.

## 20.2 Deferred tax recognised in OCI during the period

€m	Note	2018	2017	2016
Foreign currency translation		-	-	-
Cash flow hedge	35.4	(0.1)	(0.2)	0.4
<b>Deferred tax effect charge in OCI</b>		<b>(0.1)</b>	<b>(0.2)</b>	<b>0.4</b>

Generally no capital gains or income tax is applied to foreign subsidiaries or investments of Dutch holding companies. Hence no deferred tax is provided on the foreign currency translation reserve.

## 21. Exceptional items

During the periods, the Group recognised exceptional items in the profit or loss made up as follows:

€m	Note	2018	2017	2016
Restructuring costs	a	-	3.5	-
Other operational items	b	-	2.7	-
<b>Administrative items</b>	<b>10,17</b>	<b>-</b>	<b>6.2</b>	<b>-</b>
Finance items	c	3.2	-	-
<b>Total pre-tax</b>		<b>3.2</b>	<b>6.2</b>	<b>-</b>
Taxation on profit before tax		(0.8)	(1.6)	-
Adjustment to prior periods		-	-	-
Other tax benefits		-	-	-
Change in tax rates		(2.0)	(2.0)	0.3
Impact on deferred tax from using updated business plan		(1.2)	(2.0)	4.6
<b>Total tax</b>	<b>d</b>	<b>(4.0)</b>	<b>(5.6)</b>	<b>4.9</b>
<b>Total post tax</b>		<b>(0.8)</b>	<b>0.6</b>	<b>4.9</b>

### a) Restructuring costs

Represent the charges to the profit or loss as a result of the establishment of restructuring provisions, refer to note 32. Restructuring comprises the closure of business locations, the relocation of business activities, change in management structure, and fundamental reorganisation of the nature and focus of the Group's operations.

### b) Other operational items:

€m	2018	2017	2016
Onerous IT contract costs	-	2.7	-
<b>Total</b>	<b>-</b>	<b>2.7</b>	<b>-</b>

In 2017 the Group established a provision for an onerous IT contract in relation to project Matrix, the increased digitization of core operational and workshop processes, refer to note 32.

### c) Finance items

During 2018, the Group expensed €2.8m of costs related to the extinguishment of the Group's RCF. It also incurred €0.4m in waiver fees which were paid to debt providers for non-exercise of their right to debt repayment in relation to change of control as a result of the acquisition of the Group by I Squared Capital.

### d) Tax

€m	Note	2018	2017	2016
Current tax liability	26.2	(0.1)	(1.4)	-
Current deferred taxes	26.6	(1.9)	(2.2)	4.6
Change in tax rates	26.5	(2.0)	(2.0)	0.3
Prior deferred taxes	26.7	-	-	-
<b>Total</b>	<b>20.2</b>	<b>(4.0)</b>	<b>(5.6)</b>	<b>4.9</b>

## 22. Fleet

€m	Note	Cost	Depreciation	Total
<b>At 1 January 2016</b>		<b>600.1</b>	<b>(89.2)</b>	<b>510.9</b>
Additions		269.4	-	269.4
Fleet customisation		3.2	-	3.2
Business combinations	7	124.2	-	124.2
Depreciation	9	-	(81.8)	(81.8)
Disposals		(22.3)	3.2	(19.1)
Non-sale disposals <sup>1</sup>		(6.8)	4.9	(1.9)
Transferred to inventories	27	(9.9)	3.2	(6.7)
Foreign exchange movements		(27.9)	5.1	(22.8)
<b>At 31 December 2016</b>		<b>930.0</b>	<b>(154.6)</b>	<b>775.4</b>
Additions		223.3	-	223.3
Fleet customisation		2.8	-	2.8
Business combinations	7	3.2	-	3.2
Depreciation	9	-	(113.4)	(113.4)
Disposals		(42.0)	15.6	(26.4)
Non-sale disposals <sup>1</sup>		(1.4)	0.5	(0.9)
Transferred to inventories	27	(23.1)	10.4	(12.7)
Foreign exchange movements		(12.8)	1.8	(11.0)
<b>At 31 December 2017</b>		<b>1,080.0</b>	<b>(239.7)</b>	<b>840.3</b>
Additions		273.7	-	273.7
Fleet customisation		2.9	-	2.9
Business combinations	7	50.7	-	50.7
Depreciation	9	-	(129.9)	(129.9)
Disposals		(42.9)	19.8	(23.1)
Non-sale disposals <sup>1</sup>		(2.8)	0.9	(1.9)
Transferred to inventories	27	(9.8)	4.9	(4.9)
Foreign exchange movements		(13.8)	3.1	(10.7)
<b>At 31 December 2018</b>		<b>1,338.0</b>	<b>(340.9)</b>	<b>997.1</b>

<sup>1</sup> Non-sale disposals i.e. damaged or stolen units are included in cost of sales as part of M&R own fleet or damage protection costs, as applicable.

The majority of the Fleet of the Group are pledged as collateral with respect to leases and other borrowings. Please refer to commitments and contingencies in note 38.

### 22.1 Units own fleet

The owned and lease in units for each period and the period average are as follows:

Units own fleet	2018	2017	2016
<b>At 1 January</b>	<b>60,093</b>	<b>60,091</b>	<b>46,114</b>
Additions	12,761	8,087	20,188
Disposals	(5,515)	(5,164)	(4,254)
Transferred to inventories	(1,626)	(2,921)	(1,957)
<b>At 31 December</b>	<b>65,713</b>	<b>60,093</b>	<b>60,091</b>
Lease in	3,842	3,859	4,169
<b>Total At 31 December</b>	<b>69,555</b>	<b>63,952</b>	<b>64,260</b>
Annual average (including lease in) <sup>1</sup>	66,352	63,307	53,779

<sup>1</sup> Calculated on a 12 months average.

### Fleet risks

**The Group manages fleet risks in three main categories:**

**1. Residual value risk:** is the risk of losses from a decline of fair value of the equipment below its estimated residual value at the end of the lease contract. The residual value committee is the body responsible for minimising the risk of these losses and approves the annual residual value review. This committee is composed of the Chief Executive Officer, the Chief Financial Officer, the Chief Commercial Officer, the Chief Remarketing Officer and the Portfolio Manager. The annual residual value review tests residual value by asset type based on historical performance, current state of portfolio and market data.

**2. Impairment risk:** the Finance and Asset Management teams are responsible for the annual impairment test. The results of the test are reviewed by a committee comprised of the Chief Financial Officer, the Director, Financial Planning, Analysis and Control (fPAC) and the Asset Control Leader. The annual impairment test is performed in line with the policy described in the note 3i, and as a result no impairment was recognized for the period.

**3. Operational and concentration risk:** the Group purchases trailer types across the full spectrum of offerings to maintain an optimal fleet mix, and rigorous reviews of non-standard asset types are undertaken to support resale alternatives at the end of the trailer life cycle. The Asset Management team ensures optimal utilisation of fleet through centrally co-ordinating the potential redeployment of assets across separate geographies within the Group's operating platform. The available fleet is reviewed monthly and the Chief Commercial Officer and the Chief Remarketing Officer decide on redeployment or exit strategies. In addition, the Operations team performs weekly/monthly physical stocktakes and a full asset stocktake is performed bi-annually.

## 22.2 Fleet purchases paid

Units own fleet		2018	2017	2016
Additions	22	273.7	223.3	269.4
(Increase)/decrease in fleet payables	33	14.7	3.8	(25.1)
<b>Total</b>		<b>288.4</b>	<b>227.1</b>	<b>244.3</b>

## 23. Property, plant and equipment (PP&E)

Cost						
€m	Note	Land	Buildings and structures	Leasehold improvements	Other <sup>1</sup>	Total
<b>At 1 January 2016</b>		<b>32.3</b>	<b>30.5</b>	<b>4.0</b>	<b>4.0</b>	<b>70.8</b>
Additions		1.7	13.2	0.9	0.4	16.2
Business combinations	7	2.0	2.9	-	-	4.9
Disposals		-	(0.4)	-	-	(0.4)
Foreign exchange movements		(0.3)	(1.5)	0.1	0.1	(1.6)
<b>At 31 December 2016</b>		<b>35.7</b>	<b>44.7</b>	<b>5.0</b>	<b>4.5</b>	<b>89.9</b>
Additions		-	4.8	0.4	0.3	5.5
Business combinations	7	-	0.5	-	-	0.5
Disposals		(0.6)	(0.3)	-	(0.1)	(1.0)
Foreign exchange movements		(0.3)	(0.2)	-	(0.1)	(0.6)
<b>At 31 December 2017</b>		<b>34.8</b>	<b>49.5</b>	<b>5.4</b>	<b>4.6</b>	<b>94.3</b>
Additions		-	6.3	0.2	0.1	6.6
Business combinations	7	-	1.1	-	-	1.1
Disposals		-	(0.5)	-	-	(0.5)
Foreign exchange movements		(0.3)	(0.2)	-	(0.2)	(0.7)
<b>At 31 December 2018</b>		<b>34.5</b>	<b>56.2</b>	<b>5.6</b>	<b>4.5</b>	<b>100.8</b>

Depreciation						
€m	Note	Land	Buildings and structures	Leasehold improvements	Other <sup>1</sup>	Total
<b>At 1 January 2016</b>		-	(5.6)	(0.9)	(0.3)	(6.8)
Charge for the period	10	-	(3.7)	(0.6)	(0.7)	(5.0)
Disposals		-	-	-	-	-
Foreign exchange movements		-	0.7	(0.1)	(0.2)	0.4
<b>At 31 December 2016</b>		-	(8.6)	(1.6)	(1.2)	(11.4)
Charge for the period	10	-	(4.7)	(0.5)	(0.7)	(5.9)
Disposals		-	0.2	-	-	0.2
Foreign exchange movements		-	-	-	-	-
<b>At 31 December 2017</b>		-	(13.1)	(2.1)	(1.9)	(17.1)
Charge for the period	10	-	(5.3)	(0.6)	(0.8)	(6.7)
Disposals		-	0.3	-	-	0.3
Foreign exchange movements		-	-	0.1	0.2	0.3
<b>At 31 December 2018</b>		-	(18.1)	(2.6)	(2.5)	(23.2)

Net book value at 31 December						
€m		Land	Buildings and structures	Leasehold improvements	Other <sup>1</sup>	Total
2016		35.7	36.1	3.4	3.3	78.5
2017		34.8	36.4	3.3	2.7	77.2
<b>2018</b>		<b>34.5</b>	<b>38.1</b>	<b>3.0</b>	<b>2.0</b>	<b>77.6</b>

<sup>1</sup> Other includes computer equipment.



## 24. Intangible assets

Costs						
€m	Note	Goodwill	Brand name	Customer lists	Software	Total
At 1 January 2016		0.4	29.5	9.6	8.8	48.3
Additions		-	-	-	0.3	0.3
Business combinations	7	19.1	-	6.5	-	25.6
Foreign exchange movements		-	-	(0.2)	-	(0.2)
At 31 December 2016		19.5	29.5	15.9	9.1	74.0
Additions		-	-	-	2.8	2.8
Business combinations	7	0.2	-	0.4	-	0.6
Foreign exchange movements		(0.5)	-	-	0.1	(0.4)
At 31 December 2017		19.2	29.5	16.3	12.0	77.0
Additions		-	-	-	5.7	5.7
Business combinations	7	-	-	6.5	-	6.5
Foreign exchange movements		(0.4)	-	(0.2)	-	(0.6)
At 31 December 2018		18.8	29.5	22.6	17.7	88.6

Amortisation						
€m	Note	Goodwill	Brand name	Customer lists	Software	Total
At 1 January 2016		-	-	(3.8)	(1.3)	(5.1)
Charge for the period	17	-	-	(2.9)	(2.2)	(5.1)
Foreign exchange movements		-	-	-	-	-
At 31 December 2016		-	-	(6.7)	(3.5)	(10.2)
Charge for the period	17	-	-	(3.4)	(2.5)	(5.9)
Foreign exchange movements		-	-	-	-	-
At 31 December 2017		-	-	(10.1)	(6.0)	(16.1)
Charge for the period	17	-	-	(2.5)	(3.2)	(5.7)
Foreign exchange movements		-	-	0.1	-	0.1
At 31 December 2018		-	-	(12.5)	(9.2)	(21.7)

Net book value at 31 December						
€m		Goodwill	Brand name	Customer lists	Software	Total
2016		19.5	29.5	9.2	5.6	63.8
2017		19.2	29.5	6.2	6.0	60.9
2018		18.8	29.5	10.1	8.5	66.9

The TIP Trailer Services brand was acquired by the Company together with acquisition of the Group from GE in 2013. The TIP brand has a long history and is well known in the market. The Group has no plans to change the current brand therefore it is classified as an intangible asset with an indefinite useful life.

The TIP Trailer Services customer list was acquired by the Company together with acquisition of the Group from GE in 2013. Additional customer lists were acquired as part of various acquisitions in subsequent years (see note 7).

In 2015 various software was purchased and developed to replace software which had been provided by one of the Group's former shareholders, GE, in earlier periods. During later years various software was purchased and developed to increase digitization of the business core operational, maintenance and workshop processes.

### Impairment testing of goodwill

#### Methodology and results

Goodwill acquired through business combinations has been allocated to a goodwill CGU for the purpose of impairment testing. Impairment of goodwill occurs when the carrying value of a CGU is greater than the present value of the cash that it is expected to generate (i.e. the recoverable amount). The Group reviews the carrying value of the CGU at least annually or more frequently if there is an indication that the CGU may be impaired.

The recoverable amount is based on a fair value computation. The cash flow forecasts employed for this computation are extracted from a five year financial plan that has been formally approved by the EMT and Board. These cash flows are projected forward for an additional five years to determine the basis for normalized terminal value calculation. Projected cash flows beyond the initial evaluation period have been extrapolated using real growth rate of 1.9% (2017: 1.9%, 2016: 1.4%). Such real growth rates do not exceed the long term average growth rates for the countries in which the CGU operates. Costs of disposal were considered to be immaterial.

The approach is similar to the Group's acquisition modelling methodology.

The fair value represents the present value of the future cash flows, including the terminal value, discounted at a post-tax rate appropriate to the CGU. The discount rates used are in line with the Group's estimated weighted average cost of capital, arrived at using the Capital Asset Pricing Model.

The 2018 annual goodwill impairment testing process has resulted in no impairment (2017: nil, 2016: nil).

The additional disclosures are as follows:

€m	2018	2017	2016
Carrying amount	1,137.9	982.9	923.4
Discount rate applied to cash flow projections	4.8%	5.0%	4.4%
Fair value	2,016.0	1,623.0	1,371.3
Headroom	878.1	639.9	447.9
Coverage	177%	165%	149%

### Key sources of estimation uncertainty

Key assumptions include management's estimates of future profitability, capital expenditure and working capital requirements. Cash flow forecasts and key assumptions are generally determined based on historical performance together with management's expectation of future trends affecting the industry and other developments and initiatives in the business. Expected future cash flows are inherently uncertain and are therefore liable to material change over time. The key assumptions employed in arriving at the estimates of future cash flows factored into impairment testing are subjective and include projected EBITDA margins, net cash flow, discount rates used and long term growth rates. Significant under-performance may give rise to a material write-down of goodwill which could have a substantial impact on the Group's profit and equity. Given the excess headroom, however, the likelihood of this happening is considered low.

## Sensitivity Analysis

Sensitivity analysis was performed by increasing the discount rate by 1% and reducing the long-term growth rate by 1% which resulted in an excess in the recoverable amount over its carrying amount under each approach. Management believes that any reasonable change in any of the key assumptions would not cause the carrying value of goodwill to exceed the recoverable amount.

The table below identifies the break-even levels for key assumptions in order to arrive at a zero excess of the present value of future cash flows over the book value of net assets in the CGU:

Assumption	Change by:	
EBITDA margin	Reduction	8.5%
Net cash flow	Reduction	43.6%
Discount rate	Increase	5.5%
Long term growth rate	Reduction	2.8%

## 25. Financial assets

€m	Note	2018	2017	2016
Loan receivables				
At 1 January		261.3	255.4	289.6
Additions		3.6	5.9	0.8
Repayment		(11.6)	-	(35.0)
Share premium distribution	35	(253.3)	-	-
At 31 December		-	261.3	255.4
Interest receivables				
At 1 January		20.2	9.0	2.7
Income	18	7.0	11.7	12.5
Received		(1.4)	(0.5)	(6.2)
Share premium distribution	35	(25.8)	-	-
At 31 December		-	20.2	9.0
Loan and interest receivables	37	-	281.5	264.4
Current		-	20.2	9.0
Non-current		-	261.3	255.4

The Group provided a loan to related party (Global TIP Holdings One B.V.) on 23 October 2013. The loan was denominated in € and was a term loan facility amounting to €20.5m with a maturity date of 22 October 2019. The interest rate was set out as Euribor +4.50% and the interest period was 3 months (refer to note 37). On 1 April 2015 the Group provided a further term loan denominated in €, a facility of €5.0m, with a maturity date of 31 December 2019. The interest rate was set out as equal to the rate incurred by the Group on its € denominated RCF loan, plus 0.5%, and the interest period was 3 months. The related party was the header of the tax fiscal unity including the Group and used the loan account to settle amounts due to the tax authorities. Interest was also accrued and capitalized on the loans. The loans were settled in full on 31 July 2018, when the Group made a share premium distribution for an amount equivalent to the loans outstanding and exchanged its right to receive the repayment of the loans for the equivalent share premium distribution payment due.

The Group provided a loan to a related party (HNA Group (International) Company Limited) during 2014. The loan was denominated in € and was a term loan facility initially amounting to €267.6m, with a maturity date of 22 October 2019. The interest rate was set at Euribor +4.50% and the interest period was 3 months (refer to note 37). During 2016 the related party repaid €35m of this loan. The loan was settled in full on 31 July 2018, when the Group made a share premium distribution for an amount equivalent to the loan outstanding and exchanged its right to receive the repayment of the loan for the equivalent share premium distribution payment due.

In October 2017 the Group provided a loan to a related party (TIP Holdings Five B.V.). The loan was denominated in € and was a short term loan facility amounting to €15.0m out of which €3.3m was drawn by end of December 2017. The interest rate was set out as Euribor +1.9% and interest period was 1 month. The original short term loan facility, with maturity date on 31 March 2018, was extended to 30 September 2019. The remaining loan outstanding was settled in full on 31 July 2018, when the Group made a share premium distribution for an amount equivalent to the loan outstanding and exchanged its right to receive the repayment of the loan for the equivalent share premium distribution payment due.

Cube Transportation Europe Coöperatief U.A. ("Cube Transportation"), (and Global TIP Holdings One B.V. ("Dutch Holding")), is (was) the Dutch tax fiscal unity header for all of our Dutch resident entities and immediate parent(s) of the Group. During the year, the Dutch Holding paid €2.0m taxes (2017: €2.6m, 2016: nil) on behalf of all Dutch entities. This was funded by a short term borrowing from the Group. The interest rate was set as Euribor +1.9% and interest period is 1 month. This short term borrowing was settled in full on 31 July 2018, when the Group made a share premium distribution for an amount equivalent to the short term borrowing and exchanged its right to receive the repayment of the loan for the equivalent share premium distribution payment due.

On 1 August 2018 the members of Dutch tax group signed an agreement with Dutch Holding and Global TIP Finance B.V. ("Finance"), according to which Finance purchases any corporate income tax payables and receivables from each of the members of the Dutch tax group and makes all payments to the Dutch tax authorities on behalf of Cube Transportation (and Dutch Holding).

Dutch Holding was merged into Cube Transportation on 7 December 2018.

The above loans were repayable by the borrowers at five business days' notice. Please also refer to note 35 and 37.

## 26. Current and deferred tax<sup>1</sup>

€m	Note	2018	2017	2016
Current tax assets	26.1	1.0	1.2	1.0
Current tax liabilities	26.2	(7.8)	(9.8)	(3.2)
<b>Net current tax</b>		<b>(6.8)</b>	<b>(8.6)</b>	<b>(2.2)</b>
Deferred tax assets	26.3	4.5	5.5	4.6
Deferred tax liabilities	26.4	(27.8)	(31.9)	(38.0)
<b>Net deferred tax</b>	<b>26.5</b>	<b>(23.3)</b>	<b>(26.4)</b>	<b>(33.4)</b>
<b>Total</b>		<b>(30.1)</b>	<b>(35.0)</b>	<b>(35.6)</b>

<sup>1</sup> 2017 comparatives are adjusted for improved presentation purposes by €8.8m related to settlement of 2017 and 2016 Dutch tax.

### 26.1 Current tax assets

Tax periods that remain subject to examination range from 2012 up to and including 2018, across the various countries in which the Group operates.

Current tax assets arose as follows:

€m	2018	2017	2016
<b>At 1 January</b>	<b>1.2</b>	<b>1.0</b>	<b>0.8</b>
Payments	-	0.2	0.2
Receipts	(0.2)	-	-
<b>At period ended</b>	<b>1.0</b>	<b>1.2</b>	<b>1.0</b>

## 26.2 Current tax liabilities

Current tax liability arose as follows

€m	Note	2018	2017	2016
<b>At 1 January</b>		<b>9.8</b>	<b>3.2</b>	<b>2.3</b>
Current period charge	a	10.1	5.2	3.7
Payments		(11.3)	(2.5)	(1.0)
Receipts		0.1	0.3	0.3
Other tax benefits		(0.6)	-	(0.6)
Adjustment to prior periods	20.1	(0.6)	3.3	(1.5)
Business combinations	7	0.4	-	0.5
Foreign exchange movements		(0.1)	0.3	(0.4)
<b>At period ended</b>		<b>7.8</b>	<b>9.8</b>	<b>3.2</b>

Cube Transportation Europe Coöperatief U.A. ("Dutch Holding") is the Dutch tax fiscal unity header for all of our Dutch resident entities and immediate parent of the Group.

### a) Current period charge

€m	Note	2018	2017	2016
Non-exceptional		10.2	6.6	3.7
Exceptional		(0.1)	(1.4)	-
<b>Total</b>		<b>10.1</b>	<b>5.2</b>	<b>3.7</b>

## 26.3 Deferred tax assets

Deferred tax assets consist of:

€m	Note	2018	2017	2016
Fleet		29.1	29.6	30.3
Intangibles		0.5	0.4	0.2
PP&E		0.5	0.7	0.6
Trade and other receivables		0.6	0.6	0.4
Borrowings		2.3	3.8	4.9
Provisions		0.1	0.1	0.2
Trade and other payables		1.8	2.1	2.9
Net operating losses	26.8	20.7	20.0	23.0
<b>Deferred tax assets before provisions</b>	<b>26.8</b>	<b>55.6</b>	<b>57.3</b>	<b>62.5</b>
Provisions on net operating losses and tax credits	26.8	(14.2)	(16.4)	(17.9)
Provisions on other temporary differences	26.8	(28.5)	(29.2)	(31.2)
<b>Provisions on deferred tax assets</b>		<b>(42.7)</b>	<b>(45.6)</b>	<b>(49.1)</b>
<b>Deferred tax assets after provisions</b>	<b>26.8</b>	<b>12.9</b>	<b>11.7</b>	<b>13.4</b>
Allowable offset against deferred tax liabilities	26.4	(8.4)	(6.2)	(8.8)
<b>Net deferred tax assets after provisions and allowance offset</b>		<b>4.5</b>	<b>5.5</b>	<b>4.6</b>

## 26.4 Deferred tax liabilities

Deferred tax liabilities consist of:

€m	Note	2018	2017	2016
Fleet		(27.8)	(28.1)	(34.0)
Intangible assets		(7.6)	(8.6)	(9.4)
Trade and other payables		(0.8)	(1.4)	(3.4)
<b>Deferred tax liabilities</b>	<b>26.8</b>	<b>(36.2)</b>	<b>(38.1)</b>	<b>(46.8)</b>
Allowable offset against deferred tax assets	26.3	8.4	6.2	8.8
<b>Net deferred tax liabilities after allowable offset</b>		<b>(27.8)</b>	<b>(31.9)</b>	<b>(38.0)</b>



## 26.5 Net deferred tax

Net deferred tax assets/(liabilities) arose as follows:

€m	Note	2018	2017	2016
<b>At 1 January</b>		<b>(26.4)</b>	<b>(33.4)</b>	<b>(2.6)</b>
Tax rate changes	20.1	2.0	2.0	(0.2)
Deferred taxation for the period	20.1	4.2	0.6	(8.8)
Adjustment to prior periods		(0.4)	3.6	(2.2)
Business combinations	7	(3.2)	-	(19.8)
Foreign exchange movement		0.5	0.8	0.2
<b>At period ended</b>		<b>(23.3)</b>	<b>(26.4)</b>	<b>(33.4)</b>

## 26.6 Deferred taxation for the period

<b>2018</b>				
€m	Note	Non-exceptional	Exceptional	Total
Fleet		(0.1)	-	(0.1)
Borrowings		(2.1)	0.7	(1.4)
Trade and other payables		0.4	-	0.4
Net operating losses		2.5	-	2.5
<b>Deferred tax assets before provisions</b>		<b>0.7</b>	<b>0.7</b>	<b>1.4</b>
Provisions on net operating losses and tax credits		(0.4)	1.0	0.6
Provisions on other temporary differences		0.3	0.2	0.5
<b>Provisions on deferred tax assets</b>		<b>(0.1)</b>	<b>1.2</b>	<b>1.1</b>
<b>Deferred tax assets after provisions</b>		<b>0.6</b>	<b>1.9</b>	<b>2.5</b>
Fleet		1.1	-	1.1
Intangible assets		0.3	-	0.3
Trade and other payables		0.3	-	0.3
<b>Deferred tax liabilities</b>		<b>1.7</b>	<b>-</b>	<b>1.7</b>
<b>Deferred taxation for the period</b>	<b>26.5</b>	<b>2.3</b>	<b>1.9</b>	<b>4.2</b>

<b>2017</b>				
€m	Note	Non-exceptional	Exceptional	Total
Fleet		(1.1)	-	(1.1)
Borrowings		(1.2)	-	(1.2)
Trade and other payables		(0.2)	0.2	-
Net operating losses		(0.4)	-	(0.4)
<b>Deferred tax assets before provisions</b>		<b>(2.9)</b>	<b>0.2</b>	<b>(2.7)</b>
Provisions on net operating losses and tax credits		-	0.4	0.4
Provisions on other temporary differences		0.4	1.6	2.0
<b>Provisions on deferred tax assets</b>		<b>0.4</b>	<b>2.0</b>	<b>2.4</b>
<b>Deferred tax assets after provisions</b>		<b>(2.5)</b>	<b>2.2</b>	<b>(0.3)</b>
Fleet		2.3	-	2.3
Intangible assets		0.5	-	0.5
Trade and other payables		(1.9)	-	(1.9)
<b>Deferred tax liabilities</b>		<b>0.9</b>	<b>-</b>	<b>0.9</b>
<b>Deferred taxation for the period</b>	<b>26.5</b>	<b>(1.6)</b>	<b>2.2</b>	<b>0.6</b>

## 26.7 Adjustments to prior periods

2016				
€m	Note	Non-exceptional	Exceptional	Total
Fleet		(2.3)	-	(2.3)
Borrowings		(1.3)	-	(1.3)
Trade and other payables		1.0	-	1.0
Net operating losses		(0.8)	-	(0.8)
<b>Deferred tax assets before provisions</b>		<b>(3.4)</b>	<b>-</b>	<b>(3.4)</b>
Provisions on net operating losses and tax credits		(1.0)	(4.6)	(5.6)
Provisions on other temporary differences		1.0	-	1.0
<b>Provisions on deferred tax assets</b>		<b>-</b>	<b>(4.6)</b>	<b>(4.6)</b>
<b>Deferred tax assets after provisions</b>		<b>(3.4)</b>	<b>(4.6)</b>	<b>(8.0)</b>
Fleet		(0.9)	-	(0.9)
Intangible assets		0.5	-	0.5
Trade and other payables		(0.4)	-	(0.4)
<b>Deferred tax liabilities</b>		<b>(0.8)</b>	<b>-</b>	<b>(0.8)</b>
<b>Deferred taxation for the period</b>	<b>26.5</b>	<b>(4.2)</b>	<b>(4.6)</b>	<b>(8.8)</b>

€m	Note	2018	2017	2016
Fleet		0.2	1.7	(3.7)
PP&E		(0.4)	0.1	0.3
Intangibles		0.4	0.3	(0.3)
Trade and other receivables		-	0.2	0.2
Borrowings		-	-	-
Provisions		-	(0.1)	-
Trade and other payables		(0.4)	2.9	(0.1)
Net operating losses		(1.1)	(1.4)	1.4
<b>Deferred taxes before provisions</b>		<b>(1.3)</b>	<b>3.7</b>	<b>(2.2)</b>
Provision on net operating losses and tax credits		0.9	0.6	0.3
Provision on other temporary differences		-	(0.7)	(0.3)
<b>Provisions on deferred taxes</b>		<b>0.9</b>	<b>(0.1)</b>	<b>-</b>
<b>Total</b>	<b>26.5</b>	<b>(0.4)</b>	<b>3.6</b>	<b>(2.2)</b>
Non-exceptional		(0.4)	3.6	(2.2)
Exceptional		-	-	-
<b>Total</b>		<b>(0.4)</b>	<b>3.6</b>	<b>(2.2)</b>

## 26.8 Overview of the profit before tax (PBT) and tax values of all deferred tax assets and liabilities, related expiries and provisions

€m	Note	2018 PBT	Tax	2017 PBT	Tax	2016 PBT	Tax
One year		-	-	-	-	-	-
Two and five years		-	-	1.7	0.3	2.2	0.4
Five and ten years		0.4	0.1	1.4	0.3	2.5	0.5
Longer than ten years		2.2	0.5	1.1	0.3	-	-
Unlimited		90.6	20.1	77.6	19.1	81.2	22.0
<b>Net operating losses</b>	<b>26.3</b>	<b>93.2</b>	<b>20.7</b>	<b>81.8</b>	<b>20.0</b>	<b>85.9</b>	<b>22.9</b>
One year		48.7	11.0	61.6	14.4	68.1	16.1
Two and five years		108.9	23.9	104.2	22.9	105.8	23.5
Five and ten years		-	-	-	-	-	-
Longer than ten years		-	-	-	-	-	-
Unlimited		-	-	-	-	-	-
<b>Deductible temporary differences</b>		<b>157.6</b>	<b>34.9</b>	<b>165.8</b>	<b>37.3</b>	<b>173.9</b>	<b>39.6</b>
<b>Gross deferred tax assets</b>	<b>26.3</b>	<b>250.8</b>	<b>55.6</b>	<b>247.6</b>	<b>57.3</b>	<b>259.8</b>	<b>62.5</b>
One year		-	-	-	-	-	-
Two and five years		-	-	1.5	0.3	1.0	0.2
Five and ten years		0.4	0.1	1.4	0.3	2.4	0.5
Longer than ten years		1.1	0.2	-	-	-	-
Unlimited		58.6	13.9	65.6	15.8	71.2	17.2
<b>Provisions on net operating losses</b>	<b>26.3</b>	<b>60.1</b>	<b>14.2</b>	<b>68.5</b>	<b>16.4</b>	<b>74.6</b>	<b>17.9</b>
One year		28.7	6.3	30.2	6.7	37.5	8.5
Two and five years		101.8	22.2	101.8	22.5	102.3	22.7
Five and ten years		-	-	-	-	-	-
Longer than ten years		-	-	-	-	-	-
Unlimited		-	-	-	-	-	-
<b>Provisions on other temporary differences</b>	<b>26.3</b>	<b>130.5</b>	<b>28.5</b>	<b>132.0</b>	<b>29.2</b>	<b>139.8</b>	<b>31.2</b>
One year		20.0	4.7	31.4	7.7	30.6	7.6
Two and five years		7.1	1.7	2.6	0.4	4.7	1.0
Five and ten years		-	-	-	-	0.1	-
Longer than ten years		1.1	0.3	1.1	0.3	-	-
Unlimited		32.0	6.2	12.0	3.3	10.0	4.8
<b>Deferred tax assets after provisions</b>	<b>26.3</b>	<b>60.2</b>	<b>12.9</b>	<b>47.1</b>	<b>11.7</b>	<b>45.4</b>	<b>13.4</b>
One year		32.3	7.1	32.8	8.0	45.6	12.4
Two and five years		90.9	21.1	92.8	22.7	102.4	27.0
Five and ten years		-	-	-	-	-	-
Longer than ten years		7.9	2.0	-	-	-	-
Permanent		29.5	6.0	29.5	7.4	29.5	7.4
<b>Deferred tax liabilities</b>	<b>26.4</b>	<b>160.6</b>	<b>36.2</b>	<b>155.1</b>	<b>38.1</b>	<b>177.5</b>	<b>46.8</b>

The above deferred tax liabilities will reverse over time and arose principally from the use of accelerated depreciation and capital allowances. The permanent deferred tax liability relates to the TIP Trailer Services brand (refer to note 24).

#### Tax management

The Group has deferred tax assets primarily resulting from net operating losses carried forward and temporary differences that may reduce taxable profit in future periods. The realisation of these deferred tax assets depends on the Group's ability to generate sufficient taxable profit within the carried forward periods provided for in the tax law of each applicable tax jurisdiction.

The following possible sources of taxable profit have been considered when assessing the realisation of the deferred tax assets:

- Forecasted future profit before tax and taxable profit
- Future reversal of temporary differences
- Scheduled reversal of deferred tax liabilities
- Tax planning strategies

The EMT considers that it is likely that some portion or all of the deferred tax assets will not be realised particularly related to the period before HNA ownership, and due to the forecasted profit before tax in some countries.

## 27. Inventories

€m	Note	2018	2017	2016
<b>At 1 January</b>		<b>1.6</b>	<b>2.4</b>	<b>5.9</b>
Additions	22	4.9	12.7	6.7
Business combinations	7	-	-	-
Disposals		(5.2)	(13.5)	(10.2)
<b>Fleet held for sale</b>		<b>1.3</b>	<b>1.6</b>	<b>2.4</b>
<b>At 1 January</b>		<b>1.8</b>	<b>7.8</b>	<b>-</b>
Additions		13.0	12.4	6.7
Business combinations	7	-	-	3.7
Disposals		(13.9)	(18.4)	(2.6)
<b>Buy to sell</b>		<b>0.9</b>	<b>1.8</b>	<b>7.8</b>
<b>At 1 January</b>		<b>7.8</b>	<b>4.9</b>	<b>1.9</b>
Additions		18.8	11.6	7.2
Business combinations	7	1.2	0.5	1.2
Used		(19.4)	(9.2)	(5.4)
<b>Parts</b>		<b>8.4</b>	<b>7.8</b>	<b>4.9</b>
<b>Total</b>		<b>10.6</b>	<b>11.2</b>	<b>15.1</b>

Fleet held for sale is fleet reclassified after the EMT took a decision to dispose of this equipment. Buy to sell are trailers, tankers and trucks purchased to resell. The Group entered this activity through its acquisitions of Best of, Williams Tanker Services Limited and TIP Trailer Services THT B.V. (previous name - Twan Heetkamp Trailers B.V.) in 2016.

## 28. Trade and other receivables

€m	Note	2018	2017	2016
Trade receivables		86.3	70.4	73.9
Allowance for expected credit losses	28.1	(4.5)	(2.8)	(3.5)
<b>Non-impaired trade receivables</b>		<b>81.8</b>	<b>67.6</b>	<b>70.4</b>
HNA receivables	37	-	20.2	17.7
Global TIP Holdings One B.V. receivables	37	-	5.1	3.7
VAT receivables		12.0	16.4	19.7
Unbilled lease revenue		5.9	7.6	6.5
Prepayments - property		2.1	1.9	1.9
Prepayments - other		4.2	3.8	3.8
PP&E work in progress	28.2	0.4	0.7	0.1
Software work in progress	28.3	-	0.5	2.5
Other		1.0	1.4	1.9
Unallocated cash		(0.9)	-	(5.7)
<b>Total</b>		<b>106.5</b>	<b>125.2</b>	<b>122.5</b>

Trade receivables and unbilled lease revenue are non-interest bearing and are generally on 30 day terms. VAT receivables are fully recoverable. Prepayments (mainly operating expenses) are attributable to subsequent periods and mature within one year.

HNA receivables related to fees for management services and advertising provided by the Group. The Global TIP Holdings One B.V. receivable related to amounts due relating to the 2013 HNA/GE acquisition closing process, as well as acquisition and integration support services provided by the Group during 2017 to its then parent for a non-TIP Trailer Services related acquisition. These receivables were settled in full on 31 July 2018, when the Group made a share premium distribution for an amount equivalent to the receivables outstanding and exchanged its right to receive the repayment of these receivables for the equivalent share premium distribution payment due. Refer to note 35 and 37.

## Trade receivables and credit risk policies

Refer to note 40.4 on credit risk for trade receivables, which explains how the Group manages and measures credit quality of trade receivables that are neither past due nor impaired.

### 28.1 Allowance for expected credit losses on trade receivables

€m	Note	Individually impaired	Collectively impaired	Total
<b>At 1 January 2016</b>		<b>3.8</b>	<b>0.2</b>	<b>4.0</b>
Charge for the period	9	(0.4)	(0.4)	(0.8)
Trade receivables written off		(0.2)	0.5	0.3
<b>At 31 December 2016</b>		<b>3.2</b>	<b>0.3</b>	<b>3.5</b>
Charge for the period	9	0.4	0.2	0.6
Trade receivables written off		(1.2)	(0.1)	(1.3)
<b>At 31 December 2017</b>		<b>2.4</b>	<b>0.4</b>	<b>2.8</b>
Charge for the period	9	1.9	0.2	2.1
Trade receivables written off		(0.4)	-	(0.4)
<b>At 31 December 2018</b>		<b>3.9</b>	<b>0.6</b>	<b>4.5</b>

These expenses arise due to the recognition of impairment charges of non-derivative financial assets (trade receivables) with fixed or determinable payment.

### Ageing analysis

At the end of the reporting period, the ageing analysis of non-impaired trade receivables is as follows:

Trade receivables at 31 December							
€m	Total	Neither past due or impaired	Past due but not impaired				
			1-30 days	31-60 days	61-90 days	91-120 days	>120 days
2018	81.8	59.2	11.5	6.2	2.2	2.2	0.5
2017	67.5	54.0	7.1	3.8	0.9	0.6	1.1
2016	70.4	55.9	9.7	2.9	0.8	0.5	0.6



## 28.2 PP&E work in progress

€m	Note	2018	2017	2016
At 1 January		0.7	0.1	0.7
Additions		6.3	6.1	15.6
Capitalised	23	(6.6)	(5.5)	(16.2)
At 31 December	28	0.4	0.7	0.1

## 28.3 Software work in progress

€m	Note	2018	2017	2016
At 1 January		0.5	2.5	0.5
Additions		5.2	0.8	2.3
Capitalised	24	(5.7)	(2.8)	(0.3)
At 31 December	28	-	0.5	2.5

## 29. Cash and equivalents

€m	2018	2017	2016
Cash at banks and on hand	11.1	18.7	15.2
Cash at banks restricted	-	-	1.4
<b>Total</b>	<b>11.1</b>	<b>18.7</b>	<b>16.6</b>

Cash at banks restricted related principally to amounts held by banks as collateral on direct debit receipts.

## 30. Borrowings

2018						
€m	Note	RCF	ABS	FLB - FL	TL	Total
At 1 January		537.0	77.4	40.5	9.0	663.9
Drawdowns		207.0	6.5	16.5	-	230.0
Business combinations	7	-	-	34.8	-	34.8
Repayments		(95.0)	(10.4)	(20.0)	(4.5)	(129.9)
Gross face value at period end		649.0	73.5	71.8	4.5	798.8
Foreign exchange movements		(5.0)	(0.5)	(0.2)	(0.1)	(5.8)
Gross at period end after foreign exchange		644.0	73.0	71.6	4.4	793.0
Accrued interest/commitment fees	30.1	2.6	-	-	-	2.6
Deferred fees	30.2	-	-	-	-	-
<b>Total</b>		<b>646.6</b>	<b>73.0</b>	<b>71.6</b>	<b>4.4</b>	<b>795.6</b>
Current		646.6	73.0	23.6	-	743.2
Non-current		-	-	48.0	4.4	52.4

<b>2017</b>						
€m	Note	RCF	ABS	FLB - FL	TL	Total
<b>At 1 January</b>		<b>479.3</b>	<b>69.4</b>	<b>45.3</b>	<b>4.1</b>	<b>598.1</b>
Drawdowns		173.4	9.6	12.5	6.0	201.5
Business combinations	7	-	-	-	-	-
Repayments		(109.5)	-	(17.0)	(0.9)	(127.4)
<b>Gross face value at period end</b>		<b>543.2</b>	<b>79.0</b>	<b>40.8</b>	<b>9.2</b>	<b>672.2</b>
Foreign exchange movements		(6.2)	(1.6)	(0.3)	(0.2)	(8.3)
<b>Gross at period end after foreign exchange</b>		<b>537.0</b>	<b>77.4</b>	<b>40.5</b>	<b>9.0</b>	<b>663.9</b>
Accrued interest/commitment fees	30.1	2.1	-	-	-	2.1
Deferred fees	30.2	(5.5)	-	-	-	(5.5)
<b>Total</b>		<b>533.6</b>	<b>77.4</b>	<b>40.5</b>	<b>9.0</b>	<b>660.5</b>
Current		2.1	-	13.8	4.1	20.0
Non-current		531.5	77.4	26.7	4.9	640.5

<b>2016</b>						
€m	Note	RCF	ABS	FLB - FL	TL	Total
<b>At 1 January</b>		<b>370.6</b>	<b>37.3</b>	<b>9.8</b>	<b>-</b>	<b>417.7</b>
Drawdowns		223.8	35.5	6.8	0.6	266.7
Business combinations	7	-	-	32.3	3.5	35.8
Repayments		(103.5)	-	(3.0)	-	(106.5)
<b>Gross face value at period end</b>		<b>490.9</b>	<b>72.8</b>	<b>45.9</b>	<b>4.1</b>	<b>613.7</b>
Foreign exchange movements		(11.6)	(3.4)	(0.6)	-	(15.6)
<b>Gross at period end after foreign exchange</b>		<b>479.3</b>	<b>69.4</b>	<b>45.3</b>	<b>4.1</b>	<b>598.1</b>
Accrued interest/commitment fees	30.1	2.1	-	-	-	2.1
Deferred fees	30.2	(8.2)	-	-	-	(8.2)
<b>Total</b>		<b>473.2</b>	<b>69.4</b>	<b>45.3</b>	<b>4.1</b>	<b>592.0</b>
Current		2.1	69.4	1.0	-	72.5
Non-current		471.1	-	44.3	4.1	519.5

### 30.1 The movement on the accrued interest and commitment fees was as follows:

€m	Note	RCF	ABS	FLB - FL	TL	Total
<b>At 1 January 2016</b>	<b>30</b>	<b>(1.3)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1.3)</b>
Commitment fees	19	(1.7)	(0.2)	-	-	(1.9)
Interest cost	19	(12.5)	(1.3)	(0.5)	-	(14.3)
Payments		13.4	1.5	0.5	-	15.4
<b>At 31 December 2016</b>	<b>30</b>	<b>(2.1)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2.1)</b>
Commitment fees	19	(1.2)	(0.1)	-	-	(1.3)
Interest cost	19	(15.5)	(1.5)	(1.3)	(0.4)	(18.7)
Payments		16.7	1.6	1.3	0.4	20.0
<b>At 31 December 2017</b>	<b>30</b>	<b>(2.1)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2.1)</b>
Commitment fees	19	(0.8)	-	-	-	(0.8)
Interest cost	19	(18.5)	(1.4)	(1.7)	(0.3)	(21.9)
Payments		18.8	1.4	1.7	0.3	22.2
<b>At 31 December 2018</b>	<b>30</b>	<b>(2.6)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2.6)</b>

### 30.2 The movement of deferred fees was as follows:

€m	Note	RCF	ABS	FLB - FL	TL	Total
<b>At 1 January 2016</b>	<b>30</b>	<b>10.9</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10.9</b>
Amortisation	19	(2.7)	-	-	-	(2.7)
Exceptional amortisation	21	-	-	-	-	-
<b>At 31 December 2016</b>	<b>30</b>	<b>8.2</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8.2</b>
Amortisation	19	(2.7)	-	-	-	(2.7)
Exceptional amortisation	21	-	-	-	-	-
<b>At 31 December 2017</b>	<b>30</b>	<b>5.5</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5.5</b>
Amortisation	19	(2.7)	-	-	-	(2.7)
Exceptional amortisation	21	(2.8)	-	-	-	(2.8)
<b>At 31 December 2018</b>	<b>30</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

The deferred fees are amortised using the EIR method over the term of the related loans.

### 30.3 Overview of principal borrowing facilities

#### Revolving credit facility (RCF)

On 31 December 2014 the Group signed a financing facility agreement which was drawn down on 3 February 2015 to repay its former HNA acquisition financing. This financing was a club deal with a consortium of banks providing a €300m multicurrency revolving credit facility with a 0% ibor floor. This facility was due to mature on 31 December 2019. On 31 March 2015, the Group increased the facility by €75m to €375m under an accordion clause to the agreement. On 1 December 2015, the Group successfully expanded the consortium of banks and obtained an increase to the facility by €225m to €600m. On 31 May 2017, the Group increased the facility by a further €100m under an accordion clause to the agreement. These changes were accounted for as modifications, all material terms remaining the same.

The Group could draw funds under the facility in €, £, US\$, CA\$, SEK and NOK. The Group could elect to pay interest on a 1, 3 or 6 month basis. The Group's policy is to normally pay on a three month basis.

The interest rate spread varied quarterly on the basis of the ratio of loan outstanding compared with certain loan collateral ("loan to value") between 2.4% and 3.0%. During 2018, the Group paid an average spread of 2.7% (2017: 2.7%, 2016: 2.7%).

This financing required the Group to comply with the following financial covenants:

- Solvency (equity-HNA loans- intangibles- deferred taxes)/(total assets-HNA loans-intangibles-deferred taxes)
- Interest cover (the ratio of operating profit (excluding exceptional items) to cash finance charges)
- Loan to value (the ratio of aggregate borrowings outstanding to borrowing base)

The Group was also required to hedge the related interest payments using floating to fixed interest rate swaps. A minimum of 33.3% of the available

facility was required to be hedged for 3 years, with a further minimum of 33.3% required to be hedged for 5 years, both commencing from the signing of the agreement.

The Group fully complied with these covenants in all periods.

The majority of the assets of the Group before 4 February 2019 were pledged as collateral with respect to these borrowings. Please refer to commitments and contingencies in note 38.

On 20 December 2018 the Group signed an agreement to refinance the above loan facilities with a new financing facility which was drawn down on 4 February 2019. The new financing is a club deal with a consortium of banks providing a €967m multicurrency revolving credit facility. This facility matures on 31 December 2023 and can be extended up to an additional 2 years post 31 December 2023. The facility also includes an accordion of €300m.

The Group may draw funds under the facility in €, £, US\$, CA\$, SEK, NOK, PLN, CHF and DKK. The Group may elect to pay interest on a 1, 3 or 6 month basis. The Group's policy is to normally pay on a three month basis.

The interest rate spread varies quarterly on the basis of the ratio of loan outstanding compared with certain loan collateral ("loan to value") between 1.50% and 2.10%. There is a 0% ibor floor applicable to the facility.

The Group is required to comply with the following financial covenants after IFRS-16 adjustments have been applied:

- Solvency (equity-intangibles-deferred taxes)/(total assets-intangibles-deferred taxes)
- Interest cover (the ratio of operating profit (excluding exceptional items) to cash finance charges)
- Loan to value (the ratio of aggregate borrowings outstanding to borrowing base)

The Group is required to hedge the related interest payments using floating to fixed interest rate swaps. A minimum of 33.3% of the drawdown loan is required to be hedged for 5 years, no later than 60 days after the signing of the agreement. The Group is allowed to carry forward its existing hedging agreements at the time of the refinancing and will be taken into consideration for the minimum hedging requirement.

The majority of the assets of the Group are pledged as collateral with respect to these borrowings. Please refer to commitments and contingencies in note 38.

As a consequence of this refinancing the expected remaining tenor of the original loans was revised resulting in exceptional financing charges as set out in this note and in notes 19 and 21.

#### Asset backed securitisation facility (ABS)

On 10 September 2014 the Group concluded a private financing transaction with a leading bank. This resulted in the establishment of TIP Trailer Lease Services B.V. (TTLS) which uses a securitisation structure common under Dutch law for operating lease securitisations. In 2015, the Group expanded the countries where it could use this facility to Denmark, Norway, Sweden, Finland, Belgium and Ireland, in addition to the Netherlands, France, Germany and the United Kingdom.

TTLS entered into a master agreement with TIP Trailer Services Management B.V. and its related Group entities (the “originator”). As a consequence of this agreement TTLS can buy future discounted cash flows of lease receivables and residual values from the originator as well as originate new operating lease receivables in its own right with the originator providing maintenance services for these leases and for acquired leases.

The originator has the right to acquire the equipment at the end of the lease term. The TTLS transaction created a cross border revolving securitisation facility. With this transaction TTLS concluded an asset backed securitisation (ABS) warehousing facility with a leading bank.

In September 2017 the Group entered into a committed senior facility of €100m with a margin of 1.70% which expires in March 2019. This facility has no interest rate floor and expansion to €300m is permitted under the RCF facilities agreement. This senior facility is a multicurrency facility which allows the Group to borrow in the major currencies in which it operates and requires interest rate hedges to be taken out to match the lease cash flows. Interest is payable on a monthly basis. €26.5m of the ABS facilities were undrawn at the end of 2018 (2017: €22.5m and 2016: €10.3m).

#### Funding lease book - finance leases (FLB - FL)

The Group has entered into or acquired via business combinations a number of finance lease contracts as a lessee, as below:

€m	Note	2018	2017	2016
<b>At 1 January</b>		<b>40.5</b>	<b>45.3</b>	<b>9.8</b>
Drawdowns		16.5	12.5	6.8
Business combinations	7	34.8	-	32.3
<b>Total drawdowns</b>		<b>91.8</b>	<b>57.8</b>	<b>48.9</b>
Repayments		(20.0)	(17.0)	(3.0)
<b>Gross face value at period end</b>		<b>71.8</b>	<b>40.8</b>	<b>45.9</b>
Foreign exchange movements		(0.2)	(0.3)	(0.6)
<b>At 31 December</b>		<b>71.6</b>	<b>40.5</b>	<b>45.3</b>

The average interest rate on these finance leases is 2.6% (2017: 2.7% and 2016: 2.9%).



The Groups obligations under finance leases are secured by the lessor's legal title to the leased assets. Future minimum payments together with the present value of the net minimum lease payments are as follows:

2018 €m	Total future minimum lease payments	Outstanding interest	PV of min. payments (principal amount)
Less than 1 year	25.1	1.5	23.6
Between 1 and 5 years	47.3	2.3	45.0
More than 5 years	3.2	0.2	3.0
<b>Total</b>	<b>75.6</b>	<b>4.0</b>	<b>71.6</b>
<b>2017</b>			
Less than 1 year	14.7	0.8	13.9
Between 1 and 5 years	25.9	1.0	24.9
More than 5 years	1.7	-	1.7
<b>Total</b>	<b>42.3</b>	<b>1.8</b>	<b>40.5</b>
<b>2016</b>			
Less than 1 year	14.4	1.0	13.4
Between 1 and 5 years	30.9	1.2	29.7
More than 5 years	2.2	-	2.2
<b>Total</b>	<b>47.5</b>	<b>2.2</b>	<b>45.3</b>

### Term loan facilities (TL)

The Group has the following term loans:

Loan	Country	Initial value	Rate	Interest variable(v)/ fixed(f)	Date	Tenor	Currency	Capital repayment	Capital provider
TL1	France	0.4m	0.8%	f	May 2016	5 years	€	Monthly	CIC
TL3	Canada	1.0m	5.5%	f	April 2017	4 years	CA\$	Monthly	FinLoc
TL4	Netherlands	1.0m	Euribor +2.1%	v	April 2017	5 years	€	Monthly	Rabobank
TL5	France	0.2m	0.9%	f	May 2017	5 years	€	Monthly	CIC
TL6	Canada	3.0m	Prime +0.45%	v	July 2017	3 years	US\$	Monthly	Bank of Nova Scotia
TL7	France	0.2m	Euribor +3.5%	v	Dec 2018	5 years	€	Quarterly	Groupe Simon

A term loan (TL2) of €3.5m payable to Monon in Canada was repaid in full in August, 2018.

## 31. Derivatives

It should be noted that while the Group use derivatives to mitigate interest rate risk and foreign currency risks from an economic perspective, these derivatives do not always qualify for hedge accounting, and in such cases, the unrealised gains and losses are recognised in the profit or loss.

Derivatives comprise instruments where changes in fair value may be recognized in the profit or loss, or in OCI:

€m	Note	2018	2017	2016
Recognised in profit or loss	31.1	1.0	1.4	2.4
Recognised in the OCI	31.2	-	0.2	1.1
<b>Total</b>		<b>1.0</b>	<b>1.6</b>	<b>3.5</b>
Current		0.9	1.2	1.9
Non-current		0.1	0.4	1.6

### 31.1 Derivatives with changes in fair value recognised in the profit or loss

€m	Note	2018	2017	2016
Foreign exchange forward	a	-	-	(0.1)
Interest rate swap	b	1.0	1.4	2.5
<b>Total</b>		<b>1.0</b>	<b>1.4</b>	<b>2.4</b>
Current		0.7	0.9	1.4
Non-current		0.3	0.5	1.0

a) In 2016 the Group entered into forward contracts in the UK to reduce the foreign exchange risk on certain € purchases. The majority of these forwards were designated as hedging instruments and fair value movements were deferred to OCI until the maturity of the transaction.

The underlying principal amount of these foreign exchange forward contracts is nil (2017: nil and 2016: €9.0m).

The foreign exchange forward contracts are the net undiscounted cash flows. However, those amounts may be settled gross or net.

The following table shows the corresponding reconciliation of those amounts to their carrying amount at period ended.

2018 €m	Less than 3 months	3 to 12 months	1 to 5 years	over 5 years	Total
Inflows	-	-	-	-	-
Outflows	-	-	-	-	-
<b>Net</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>2017</b>					
Inflows	-	-	-	-	-
Outflows	-	-	-	-	-
<b>Net</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>2016</b>					
Inflows	(6.1)	(2.9)	-	-	(9.0)
Outflows	6.0	2.9	-	-	8.9
<b>Net</b>	<b>(0.1)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(0.1)</b>

### b) Interest rate swaps

#### Revolving credit facility (RCF)

In February 2015, the existing € swaps, together with new € and £ swaps entered into during the period, were designated as hedge relationships for accounting purposes on the revolving credit facility loans. However during 2015 the majority of these € swaps were assessed as ineffective and movements in fair value were recognised in the profit or loss.

The underlying principal amount of these interest rate swaps at 31 December 2018 was €252.5m (2017: €295.0m and 2016: €295.0m).

#### Asset backed securitisation (ABS)

The Group is also required to enter into swaps in relation to its ABS facility. These swaps are not designated as hedge relationships and hence movements in fair value are recognised in the profit or loss.

The underlying principal amount of these interest rate swaps at 31 December 2018 was €57.0m (2017: €65.7m and 2016: €59.6m).

The movement of the interest rate swaps were as follows:

€m	Note	2018	2017	2016
<b>At 1 January</b>		<b>1.4</b>	<b>2.5</b>	<b>0.9</b>
Reclass to derivatives at fair value through the profit or loss from OCI		-	(0.4)	-
Movement in fair value through profit or loss	18,19	(0.4)	(0.7)	1.6
<b>At 31 December</b>		<b>1.0</b>	<b>1.4</b>	<b>2.5</b>

The interest rate swaps are the net undiscounted cash flows. However, those amounts may be settled gross or net. The following table shows the corresponding reconciliation of those amounts to their carrying amount at period ended:

<b>2018</b>					
€m	Less than 3 months	3 to 12 months	1 to 5 years	over 5 years	Total
Inflows	0.2	0.6	0.2	-	1.0
Outflows	-	(0.1)	0.1	-	-
<b>Net</b>	<b>0.2</b>	<b>0.5</b>	<b>0.3</b>	<b>-</b>	<b>1.0</b>
<b>2017</b>					
Inflows	0.2	0.5	0.2	-	0.9
Outflows	0.1	0.1	0.3	-	0.5
<b>Net</b>	<b>0.3</b>	<b>0.6</b>	<b>0.5</b>	<b>-</b>	<b>1.4</b>
<b>2016</b>					
Inflows	0.2	0.7	0.8	-	1.7
Outflows	0.1	0.1	0.6	-	0.8
<b>Net</b>	<b>0.3</b>	<b>0.8</b>	<b>1.4</b>	<b>-</b>	<b>2.5</b>

## 31.2 Derivatives with changes in fair value recognised in OCI

€m	Note	2018	2017	2016
<b>At 1 January</b>		<b>0.2</b>	<b>1.1</b>	<b>-</b>
Fair value during period		(0.2)	(0.9)	1.1
Reclass to derivatives at fair value through the profit or loss	31.1	-	-	-
<b>At 31 December</b>		<b>-</b>	<b>0.2</b>	<b>1.1</b>
Current		0.2	0.3	0.5
Non-current		(0.2)	(0.1)	0.6

Derivatives at fair value through OCI reflect the change in fair value of interest rate swaps, designated as cash flow hedges to hedge borrowings with floating rates.

The underlying principal amount of these interest rate swaps in 2018 was €218.4m (2017: €162.0m and 2016: €105.1m)

The interest rate swaps in the previous table are the net undiscounted cash flows. However, those amounts may be settled gross or net. The following table shows the corresponding reconciliation of those amounts to their carrying amount:

<b>2018</b>					
€m	Less than 3 months	3 to 12 months	1 to 5 years	over 5 years	Total
Inflows	(0.5)	(1.5)	(3.1)	-	(5.1)
Outflows	0.6	1.6	2.9	-	5.1
<b>Net</b>	<b>0.1</b>	<b>0.1</b>	<b>(0.2)</b>	<b>-</b>	<b>-</b>
<b>2017</b>					
Inflows	(0.3)	(0.7)	(1.7)	-	(2.7)
Outflows	0.4	0.9	1.6	-	2.9
<b>Net</b>	<b>0.1</b>	<b>0.2</b>	<b>(0.1)</b>	<b>-</b>	<b>0.2</b>
<b>2016</b>					
Inflows	(0.1)	(0.4)	(0.9)	-	(1.4)
Outflows	0.3	0.7	1.5	-	2.5
<b>Net</b>	<b>0.2</b>	<b>0.3</b>	<b>0.6</b>	<b>-</b>	<b>1.1</b>

### 31.3 Use of derivatives

The Group has relationships only with financial institutions with high credit ratings in respect of derivatives in order to minimise credit risk exposure.

## 32. Provisions

€m	Note	Restructuring	Other	Total
<b>At 1 January 2016</b>		<b>0.1</b>	<b>-</b>	<b>0.1</b>
Charge for the period	21	-	-	-
Utilised		(0.1)	-	(0.1)
<b>At 31 December 2016</b>		<b>-</b>	<b>-</b>	<b>-</b>
Charge for the period	21	3.5	2.7	6.2
Utilised		(2.0)	(0.2)	(2.2)
<b>At 31 December 2017</b>		<b>1.5</b>	<b>2.5</b>	<b>4.0</b>
Charge for the period	21	-	-	-
Utilised		(1.1)	(0.7)	(1.8)
<b>At 31 December 2018</b>		<b>0.4</b>	<b>1.8</b>	<b>2.2</b>
Current		0.4	0.7	1.1
Non-current		-	1.1	1.1

Restructuring provisions related to various reorganisations to improve efficiency, principally relating to headcount, deemed necessary over the periods. The prior and current period restructurings were/are planned to be completed within 12 months. Other provisions established in 2017 relate to a provision for an onerous IT contract in relation to project Matrix, the increased digitization of the core operational, maintenance and workshop process.

## 33. Trade and other payables<sup>1</sup>

€m	Note	2018	2017	2016
Accruals	33.1	44.5	36.8	34.5
Trade payables	33.2	24.1	22.9	44.5
Fleet payables	33.3	17.8	32.5	36.3
Other creditors	33.4	20.9	25.7	20.2
Deferred revenue	33.5	17.9	14.7	8.8
Security deposits		6.3	3.7	4.7
<b>Total</b>		<b>131.5</b>	<b>136.3</b>	<b>149.0</b>
Current		119.1	125.9	144.8
Non-current		12.4	10.4	4.2

<sup>1</sup> 2017 comparatives are adjusted for improved presentation purposes by €8.8m related to settlement of 2017 and 2016 Dutch tax.

Trade payables are non-interest bearing and are settled within agreed terms.

Fleet payables relate to outstanding purchase orders where the Group has entered into a contract to purchase fleet.

The Group requires security deposits to cover credit risk of customers with lower ratings or when exposure is high versus customer equity and cash flow coverage. They are returned if not used when all contracts related are paid in full by the customer. The Group may transfer the security deposit from one contract to the following contract with supporting documentation signed by the Group and the customer. Security deposits are requested at the beginning of a lease or rental from some customers according to the Group's risk management policies. They are held for various lengths of time.

### 33.1 Accruals

Accruals are comprised as follows:

€m	2018	2017	2016
Administrative and other operating expenses	14.2	10.5	10.5
M&R own fleet	11.0	10.0	9.5
Compensation and benefits	11.5	10.9	9.7
Deferred fleet sales proceeds	0.3	0.2	0.1
Property dilapidations	2.1	2.0	2.0
Insurance	0.9	1.2	1.0
Others	4.5	2.0	1.7
<b>Total</b>	<b>44.5</b>	<b>36.8</b>	<b>34.5</b>

M&R own fleet relates to services provided by 3rd parties who have not yet invoiced for services provided in maintaining the Group's trailers.

Compensation and benefits includes bonus and holiday pay provisions.

### 33.2 Trade payables

€m	2018	2017	2016
Operating expenses related	5.9	12.4	16.6
Maintenance related	23.2	16.1	29.0
Payments made not matched <sup>1</sup>	(5.0)	(5.6)	(1.1)
<b>Total</b>	<b>24.1</b>	<b>22.9</b>	<b>44.5</b>

<sup>1</sup> Predominantly direct debit payments made at the end of the period and not matched to invoices and/or invoices not received yet.

### 33.3 Fleet payables

Fleet payables arise as follows:

€m	Note	2018	2017	2016
<b>At 1 January</b>		<b>32.5</b>	<b>36.3</b>	<b>11.2</b>
Additions		259.0	219.5	294.5
Capitalised	22	(273.7)	(223.3)	(269.4)
<b>At 31 December</b>		<b>17.8</b>	<b>32.5</b>	<b>36.3</b>

### 33.4 Other creditors

€m	2018	2017	2016
VAT payable	13.7	19.3	13.5
Wages tax and social security	1.9	1.8	1.7
Net payroll liability	1.7	1.7	2.2
Prepaid fleet sales	2.5	1.8	1.6
Credit note provision	0.9	0.8	0.8
Other payables	0.2	0.3	0.4
<b>Total</b>	<b>20.9</b>	<b>25.7</b>	<b>20.2</b>

VAT payable liability position will be settled upon payment before the payment deadline, net of VAT receivable where applicable and offsetable (see note 28 for VAT receivables).

### 33.5 Deferred revenue

Deferred revenue is comprised as follows:

€m	Note	2018	2017	2016
Maintenance leasing	a	14.9	12.3	6.9
M&R 3rd party		0.4	0.4	0.4
Leasing and rental advance billing		2.6	2.0	1.5
<b>Total</b>		<b>17.9</b>	<b>14.7</b>	<b>8.8</b>
Current liabilities		5.5	4.3	4.6
Non-current liabilities		12.4	10.4	4.2

#### a) Maintenance leasing deferred revenue movement:

€m	Note	2018	2017	2016
<b>At 1 January</b>		<b>12.3</b>	<b>6.9</b>	<b>4.7</b>
Additions		5.4	6.4	3.5
Release		(2.8)	(1.0)	(1.3)
<b>At 31 December</b>		<b>14.9</b>	<b>12.3</b>	<b>6.9</b>

### 34. Pension obligations

The Group only operates defined contribution plans.

## 35. Equity

### 35.1 Issued capital

€	2018	2017	2016
Authorised shares			
Ordinary shares 1,000 of €0.01 each			
Ordinary shares issued and fully paid	10.0	10.0	10.0
At 1 January and 31 December	10.0	10.0	10.0

### 35.2 Share premium

€m	Note	2018	2017	2016
At 1 January		513.2	513.2	513.2
Increase	7	21.0	-	-
Distribution		(308.5)	-	-
At 31 December		225.7	513.2	513.2

On 10 July 2018 the Group acquired Grayrentals Ltd. Its net assets of €21m were contributed in exchange for share premium issued to the Group's then shareholder, HNA. Refer to note 7.

On 31 July 2018 the Group made a share premium distribution of €308.5m to its immediate parent to settle outstanding loans and trade receivables with the HNA Group. Refer to note 25, 28 and 37.

### 35.3 Retained earnings

€m	2018	2017	2016
At 1 January	72.7	49.4	33.8
Net profit for the period	23.3	23.3	15.6
At 31 December	96.0	72.7	49.4

### 35.4 Other reserves

€m	Note	Foreign currency translation	Cash flow hedge	Total
At 1 January 2016		(0.2)	(0.1)	(0.3)
Movement for the period		(5.5)	(1.1)	(6.6)
Tax impact	20.2	-	0.4	0.4
At 31 December 2016		(5.7)	(0.8)	(6.5)
Movement for the period		(2.5)	0.9	(1.6)
Tax impact	20.2	-	(0.2)	(0.2)
At 31 December 2017		(8.2)	(0.1)	(8.3)
Movement for the period		(4.1)	0.2	(3.9)
Tax impact	20.2	-	(0.1)	(0.1)
At 31 December 2018		(12.3)	-	(12.3)

### 35.5 Non-controlling interests

Non-controlling interests at 31 December 2018 is nil (2017: nil and 2016: €0.1m). The Group own 49% of Best of Pneu SARL in France and has control by virtue of contractual arrangements which give the Group power to direct the activities of the business. As the non-controlling interests are considered immaterial no further disclosures are made.



36. Group information<sup>1</sup><sup>1</sup> At 27 February 2019.<sup>2</sup> Balance of shares held by TIP Trailer Services Netherlands B.V.

### 37. Related party disclosures

a) Companies under common control outside the Group but within HNA.

The following table summarises current period transactions and outstanding balances:

€m Lender/Supplier	Borrower/debtor	Note	2018	2017	2016
<b>Current period transactions</b>					
TIP Trailer Services Management B.V.	HNA Group (International) Company Limited		1.1	3.1	5.4
TIP Trailer Services Management B.V.	HNA Group Co., LTD		2.6	5.0	3.3
TIP Trailer Services Management B.V.	Global TIP Holdings One B.V.		0.4	1.4	-
<b>Other revenue<sup>1</sup></b>			<b>4.1</b>	<b>9.5</b>	<b>8.7</b>
Global TIP Finance B.V.	HNA Group (International) Company Limited		6.3	10.6	11.4
Global TIP Holdings Two B.V.	Global TIP Holdings One B.V.		0.7	1.1	1.1
<b>Finance income</b>			<b>18</b>	<b>7.0</b>	<b>11.7</b>
<b>Total</b>			<b>11.1</b>	<b>21.2</b>	<b>21.2</b>
<b>Outstanding balances</b>					
Global TIP Finance B.V.	HNA Group (International) Company Limited		-	250.4	240.3
Global TIP Finance B.V.	Global TIP Holdings One B.V.		-	6.8	3.1
Global TIP Holdings Two B.V.	Global TIP Holdings One B.V.		-	21.0	21.0
Global TIP Finance B.V.	Global TIP Holdings Five B.V.		-	3.3	-
<b>Loan and interest receivables</b>			<b>25</b>	<b>-</b>	<b>281.5</b>
TIP Trailer Services Management B.V.	HNA Group (International) Company Limited	28	-	12.5	14.4
TIP Trailer Services Management B.V.	HNA Group Co., LTD	28	-	7.7	3.3
Global TIP Finance B.V.	Global TIP Holdings One B.V.	28	-	3.7	3.7
TIP Trailer Services Management B.V.	Global TIP Holdings One B.V.	28	-	1.4	-
<b>Trade and other receivables</b>			<b>-</b>	<b>25.3</b>	<b>21.4</b>
Groupe Simon	Best Of Pneu SARL	30	(0.2)	-	-
<b>Borrowings</b>			<b>(0.2)</b>	<b>-</b>	<b>-</b>
<b>Total</b>			<b>(0.2)</b>	<b>306.8</b>	<b>285.8</b>

<sup>1</sup> These related party transactions are included in other revenue in note 8.

On 23 October 2013, the Group entered into a contract with HNA Group (International) Company Limited (HNA-I) to provide strategic shareholder support, expertise and advise on global expansion and acquisitions.

As HNA-I grew its own expertise and resources, this support declined from 2017. The agreement was canceled on 30 June 2018.

On 1 January 2016, the Group entered into a 5 year contract with HNA Group Co., LTD for TIP to advertise HNA on its trailers up to maximum €5m per annum depending on the number of trailers where HNA advertising was placed. This agreement was canceled on 30 June 2018.

On 1 January 2017, the Group entered into a contract with Global TIP Holdings One B.V. to provide strategic shareholder support, expertise, advise, acquisition and integration support for its unsuccessful acquisition of the leading New Zealand asset finance company, UDC. This agreement was canceled on 30 June 2018.

On 31 July 2018 the Group made a share premium distribution of €308.5m to its immediate parent to settle the outstanding loans and trade receivables with the HNA Group. Refer to note 25, 28 and 35.

For details in relation to related party loans and finance income refer to note 25.

b) Compensation of key management personnel of the Group:

€m	2018	2017	2016
Short-term employee	4.9	4.9	5.1
Post-employment pension and medical	0.3	0.4	0.4
Restructuring	-	0.5	-
<b>Total</b>	<b>5.2</b>	<b>5.8</b>	<b>5.5</b>

The amounts disclosed in the table are recognised as an expense during the reporting period related to key management personnel. The SLT are considered to be the key management personnel of the Group.

The non-executive directors do not receive pension entitlements from the Group. No loans were advanced to directors or key management personnel.

## Terms and conditions of transactions with related parties

Transactions with related parties are made at terms equivalent to those that prevail in arm's length transactions. There have been no credit losses relating to the amount of outstanding balances.

## 38. Commitments and contingencies

### a) Assets pledged as collateral

Under the Group's various borrowing facilities referred to in note 30 the Group has pledged the following assets as security for these facilities:

#### Revolving credit facility (RCF)

The Group has pledged the assets below as security for this facility through fixed and floating charges:

€m	2018	2017	2016
Fleet	806.1	682.5	627.7
PP&E	67.5	66.8	69.7
<b>Non-current assets</b>	<b>873.6</b>	<b>749.3</b>	<b>697.4</b>
Inventories	10.6	11.2	15.1
Unbilled revenue	5.9	7.4	1.7
Trade receivables	77.3	60.5	68.6
Cash and equivalents	6.9	16.4	14.6
<b>Current assets</b>	<b>100.7</b>	<b>95.5</b>	<b>100.0</b>
<b>Total</b>	<b>974.3</b>	<b>844.8</b>	<b>797.4</b>

The Group has also pledged shares of some its operating companies.

The RCF facility allows for fleet and lease contracts to be pledged separately via an SPV for securitised financing, via lease facilities and other loan facilities up to certain stipulated levels.

### Asset back securitisation (ABS)

The Group has pledged the assets below as security for this facility through an SPV:

€m	2018	2017	2016
Fleet	94.6	92.3	83.4
<b>Non-current assets</b>	<b>94.6</b>	<b>92.3</b>	<b>83.4</b>
Trade receivables	3.4	3.2	2.5
Cash and equivalents	4.2	2.3	2.0
<b>Current assets</b>	<b>7.6</b>	<b>5.5</b>	<b>4.5</b>
<b>Total</b>	<b>102.2</b>	<b>97.8</b>	<b>87.9</b>

### Funding lease book - finance leases (FLB - FL)

The Group's obligations under finance leases are secured by the lessor's legal title to the leased assets below:

€m	2018	2017	2016
Fleet	92.1	61.2	64.3
<b>Non-current assets</b>	<b>92.1</b>	<b>61.2</b>	<b>64.3</b>
Trade receivables	5.6	4.1	0.5
<b>Current assets</b>	<b>5.6</b>	<b>4.1</b>	<b>0.5</b>
<b>Total</b>	<b>97.7</b>	<b>65.3</b>	<b>64.8</b>

### Term loan facilities (TL)

The Group has pledged the assets below as security for these facilities:

€m	2018	2017	2016
Fleet	4.3	4.3	-
PP&E	0.9	1.0	-
<b>Non-current assets</b>	<b>5.2</b>	<b>5.3</b>	<b>-</b>
Trade receivables	-	-	-
<b>Current assets</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>5.2</b>	<b>5.3</b>	<b>-</b>

### b) Operating lease commitments

The Group has entered into operating leases that can be broken down into the following main categories, fleet, land and buildings, motor vehicles and IT equipment.

Land and buildings operating leases have been entered into to support the office and branch network and can be classified as agreements that are either rolling three month, six month or one year contracts, or are for a fixed term ranging between one and thirty years. As at the end of the reporting period the average remaining life of the fixed leased contracts is nearly four years. The majority of property lease contracts include an early termination clause. At 31 December 2018, the Company does not intend to invoke any of these break clauses. Motor vehicles, IT equipment, fleet and other items of small machinery have an average life of between one and five years with no renewal option included in the contracts.

Lease commitments can be analysed as follows:

€m	Fleet	Land and buildings	Motor vehicles	IT equipment	Total
Within one year	10.1	11.8	2.0	0.3	24.2
After one year but not more than five years	24.8	35.1	1.4	0.2	61.5
After five years but not more than ten years	3.3	15.9	-	-	19.2
More than ten years	-	7.7	-	-	7.7
<b>At 31 December 2018</b>	<b>38.2</b>	<b>70.5</b>	<b>3.4</b>	<b>0.5</b>	<b>112.6</b>
Within one year	11.6	10.0	2.3	0.2	24.1
After one year but not more than five years	26.8	28.7	2.9	0.1	58.5
After five years but not more than ten years	5.9	16.3	-	-	22.2
More than ten years	-	6.7	-	-	6.7
<b>At 31 December 2017</b>	<b>44.3</b>	<b>61.7</b>	<b>5.2</b>	<b>0.3</b>	<b>111.5</b>
Within one year	9.1	10.2	2.4	0.2	21.9
After one year but not more than five years	20.0	29.3	3.9	0.1	53.3
After five years but not more than ten years	4.6	20.6	-	-	25.2
More than ten years	-	4.9	-	-	4.9
<b>At 31 December 2016</b>	<b>33.7</b>	<b>65.0</b>	<b>6.3</b>	<b>0.3</b>	<b>105.3</b>

Change in lease commitments in 2018 versus prior period is as follows:

€m	Fleet	Land and buildings	Motor vehicles	IT equipment	Total
Acquisitions	-	-	-	-	-
Organic	(6.1)	8.8	(1.8)	0.2	1.1
<b>Total</b>	<b>(6.1)</b>	<b>8.8</b>	<b>(1.8)</b>	<b>0.2</b>	<b>1.1</b>

Change in lease commitments in 2017 versus prior period is as follows:

€m	Fleet	Land and buildings	Motor vehicles	IT equipment	Total
Acquisitions	-	2.6	-	-	2.6
Organic	10.6	(5.8)	(1.2)	-	3.6
<b>Total</b>	<b>10.6</b>	<b>(3.2)</b>	<b>(1.2)</b>	<b>-</b>	<b>6.2</b>

Change in lease commitments in 2016 versus prior period is as follows:

€m	Fleet	Land and buildings	Motor vehicles	IT equipment	Total
Acquisitions	-	13.9	0.3	-	14.2
Organic	3.2	3.2	1.4	(0.3)	7.5
<b>Total</b>	<b>3.2</b>	<b>17.1</b>	<b>1.7</b>	<b>(0.3)</b>	<b>21.7</b>

#### Fleet

Lease in costs incurred from operating leases of equipment, which are then leased to our customers. Lease terms vary per contract. Interest rates on operating leases range from 4% to 8%.

For the number of lease in units at 31 December, see note 22.

#### c) Capital commitments

€m	2018	2017	2016
Fleet	80.8	101.5	71.7
PP&E	7.0	3.3	-
<b>Total</b>	<b>87.8</b>	<b>104.8</b>	<b>71.7</b>
Number of fleet units	2,535	3,507	2,048

#### d) Guarantees

The Group has the following outstanding guarantees that have not been provided for in the financial statements:

€m	2018	2017	2016
Residual value guarantee	-	-	-
Office/workshop related	0.9	4.6	4.8
Tax authorities	-	5.0	5.0
Lease in	32.2	8.5	9.1
<b>Total</b>	<b>33.1</b>	<b>18.1</b>	<b>18.9</b>

TIP Holdings (UK) Limited changed its tax residency to the Netherlands with effect from 23 October 2013. In 2015 the Group issued a guarantee amounting to €5.0m to the HM Revenue & Customs in the United Kingdom in relation to this change. This guarantee was returned and cancelled on 31 May 2018. TIP Holdings (UK) Limited was subsequently merged with Global TIP Holdings Two B.V. on 3 December 2018.

All guarantees, except for the guarantee to the tax authorities, are issued in the normal course of business.

The expiration period of these guarantees are as follows:

€m	2018	2017	2016
2018	-	4.0	4.2
2019	0.2	0.2	0.2
2020	1.8	-	-
2021	1.0	0.2	0.2
2022	1.1	-	-
2023+	29.0	13.7	14.3
<b>At 31 December</b>	<b>33.1</b>	<b>18.1</b>	<b>18.9</b>

#### e) Off balance sheet escrows

There is €0.8m in escrow in relation to the GE sale of the Group to HNA.

These amounts relate to claims the Group may have for tax audits for periods prior to 23 October 2013.

#### f) Legal claims

For all periods, the Group had no material legal claims outstanding at 31 December.



### 39. Committed revenue

At the end of the reporting period, the Group's has committed revenue from operating leases with customers for whom the contract term was greater than 12 months. The contractually committed revenue can be split into leasing and M&R 3rd party as follows:

€m	Leasing	M&R 3rd party	Total
2019	202.1	19.8	221.9
2020	158.3	17.1	175.4
2021	120.6	14.3	134.9
2022	82.4	11.4	93.8
2023	48.2	8.9	57.1
2024+	43.4	8.5	51.9
<b>At 31 December 2018</b>	<b>655.0</b>	<b>80.0</b>	<b>735.0</b>
2018	171.4	18.1	189.5
2019	133.3	12.2	145.5
2020	106.3	9.6	115.9
2021	78.0	8.1	86.1
2022	48.5	7.9	56.4
2023+	46.0	11.5	57.5
<b>As of 31 December 2017</b>	<b>583.5</b>	<b>67.4</b>	<b>650.9</b>
2017	152.2	23.0	175.2
2018	115.0	15.1	130.1
2019	89.5	9.9	99.4
2020	71.1	6.9	78.0
2021	48.5	5.6	54.1
2022+	53.2	13.0	66.2
<b>At 31 December 2016</b>	<b>529.5</b>	<b>73.5</b>	<b>603.0</b>

In addition, the Group has substantial operational committed cash flows from customers. This is driven by the customer's contractual commitments with their end users for the Group's fleet. Often customers cannot quickly change to other suppliers without costly disruption to the supply chain. Customers, therefore, continue to use and pay the same lease rate post the end of the contracted period through evergreens. In addition, many customers enter into contract extensions for additional periods which are often for two to three years. Short-term contracts can also extend into subsequent periods.

### 40. Financial risk management

The Group's principal financial instruments, other than derivatives, comprise of trade and other receivables, and cash and short-term deposits that it derives directly from its operations. It also includes loans and borrowings, and trade and other payables. The primary purpose of the Group's financial liabilities is to finance its operational activities. The Group views derivatives as risk management tools and does not use them for trading or speculative purposes.

#### 40.1 Liquidity risk

Liquidity risk is the risk that financial liabilities that are settled in cash or other financial assets cannot be met when they fall due or can only be met at unfavourable economic conditions.

The Group monitors its risk of a shortage of funds using cash forecasting models. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of cash deposits and bank loans. The Group is exposed to a risk associated with concentration of its debt funding. However access to sources of funding is sufficiently available and the majority of the existing and new debt arrangements mature 1 to 5 years after the reporting date (refer to note 30). The Group plans to continue to diversify maturity of its debt financing in the coming years.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

<b>2018</b>						
<b>€m</b>	<b>Note</b>	<b>Less than 3 months</b>	<b>3 to 12 months</b>	<b>1 to 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
Interest		6.3	18.6	2.3	0.2	27.4
Borrowings repayment	30	6.2	734.3	49.5	3.0	793.0
Derivatives	31	0.1	0.8	0.1	-	1.0
Trade payables <sup>1</sup>	33	41.9	-	-	-	41.9
<b>Total</b>		<b>54.5</b>	<b>753.7</b>	<b>51.9</b>	<b>3.2</b>	<b>863.3</b>
<b>2017</b>						
Interest		4.6	13.2	35.8	0.2	53.8
Borrowings repayment	30	8.8	30.6	622.8	1.7	663.9
Derivatives	31	0.4	0.8	0.4	-	1.6
Trade payables <sup>1</sup>	33	55.4	-	-	-	55.4
<b>Total</b>		<b>69.2</b>	<b>44.6</b>	<b>659.0</b>	<b>1.9</b>	<b>774.7</b>
<b>2016</b>						
Interest		6.0	11.7	28.2	-	45.9
Borrowings repayment	30	3.4	79.4	513.2	2.1	598.1
Derivatives	31	0.5	1.4	1.6	-	3.5
Trade payables <sup>1</sup>	33	80.8	-	-	-	80.8
<b>Total</b>		<b>90.7</b>	<b>92.5</b>	<b>543.0</b>	<b>2.1</b>	<b>728.3</b>

<sup>1</sup> Includes trade and fleet payables only

## 40.2 Fair value of financial assets, borrowings and derivatives

All financial assets and liabilities, except for derivatives, are floating rate instruments or have short tenors, and therefore their carrying amount approximates fair value. All derivatives are carried at fair value.

Set out below is a comparison by class of the carrying amounts and fair value of the Group's financial instruments:

Fair values of financial assets, borrowings and derivatives:

2018	€m	Note	Carrying amount	Fair value	Quoted prices in active markets (level 1)	Fair value measurement using	
						Significant observable inputs (level 2)	Significant observable inputs (level 3)
<b>Financial assets</b>		25	-	-	-	-	-
Borrowings		30	795.6	795.6	-	795.6	-
Derivatives		31	1.0	1.0	-	1.0	-
<b>Total borrowings and derivatives</b>		30,31	796.6	796.6	-	796.6	-
<b>2017</b>							
<b>Financial assets</b>		25	281.5	281.5	-	281.5	-
Borrowings		30	660.5	660.5	-	660.5	-
Derivatives		31	1.6	1.6	-	1.6	-
<b>Total borrowings and derivatives</b>		30,31	662.1	662.1	-	662.1	-
<b>2016</b>							
<b>Financial assets</b>		25	264.4	264.4	-	264.4	-
Borrowings		30	592.0	592.0	-	592.0	-
Derivatives		31	3.5	3.5	-	3.5	-
<b>Total borrowings and derivatives</b>		30,31	595.5	595.5	-	595.5	-

The EMT assessed that the fair value of cash and short-term deposits, trade receivables, trade payables and other current financial assets and liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The fair value of the financial assets and liabilities is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

- The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. Derivatives valued using valuation techniques with market observable inputs are mainly interest rate swaps and floors and foreign exchange forward contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties and the entity itself, foreign exchange spot and forward rates and interest rate curves. As at 31 December 2018 and 31 December 2017 and 2016, the marked-to-market value of derivative asset

positions is net of a credit valuation adjustment attributable to derivative counterparty default risk, and the marked-to-market value of derivative liability positions is net of a debit valuation adjustment attributable to derivative entity's own credit risk. The changes in credit risk of both counterparties and entity itself had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationships and other instruments recognized at fair value.

- Fair values of the Group's borrowings are determined by using a DCF method with a discount rate that reflects the issuer's borrowing rate as at the end of the reporting period. The own non-performance risk is assessed to be stable between the date of entering into the contract and the reporting date.
- Fair values of the Group's financial assets are determined by using a DCF method with a discount rate that reflects the counterparty risk as at the end of the reporting period, which is assessed as consistent with prior periods.

#### **40.3 Market, interest and foreign currency objectives and policies**

The Group is exposed to market risk, credit risk and liquidity risk. The EMT oversees the management of these risks. The EMT is supported by the Treasury department who advise on financial risks and the appropriate financial risk governance framework for the Group. All derivative activities for risk management purposes are carried out by a specialist team that has the appropriate skills, experience and supervision. It is the Group's policy that no trading in derivatives for speculative purposes may be undertaken. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

##### **Market risk**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Financial instruments affected by market risk include loans and borrowings, deposits, and derivative financial instruments. Market risk consists of interest rate risk and foreign currency risk.

##### **Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates (primarily Euribor/Libor) relates primarily to the Group's long-term debt obligations with floating interest rates.

To manage this exposure, the Group enters into interest rate swaps, in which it agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed notional principal amount. These swaps are designated to hedge underlying debt obligations. Please refer to note 31. The Group's strategy is to hedge a minimum 66% of its long-term external borrowings for a minimum of three years from inception of the facility to mitigate interest rate risk. For financing via the ABS interest rate swaps are taken out to match the operating lease cash flow and duration for the financing component of the facility.

### Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonable possible change in interest rates on principal borrowings and related party loan receivables, after the impact of hedge accounting where applicable. With all other variables held constant, the Group's profit before tax is affected, as follows:

2018				
€m		Change in rate	Effect on profit before tax	Effect on OCI
RCF	Interest rate swaps	-0.25%	(0.7)	(1.1)
		+0.25%	0.7	1.1
	Interest rate floor	-0.25%	(0.5)	-
		+0.25%	0.5	-
ABS	Interest rate	-0.25%	(0.2)	-
		+0.25%	0.2	-
Related party loan receivable		-0.25%	-	-
	Interest rate	+0.25%	-	-
2017				
RCF	Interest rate swaps	-0.25%	(0.9)	(0.6)
		+0.25%	0.9	0.6
	Interest rate floor	-0.25%	(0.4)	-
		+0.25%	0.4	-
ABS	Interest rate	-0.25%	(0.2)	-
		+0.25%	0.2	-
Related party loan receivable		-0.25%	(0.6)	-
	Interest rate	+0.25%	0.6	-
2016				
RCF	Interest rate swaps	-0.25%	(1.7)	(0.6)
		+0.25%	1.7	0.6
	Interest rate floor	-0.25%	(0.4)	-
		+0.25%	0.4	-
ABS	Interest rate	-0.25%	(0.2)	-
		+0.25%	0.2	-
Related party loan receivable		-0.25%	(0.6)	-
	Interest rate	+0.25%	0.6	-

The assumed movement in basis points for the interest rate sensitivity analysis is based on the currently observable market environment.

### Foreign currency risk

Foreign currency risk is the risk that the fair value, or future cash flows, of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the centrally managed debt in currencies other than the functional currency, the Group's operating activities (predominantly fleet purchases and sales at subsidiary level denominated in a different currency from the subsidiary's functional currency) and the Group's net investments in foreign subsidiaries.

Under the revolving credit and ABS facilities currently in place, the Group borrows in £, CA\$, SEK, NOK, PLN and DKK to naturally hedge internal loans in those currencies.

### Foreign currency sensitivity

The following table demonstrate the sensitivity to a reasonable possible change in exchange rates as at 31 December, with all other variables held constant. The impact on the Group's profit before tax is due to changes in the fair value of monetary assets and liabilities. The Group's exposure to foreign currency changes for all other currencies is not material.

€m	Change in rate	Effect on profit before tax		
		2018	2017	2016
£	+5%	0.1	0.2	0.7
CA\$	+5%	-	0.1	-

The following table shows the Group net assets after borrowings by currency:

Net assets after borrowings by currency	2018	2017	2016
€	44%	59%	56%
£	15%	7%	12%
CA\$	11%	9%	7%
DKK	19%	14%	11%
Others	11%	11%	22%
	100%	100%	100%

The Group does not hedge its intergroup net assets/investments after borrowings in non-reporting currency. In 2018 60% (2017: 64%, 2016: 66%) of its net assets/investments before borrowings are in € or currencies such as DKK which are formally tied to the €. When funding its UK, Canadian, Swedish and Norwegian businesses, the Group principally borrows in £, CA\$, SEK and NOK under its various financing facilities in order to substantially reduce its exposure to fluctuations in these currencies against the €. The Group assess the residual risk of the other currencies as limited.

#### 40.4 Credit risk

Credit risk is the risk that counterparty will not meet its term loan denominated in obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities, primarily through its leasing activities and trade receivables and from its financing activities, including derivative financial instruments.

##### Trade receivables

Customer credit risk is managed by the Risk team in each regional business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed in order to define credit limits based on internal and external credit ratings that take into account financial health and payment history.

The Chief Financial Officer and the Credit Risk Director of the Group delegates credit authorities to regional Finance Directors and Risk teams. Each regional Finance Director ensures that they properly and consistently apply the policy for performing annual reviews on customer accounts. The risk should be appropriate to the level of exposure and risk assessment of the customer and include the maintenance of clear underwriting records identifying the rationale for agreeing to each and every credit line level.

The Group uses customer's financial statements and other information (industry risk, business position perspective and other internal risks analyses) in assessing a customer's risk level. The key internal risk analyses include but are not limited to:

- Cash flow coverage analysis
- A standardised credit rating based on the financial information of the customer
- The most current information from local credit bureaus
- The customer Risk Class is updated monthly based on analysis of historical quality of customer payments to TIP

All customers are monitored weekly by the Finance and Risk team and information about major overdue accounts is provided to the EMT and regional management teams on monthly basis.

A customer is moved to the Non-Earning Accounts status when there is doubt of the future capacity of that customer or customer group to fulfil its payment obligations. For customers placed on the Non-Earning Accounts status with an exposure exceeding a threshold (€0.5m), regional Finance Directors perform a review of all relevant risks and take appropriate actions to ensure any potential loss is mitigated. The review may include, but is not limited to, a review of updated company financial information and projections, current contractual arrangements, analysis of gap between net book value and fair value of an asset, site visits and review of exit strategy if the asset is retrieved. The payment profile of these customers is closely monitored.



A customer who has filed for administration or bankruptcy, or has had legal action instigated due to overdue payments is classified as a doubtful account. All maintenance, services and other sundry offerings are stopped from the date of the classification as a doubtful account. The regional Finance Directors develop a plan to recover outstanding amounts and to retrieve any equipment. The Chief Financial Officer and the Credit Risk Director reviews and approves this plan.

When a customer is moved to the doubtful accounts, the existing trade receivables are impaired to profit or loss. For the non-doubtful accounts, an impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

#### Excessive risk concentration

Concentrations arise when a number of customers are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry.

The Group considers concentration risk using two key measures:

- Percentage of customers owing more than €0.25m and €1.0m
- Concentration in different credit rating classes

The summary of outstanding customers owing more than €0.25m and €1.0m is as follows:

	No. of customers owing >€0.25m	% of the non-impaired trade receivables	No. of customers owing >€1m	% of the non-impaired trade receivables
2018	53	51%	10	26%
2017	47	44%	8	21%
2016	41	46%	5	20%

Customer credit risk is managed by the Finance and Risk team:

Standardised credit rating	Lease portfolio		Trade receivables <sup>1</sup>		Other receivables	
2018	€m	%	€m	%	€m	%
AAA to AA-	27.0	3%	4.9	6%	0.4	6%
A+ to A-	168.6	17%	24.3	29%	1.1	18%
BBB+ to BBB-	351.5	35%	22.8	28%	1.8	29%
BB+ to BB-	303.6	30%	18.7	23%	2.3	37%
B+ to B-	113.8	11%	8.2	10%	0.4	6%
CCC+ to C	22.3	2%	2.1	3%	0.1	2%
D	3.7	-	0.4	-	0.1	2%
Unrated	6.6	1%	1.0	1%	-	-
<b>Total</b>	<b>997.1</b>	<b>100%</b>	<b>82.4</b>	<b>100%</b>	<b>6.2</b>	<b>100%</b>

2017	€m	%	€m	%	€m	%
AAA to AA-	21.5	3%	2.2	3%	-	-
A+ to A-	125.9	15%	17.5	26%	1.1	15%
BBB+ to BBB-	287.8	34%	21.6	31%	2.4	32%
BB+ to BB-	258.7	30%	16.2	24%	2.8	38%
B+ to B-	100.7	12%	5.9	9%	0.8	11%
CCC+ to C	35.5	4%	2.1	3%	0.3	4%
D	5.9	1%	1.4	2%	-	-
Unrated	4.3	1%	1.1	2%	-	-
<b>Total</b>	<b>840.3</b>	<b>100%</b>	<b>68.0</b>	<b>100%</b>	<b>7.4</b>	<b>100%</b>

2016	€m	%	€m	%	€m	%
AAA to AA-	14.2	2%	3.3	5%	0.1	4%
A+ to A-	119.3	15%	13.1	19%	0.3	17%
BBB+ to BBB-	235.4	30%	17.9	25%	0.4	29%
BB+ to BB-	272.6	35%	24.5	35%	0.6	36%
B+ to B-	96.7	12%	7.3	10%	0.2	10%
CCC+ to C	30.3	4%	1.5	2%	0.1	4%
D	3.4	1%	1.5	2%	-	-
Unrated	3.5	1%	1.6	2%	-	-
<b>Total</b>	<b>775.4</b>	<b>100%</b>	<b>70.7</b>	<b>100%</b>	<b>1.7</b>	<b>100%</b>

<sup>1</sup> Trade receivables do not include individually impaired

The exposure of the lease portfolio comprises net book value of the leased assets for leases, rental payments and service contracts. Other receivables represent primarily unbilled lease receivables and therefore bear similar credit risk as the trade receivables of the respective customers. The Group maintains internal credit ratings for its customers. S&P ratings shown in the table above are mapped to the Group's rating classes. External ratings are used where available to benchmark internal credit assessments.

#### **41. Events after the reporting period**

On 1 February 2019 we completed the acquisition of a workshop in Germany for approximately €0.9m. The Group has not finalised the accounting treatment of the acquisition.

On 4 February 2019, we closed the revolving credit facility financing of €967m which was signed on 20 December 2018. On the same date €663m was used to repay all outstanding drawdowns and interest on the former revolving credit facility of €700m.

# Company financial statements

**Global TIP Holdings Two B.V.**

(company registration no 58146369)

# Statement of profit or loss

## for the period ended 31 December

€m	Notes	2018	2017	2016
Revenue	I	0.3	0.2	6.2
Cost of sales		-	-	-
<b>Gross profit</b>		<b>0.3</b>	<b>0.2</b>	<b>6.2</b>
Administrative and other operating expenses	II	(1.7)	(1.3)	(1.5)
<b>Operating profit</b>		<b>(1.4)</b>	<b>(1.1)</b>	<b>4.7</b>
Finance income	III	0.8	0.9	0.9
Finance cost	IV	(8.0)	(8.5)	(8.1)
<b>Profit before taxes</b>		<b>(8.6)</b>	<b>(8.7)</b>	<b>(2.5)</b>
Taxation	V	2.2	2.2	1.1
Net profit from subsidiaries	VI	29.7	29.8	17.0
<b>Net profit</b>		<b>23.3</b>	<b>23.3</b>	<b>15.6</b>

# Balance sheet

at the period ended 31 December

€m	Notes	2018	2017	2016
Financial assets	VI	586.2	728.5	696.4
Deferred tax assets	VII	0.3	0.5	0.8
<b>Non-current assets</b>		<b>586.5</b>	<b>729.0</b>	<b>697.2</b>
Trade and other receivables	VIII	-	4.8	2.4
Current tax assets	VII	-	2.5	4.8
Cash and equivalents		-	-	-
<b>Current assets</b>		<b>-</b>	<b>7.3</b>	<b>7.2</b>
<b>Total assets</b>		<b>586.5</b>	<b>736.3</b>	<b>704.4</b>
Borrowings	IX	113.6	149.4	147.5
<b>Non-current liabilities</b>		<b>113.6</b>	<b>149.4</b>	<b>147.5</b>
Borrowings	IX	162.7	8.4	-
Trade and other payables	X	0.8	0.9	0.8
Current tax liabilities	VII	-	-	-
<b>Current liabilities</b>		<b>163.5</b>	<b>9.3</b>	<b>0.8</b>
<b>Total liabilities</b>		<b>277.1</b>	<b>158.7</b>	<b>148.3</b>
<b>Net assets</b>		<b>309.4</b>	<b>577.6</b>	<b>556.1</b>
Share capital	XI	-	-	-
Share premium	XI	225.7	513.2	513.2
Retained earnings	XI	92.3	69.1	45.9
Other reserves	XI	(8.6)	(4.7)	(3.0)
<b>Equity</b>		<b>309.4</b>	<b>577.6</b>	<b>556.1</b>



# Statement of changes in equity

for the period ended 31 December

€m	Note	Share capital	Share premium	Retained earnings	Other reserves	Equity
<b>At January 2016</b>		-	513.2	33.8	(0.3)	546.7
Net profit		-	-	15.6	-	15.6
Movement for the period		-	-	-	(6.2)	(6.2)
<b>Total comprehensive income</b>		-	-	15.6	(6.2)	9.4
Reclass		-	-	(3.5)	3.5	-
<b>At 31 December 2016</b>		-	513.2	45.9	(3.0)	556.1
Net profit		-	-	23.3	-	23.3
Movement for the period		-	-	-	(1.8)	(1.8)
<b>Total comprehensive income</b>		-	-	23.3	(1.8)	21.5
Reclass		-	-	(0.1)	0.1	-
<b>At 31 December 2017</b>		-	513.2	69.1	(4.7)	577.6
Net profit		-	-	23.3	-	23.3
Movement for the period		-	-	-	(4.0)	(4.0)
<b>Total comprehensive income</b>		-	-	23.3	(4.0)	19.3
Reclass	XI	-	-	(0.1)	0.1	-
Increase	XI	-	21.0	-	-	21.0
Distribution	XI	-	(308.5)	-	-	(308.5)
<b>At 31 December 2018</b>	-	-	225.7	92.3	(8.6)	309.4

# Notes to the company financial statements

## Basis of preparation

The company financial statements are prepared pursuant to the provisions in part 9, Book 2, of the Netherlands Civil Code, by applying the accounting policies used in the consolidated financial statements under IFRS pursuant to the provisions of Article 362 sub 8, part 9, Book 2, of the Netherlands Civil Code. For all the notes to the Company's balance sheet, reference is made to the notes to the consolidated balance sheet unless stated otherwise.

## Significant accounting policies

The accounting policies set out before in preparing the consolidated financial statements are also applied in the company financial statements, with the exception of the valuation of investments in subsidiaries. Investments in subsidiaries are accounted using the net asset value, based upon accounting policies used in the consolidated financial statements. When the Company's share of losses exceeds its interest in the subsidiary, the carrying amount of that interest is reduced to nil and the recognition of further losses is discontinued except to the extent that the Company has incurred legal or constructive obligations, which are expected to result in an outflow of resources, or made payments on behalf of the subsidiary.

## I. Revenue

€m	2018	2017	2016
Leasing	-	-	-
Rental	-	-	-
Damage protection	-	-	-
<b>Leasing and rental</b>	<b>-</b>	<b>-</b>	<b>-</b>
M&R 3rd party	-	-	-
Fleet sales	-	-	-
Other	0.3	0.2	6.2
<b>Total</b>	<b>0.3</b>	<b>0.2</b>	<b>6.2</b>

## II. Administrative and other operating expenses

€m	2018	2017	2016
<b>Employee benefit expenses</b>	<b>1.7</b>	<b>1.3</b>	<b>1.1</b>
Audit and accounting advisor fees	-	0.1	0.1
Other expenses	-	(0.1)	0.3
<b>Total</b>	<b>1.7</b>	<b>1.3</b>	<b>1.5</b>

### Employees

During the period, the average number of staff employed by the Company, converted into full-time equivalents, amounted to 3 (2017:3 and 2016:3), of which none were employed outside the Netherlands.

### Audit and accounting advisor fees

These fees are disclosed in the consolidated financial statements (refer to note 13).

## III. Finance income

€m	2018	2017	2016
Interest	0.5	0.9	0.9
Foreign exchange movement	0.3	-	-
<b>Total</b>	<b>0.8</b>	<b>0.9</b>	<b>0.9</b>

## IV. Finance cost

€m	2018	2017	2016
Interest	8.0	8.5	8.1
<b>Total</b>	<b>8.0</b>	<b>8.5</b>	<b>8.1</b>

## V. Taxation

€m	2018	2017	2016
Current taxation for the period	2.5	2.5	1.0
Deferred taxation for the period	(0.3)	(0.3)	(0.3)
Adjustment to prior periods	-	-	0.4
Deferred tax assets	(0.3)	(0.3)	0.1
<b>Taxation</b>	<b>2.2</b>	<b>2.2</b>	<b>1.1</b>

The Company is part of the Dutch tax group for corporate tax purposes with Cube Transportation Europe Coöperatief U.A. as head of the tax group. The TIP Trailer Services entities Global TIP Finance B.V., TIP Trailer Services Netherlands B.V., TIP Trailer Services Management B.V. and TIP Trailer Services THT B.V. are also part of the Dutch tax group. The Company is jointly and severally liable for all corporation tax liabilities resulting from the Dutch tax group in relation to the Dutch tax authorities. The current corporate tax benefit for 2018 is €2.5m (2017: €2.5m and 2016: €1.0m). Current taxes are determined at each individual entity of the Dutch tax group on the basis of its taxable profit or loss for the period taking into account permanent and temporary differences for the period. Deferred taxes for each individual entity of the tax group are determined on an individual basis taking into account temporary differences on a stand-alone basis. The forecasted profits of the Dutch tax group are used for the recognition of deferred tax assets.

## VI. Financial assets

€m	2018	2017	2016
Loan receivables			
<b>At 1 January</b>	<b>24.5</b>	<b>23.6</b>	<b>22.7</b>
Additions	-	-	-
Interest capitalised	0.4	0.9	0.9
Distribution	(24.9)	-	-
<b>At 31 December</b>	<b>-</b>	<b>24.5</b>	<b>23.6</b>
Interest receivables			
<b>At 1 January</b>	<b>(2.7)</b>	<b>(2.5)</b>	<b>(1.6)</b>
Income	0.7	0.9	0.9
Capitalised	(0.4)	(0.9)	(0.9)
Received	(1.3)	(0.2)	(0.9)
Distribution	3.7	-	-
<b>At 31 December</b>	<b>-</b>	<b>(2.7)</b>	<b>(2.5)</b>
<b>Loan and interest receivables</b>	<b>-</b>	<b>21.8</b>	<b>21.1</b>
Investments in subsidiaries			
<b>At 1 January</b>	<b>706.7</b>	<b>675.3</b>	<b>641.1</b>
Capital increase/(decrease) in subsidiaries	136.2	3.4	23.4
Cash flow hedge	0.2	0.7	(0.6)
Foreign exchange movements	(4.1)	(2.5)	(5.6)
Net profit from subsidiaries	29.7	29.8	17.0
Distribution	(282.5)	-	-
<b>At 31 December</b>	<b>586.2</b>	<b>706.7</b>	<b>675.3</b>
<b>Total</b>	<b>586.2</b>	<b>728.5</b>	<b>696.4</b>

The Company provided a loan to a related party on 23 October 2013. The loan was denominated in € and is a term loan facility amounting to €20.5m with a maturity date of 22 October 2019. The interest rate is set out as Euribor +4.50% and the interest period is 3 months. The loan was repayable by the lender at five business days' notice. The loan was settled in full on 31 July 2018, when the Company made a share premium distribution for an amount equivalent to the loan outstanding and exchanged its right to receive the repayment of the loan for the equivalent share premium distribution payment due.

## VII. Current and deferred tax

Deferred tax assets arose as follow:

€m	2018	2017	2016
At 1 January	0.5	0.8	1.1
Deferred taxes charged to the profit or loss	(0.2)	(0.3)	(0.3)
At 31 December	0.3	0.5	0.8

Current tax assets arose as follow:

€m	2018	2017	2016
At 1 January	2.5	4.8	4.9
Current tax charge for the period	2.4	2.5	1.4
Settlement of tax losses with tax group	(4.9)	(4.8)	(1.5)
At 31 December	-	2.5	4.8

Current tax assets represent tax receivable as part of the Group tax fiscal unity.

## VIII. Trade and other receivables

€m	2018	2017	2016
GE receivables	-	1.0	1.0
Global TIP Finance B.V. receivables	-	3.8	1.4
Total	-	4.8	2.4

## IX. Borrowings

The company has the following borrowings with Global TIP Finance B.V., Amsterdam, Netherlands.

€m	2018	2017	2016
Borrowings 1	113.6	81.7	81.7
Borrowings 2	128.2	21.2	21.2
Borrowings 3	33.5	46.5	44.6
Borrowings 4	1.0	8.4	-
Total	276.3	157.8	147.5
Current	162.7	8.4	-
Non-current	113.6	149.4	147.5

**Borrowings 1:** Effective since 23 October 2013, maturity 7 years until 23 October 2020. The interest rate is set out as Euribor (floor 0%) +2.79% (excluding administration expenses) and the interest period is 3 months.

**Borrowings 2:** Effective since 23 October 2013, maturity 6 years until 31 December 2019. The interest rate is set out as Euribor +2.79% (excluding administration expenses) and the interest period is 3 months.

**Borrowings 3:** Effective since 1 April 2015, maturity 4.75 years until 31 December 2019. The interest rate is set out as Euribor +0.98% (excluding administration expenses) and the interest period is 3 months.

**Borrowings 4:** Effective since 31 December 2018, maturity 90 days. The interest rate is set out as Euribor +0.98% (excluding administration expenses) and the interest period is 1 month.

## X. Trade and other payables

€m	2018	2017	2016
Payroll, payroll tax and social security	0.8	0.9	0.5
Global TIP Finance B.V. payables	-	-	0.3
<b>Total</b>	<b>0.8</b>	<b>0.9</b>	<b>0.8</b>
Current	0.8	0.9	0.8
Non-current	-	-	-

## XI. Equity

### a) Issued capital

€	2018	2017	2016
Authorised shares			
Ordinary shares 1,000 of €0.01 each			
Ordinary shares issued and fully paid	10.0	10.0	10.0
<b>At 1 January and 31 December</b>	<b>10.0</b>	<b>10.0</b>	<b>10.0</b>

### b) Share premium

€m	2018	2017	2016
<b>At 1 January 2018</b>	<b>513.2</b>	<b>513.2</b>	<b>513.2</b>
Increase	21.0	-	-
Distribution	(308.5)	-	-
<b>At 31 December 2018</b>	<b>225.7</b>	<b>513.2</b>	<b>513.2</b>

On 10 July 2018 the Company acquired Grayrentals Ltd. Its net assets of €21m were contributed in exchange for share premium issued to the Company's then shareholder, HNA. Refer to note 7.

On 31 July 2018 the Company made a share premium distribution to its immediate parent to settle outstanding loans and trade receivables with the HNA Group. Refer to note 25, 28 and 37.

### c) Retained earnings

€m	2018	2017	2016
<b>At 1 January</b>	<b>69.1</b>	<b>45.9</b>	<b>33.8</b>
Net profit for the period	23.3	23.3	15.6
Reclass from other reserves	(0.1)	(0.1)	(3.5)
<b>At 31 December</b>	<b>92.3</b>	<b>69.1</b>	<b>45.9</b>

### d) Other reserves

€m	Note	Foreign currency translation	Cash flow hedge	Internal software reserve	Total
<b>At 1 January 2016</b>		<b>(0.2)</b>	<b>(0.1)</b>	<b>-</b>	<b>(0.3)</b>
Movement for the period		(5.5)	(1.1)	-	(6.6)
Tax impact	20.2	-	0.4	-	0.4
Reclass to retained earnings		-	-	3.5	3.5
<b>At 31 December 2016</b>		<b>(5.7)</b>	<b>(0.8)</b>	<b>3.5</b>	<b>(3.0)</b>
Movement for the period		(2.5)	0.9	-	(1.6)
Tax impact	20.2	-	(0.2)	-	(0.2)
Reclass to retained earnings		-	-	0.1	0.1
<b>At 31 December 2017</b>		<b>(8.2)</b>	<b>(0.1)</b>	<b>3.6</b>	<b>(4.7)</b>
Movement for the period		(4.1)	0.2	-	(3.9)
Tax impact	20.2	-	(0.1)	-	(0.1)
Reclass to retained earnings		-	-	0.1	0.1
<b>At 31 December 2018</b>		<b>(12.3)</b>	<b>-</b>	<b>3.7</b>	<b>(8.7)</b>

All other reserves are legal reserves and are non-distributable by the Company pursuant to the provisions of Part 9, Book 2, of the Dutch Civil Code. There are no statutory reserves prescribed in the Articles of Association of the Company. The internally software reserve relates to attributable internal working hours to generate this software.

In anticipation of the annual general meeting of shareholders adopting the annual financial statements, it is proposed that the 2018 net profit, amounting to €23.3m, will be added to the retained earnings. The 2017 and 2016 net profits, amounting to €23.3m and €15.6m respectively, have been included in retained earnings as part of shareholders' equity (refer to statement of changes in equity).

## **XII. Other**

### **Compensation of key management personnel of the Company**

Directors of the Company and the Group SLT are considered to the key management personnel of the Company. Remuneration is disclosed in the consolidated financial statement (refer to note 37).

### **Financial risk management**

Management's approach is covered in the consolidated financial statements (refer to note 40).

### **Events after the reporting period**

These events are covered in the consolidated financial statements (refer to note 41).

### **Proposed appropriation of the 2018 net profit**

In Article 11 of the Company's articles of association the following has been stated concerning the profit or loss allocation: The general meeting is authorised to appropriate the net profit determined by the adoption of the financial statements and to adopt resolutions regarding distributions, to the extend the net assets exceed the reserves which must be maintained by law or the articles of association.

# **Board of directors of Global TIP Holdings Two B.V.**

Amsterdam, 27 February 2019

Represented by

**Bob Fast**  
*Director*

**Malachy Mc Enroe**  
*Director*



# Independent auditor's report

**To: the shareholders and the board of management of Global TIP Holdings Two B.V.**

## Report on the audit of the financial statements 2018

included in the annual report

### Our opinion

We have audited the financial statements 2018 of Global TIP Holdings Two B.V., based in Amsterdam. The financial statements include the consolidated financial statements and the company financial statements.

In our opinion the accompanying financial statements give a true and fair view of the financial position of Global TIP Holdings Two B.V. as at 31 December 2018, and of its result and its cash flows for 2018 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

### The financial statements comprise:

- The consolidated and company balance sheet as at 31 December 2018
- The following statements for 2018: the consolidated and company statement of profit and loss, the consolidated statements of comprehensive income, changes in equity and cash flows
- The notes comprising a summary of the significant accounting policies and other explanatory information

### Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of Global TIP Holdings Two B.V. in accordance with the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Report on other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- The management board's report
- Other information as required by Part 9 of Book 2 of the Dutch Civil Code

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the management board's report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information as required by Part 9 of Book 2 of the Dutch Civil Code.

## Description of responsibilities for the financial statements

### Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

### Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can 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. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included among others:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining 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
- Obtaining 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
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management
- Concluding on the appropriateness of management's use of the going concern basis of accounting, 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 inadequate, 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 a company to cease to continue as a going concern

- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

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

Amsterdam, 27 February 2019

Ernst & Young Accountants LLP

signed by R. Koekkoek





An aerial photograph of a roundabout with a central green island. The island is covered in lush green grass and several large, vibrant yellow flowering bushes. The roundabout's asphalt surface is marked with white dashed lines. Surrounding the roundabout are dense green trees and more yellow flowering bushes. The overall scene is bright and clear, suggesting a sunny day.

# Additional information

## **In this section**

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# Corporate information

## Registered office

Alpha Tower  
De Entree 33  
1101 BH Amsterdam Zuidoost  
The Netherlands  
Registration number: 58146369

## Advisors and contacts



### Auditor

Cross Towers  
Antonio Vivaldistraat 150  
1083 HP Amsterdam  
The Netherlands



### Main legal advisor

Amstelveenseweg 638  
1081 JJ Amsterdam  
The Netherlands

### Website

[www.tipeurope.com](http://www.tipeurope.com)

### European Transport

### Board website

[www.europeantransportboard.com](http://www.europeantransportboard.com)

Further information on TIP Trailer Services can be found on the following social media platforms:







### Company secretary

**Jan Ihlau**

Chief Legal Officer

[jan.ihlau@tipeurope.com](mailto:jan.ihlau@tipeurope.com)



### Investor relations

**Kapil Sharma**

Treasury and Investor

Relations Director

[kapil.sharma@tipeurope.com](mailto:kapil.sharma@tipeurope.com)



**Ana Pérez Latorre**

Senior Investor Relations Manager

[ana.perezlatorre@tipeurope.com](mailto:ana.perezlatorre@tipeurope.com)

## Main banking partners



## Key banking and financial partners



## Other relationship banks and financing partners



# Forward looking statements

**Our annual report contains certain forward-looking statements, estimates and projections** which are subject to significant risks, uncertainties and assumptions concerning both business and external economic factors, and as such are difficult to predict.

Actual results will vary from the anticipated results and such variations may be material. The information has been provided in good faith using information available up to the date this report was approved by the Board. TIP Trailer Services, its directors and senior leadership team give no assurances that these expectations will prove to be correct. Except as required by law or regulation, TIP Trailer Services, its directors and senior leadership team undertakes no obligation to update any forward looking statements whether as a result of new information, future events or otherwise.



# Twelve year financial summary

€m	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016 <sup>1</sup>	2017	2018
<b>Profit or loss</b>												
Revenue	503	502	401	398	375	351	323	326	372	441	517	565
Contribution	303	318	236	220	217	192	158	159	173	212	262	288
Operating expenses	(92)	(84)	(72)	(62)	(60)	(58)	(52)	(63)	(68)	(78)	(82)	(83)
EBITDA	211	234	164	158	157	134	106	96	105	134	180	205
Operating profit/(loss)	27	35	(25)	-	21	19	15	56	38	37	49	55
<b>Balance sheet</b>												
Net operating assets	1,310	1,308	1,081	841	667	541	330	429	581	807	879	1,027
Net debt	-	-	-	-	-	-	200	222	379	582	645	782
Equity	-	-	-	-	-	-	209	526	547	556	578	309
<b>Cash flow</b>												
Fleet purchases	396	285	38	21	13	15	23	125	178	262	222	267
Acquisitions	-	-	-	-	-	-	-	17	44	149	9	67
Other investment	9	7	1	6	(1)	1	1	8	17	17	9	12
Fleet sales	(77)	(57)	(47)	(61)	(43)	(35)	(28)	(27)	(28)	(36)	(45)	(35)
Net investment	328	235	(8)	(34)	(31)	(19)	(4)	123	211	392	195	311
Free cash flow	(117)	(11)	182	197	185	141	103	(19)	(99)	(95)	(41)	(78)
<b>Metrics:</b>												
<b>Operational</b>												
ADR in €	15.4	15.6	15.2	15.6	16.5	17.1	16.8	17.1	18.1	16.5	16.3	17.0
UTE	91%	87%	74%	82%	91%	86%	84%	82%	84%	86%	89%	91%
Opex % of revenue	18%	17%	18%	16%	16%	17%	16%	19%	18%	18%	16%	15%
<b>Profitability %</b>												
Contribution	60%	63%	59%	55%	58%	55%	49%	49%	46%	48%	51%	51%
EBITDA	42%	47%	40%	40%	42%	38%	33%	29%	28%	30%	35%	36%
Operating profit	5%	7%	(6%)	-	6%	6%	5%	17%	10%	8%	10%	10%
<b>Asset returns</b>												
RoIC	2.1%	2.7%	(2.1%)	-	2.8%	3.1%	3.4%	14.8%	7.5%	5.3%	5.8%	5.8%
Capital efficiency	17%	18%	13%	16%	21%	23%	24%	25%	21%	19%	21%	22%
<b>Financing</b>												
Net leverage ratio	-	-	-	-	-	-	61%	52%	65%	72%	73%	76%
Gearing ratio	-	-	-	-	-	-	49%	30%	41%	51%	53%	72%
Net debt/EBITDA	-	-	-	-	-	-	1.9x	2.3x	3.6x	4.3x	3.6x	3.8x

<sup>1</sup> Excludes one time indemnification and recovery, see Glossary for further explanation.

## Profit or loss without HNA-related revenue streams

€m	Reported					Excluding HNA related revenue streams				
	2014	2015	2016 <sup>1</sup>	2017	2018	2014	2015	2016 <sup>1</sup>	2017	2018
<b>Profit or loss</b>										
Revenue	326	372	441	517	565	321	367	433	507	561
Contribution	159	173	212	262	288	154	168	204	252	284
Operating expenses	(63)	(68)	(78)	(82)	(83)	(63)	(68)	(78)	(82)	(83)
EBITDA	96	105	134	180	205	91	100	126	170	201
Operating profit/(loss)	56	38	37	49	55	51	33	29	39	51
<b>Profitability %</b>										
Contribution	49%	46%	48%	51%	51%	48%	46%	47%	50%	51%
EBITDA	29%	28%	30%	35%	36%	28%	27%	29%	34%	36%
Operating profit	17%	10%	8%	10%	10%	16%	9%	7%	8%	9%
<b>Asset returns</b>										
RoIC	14.8%	7.5%	5.3%	5.8%	5.8%	13.5%	6.6%	4.2%	4.8%	5.4%
Capital efficiency	25%	21%	19%	21%	22%	24%	20%	18%	21%	21%
<b>HNA revenue streams impact</b>										
Management service fees						(5)	(5)	(5)	(5)	(1)
Advertising fee						-	-	(3)	(5)	(3)
<b>Total</b>						<b>(5)</b>	<b>(5)</b>	<b>(8)</b>	<b>(10)</b>	<b>(4)</b>

<sup>1</sup> Excludes one-time indemnification and recovery, see Glossary for further explanation.

On 23 October 2013, the Group entered into a management service contract with HNA to provide strategic shareholder support and expertise, and to advise on global expansion and acquisitions. Strategic support was also provided on the UDC M&A in 2017 and 2018.

On 1 January 2016, the Group entered into a contract with HNA for TIP to advertise HNA on its trailers up to a maximum of €5m per annum depending on the number of trailers on which HNA advertising was placed.

These contracts were terminated on 30 June 2018.

# Glossary and references

## Financial measures that supplement generally accepted accounting principles

We sometimes use information derived from consolidated financial information but not presented in our financial statements prepared in accordance with IFRS. Specifically we have referred, in various sections of this report, to:

### Acquisitions

Acquisitions comprise business combinations and asset acquisitions not qualified as business combination under IFRS

### Acquisitions enterprise value

Refers to the enterprise value of business combinations and asset acquisitions not qualifying as business combinations under IFRS, see note 7 of the financial statements

### Branch

A physical location where lease, rental and maintenance are provided, having branch management, front office service delivery and back office maintenance management. Often located with a TIP workshop

### Capital efficiency

EBITDA divided by average net operating assets. We believe that this is a useful metric for measuring cash returns

### Capital expenditures (capex)

Capex in the non-financial statements section of this annual report refers to fleet additions and customisation, but excludes asset acquisitions not qualifying as business combinations under IFRS

### Cube Transportation

Refers to Cube Transportation Europe Coöperatief U.A., the immediate shareholder of Global TIP Holdings Two B.V.

### Damage protection

Damage protection is our customer damage waiver programme offered on our own equipment only. As such, it is not an insurance product, nor it is regulated. In general, we operate an own book programme. However, in some cases, we do take insurance against these damage risks where we deem it economically appropriate to do so. The price of damage protection is set in each market based on prevailing local market conditions after determining appropriate levels of insurance cover, if any, and the expected costs of managing and settling damages

### Earnings before interest, taxes, depreciation and amortisation (EBITDA)

We believe that EBITDA is a useful measure for management and stakeholders to indicate the potential cash generation of our business from operating activities, and is commonly used within our business to assess financial performance

### Gearing ratio

Net debt divided by equity plus net debt. This measure enables investors to assess the level of risk in the financial structure of our business

### Holdings

Refers to Global TIP Holdings One B.V., the immediate parent of Global TIP Holdings Two B.V. until 7 December 2018, when Global TIP Holdings One B.V. was merged into Cube Transportation

### Holdings Management Board

Refers to the Management Board of Global TIP Holdings One B.V.

### Holdings Supervisory Board

Refers to the Supervisory Board of Global TIP Holdings One B.V.



### I Squared Capital

An independent global infrastructure investment manager with over US\$13bn of assets under management focusing on the energy, utilities and transportation sectors in the Americas, Europe and Asia

### Leasing backlog years

Refers to committed revenue at the end of the year divided by leasing revenue for that year

### Management Board

Refers to the Management Board of the Shareholder

### Mobile service unit (MSU)

Service van equipped with tools to do maintenance and repair when trailers break down on the road, or require scheduled and un-scheduled maintenance

### Net leverage ratio

Net debt divided by net operating assets.

This measure enables investors to assess the level of risk in the financial structure of our business

### Net assets

Total assets after deducting all liabilities, as presented on the balance sheet in the financial statements section of this report. It is equivalent to equity

### Net operating assets

Total assets after deducting cash, financial assets, intangibles and non-debt liabilities

### Non-debt liabilities

Total liabilities after deducting borrowings and derivatives

### Net debt

Net debt is gross borrowings less cash and equivalents less other financial assets

### One-time indemnification and recovery

In January 2017, an inactive distressed customer, paid €9m for a combination of an indemnification for damages (€5m), fleet sales (€2m) and unpaid account receivables (€2m) which were provisioned in 2013. The Group's legal and risk teams used, over a number of years various 'out of court' debt recognition processes and several land and property charges to successfully secure this payment. This transaction was recorded in the 2016 financials

### Operating expenses (opex)

Refers to the sum of employee benefit expenses and other operating expenses. Refer to notes 10 and 11 of the financial statements

### Operating profit

Refers to the underlying operating profit which is defined as operating profit as reported excluding exceptional items and amortisation of intangible assets

### Return on Invested Capital (RoIC)

Operating profit divided by average net operating assets. We believe that RoIC is the key measure for any leasing, rental and services business through

the economic cycle and the best medium term indicator of the strength of the business

### Shareholder

Refers to Cube Transportation, our direct shareholder. Our ultimate shareholder is ISQ Global Infrastructure Fund II, a limited partnership managed by I Squared Capital

### Strategic Matters

Comprises, among other things, the reserve matter list under the articles of association of the Shareholder

### Supervisory Board

Refers to the Supervisory Board of the Shareholder

### The Board

Refers to the Board of Directors of Global TIP Holdings Two B.V.

### The Boards

Refers to the Supervisory Board, Management Board and the Board, as well as their predecessors the Holdings Supervisory Board and the Holdings Management Board

### Workshop

A physical location where maintenance and repair work is performed by mechanics, supported by a workshop manager and back office. Work is performed on TIP's own trailers as well as on 3rd party assets. Sometimes located with a TIP branch



## Definitions and descriptions of TIP 2020 KPIs and 12 year financial summary

The following are key performance indicators not defined elsewhere in this annual report or where additional clarification may help the reader:

### Revenue, operating profit and profitability KPIs

These are measured on an underlying basis

### Specialised equipment

Tankers, waste tankers, trucks and a number of sub-categories of other asset types, principally vans (for example walking floors, electric vehicles).

This KPI is measured in unit terms

## Other terms

ABS	Asset backed securitisation
ADR	Average daily rate
AMLAT	Anti-money laundering anti-terrorism
AM	Asset management
CAGR	Compound annual growth rate
EAuM	Equivalent asset under management
EHS	Environmental health and safety
ETB	European Transport Board
EU	European Union
Euribor	Euro interbank offered rate
FAR	Frequency accident rating
G&O	Goals and objectives
HNA	HNA Group Co. Ltd. and affiliates
HQ	Headquarters
IA	Internal audit
IBOR	Interbank offered rate
JV	Joint venture
KPI	Key performance indicator
KYC	Know your customer
LCC	Low-cost countries
Leasing	Term of lease is greater than one year
Libor	London interbank offered rate
M&R	Maintenance and repair
OEM	Original equipment manufacturer
RCF	Revolving credit facility
Rental	Term of lease is one year or less
EMT	Executive management team
SLT	Senior leadership team
T&L	Travel and living
TIP Trailer Services	Principal trading name of Global TIP Holdings Two B.V. and subsidiaries
UTE	Utilisation

## References

In our market section, the following sources have been used:

### End user market growth:

Retail	eMarketer, March 2018
E-Commerce:	
Consumer electronics:	Statista, January 2018 and management estimate
Consumer goods:	Euromonitor, 2017
Food retail:	Euromonitor, 2017
Chemical products:	Chemicals trends analyser published by Ernst & Young, June 2017
Automotive:	Automotive credit outlook 2017, Landesbank Baden-Württemberg and management estimate

### Freight transport in EU-28 by mode:

- EU Energy, Transport and GHG Emissions - Trends to 2050 (2016)

Note: Excludes air transport and international shipping outside EU 28, GTkm = gross tonnage-km

### European new trailer registrations:

- CLEAR International Consulting, June 2018, for the 16 European countries in which TIP operates

### North American trailer production:

- CLEAR International Consulting, July 2018

### Trailer leasing penetration rate:

- Management estimate

### Operating leasing penetration rate by geography:

- Management estimate

### Trailer maintenance segments:

- Management estimate for the 16 European countries in which TIP operates

# Potential impact of new lease accounting

## General introduction

IFRS 16 was issued in January 2016. It sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). IFRS 16 is effective from 1 January 2019. A company can choose to apply IFRS 16 before that date but only if it also applies IFRS 15 revenue from contracts with customers. The new standard replaces IAS 17 and related interpretations.

## Customer

All leases result in a customer obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, effectively obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single customer accounting model. Applying that model, a customer is required to recognise:

- assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and
- depreciation of lease assets separately from interest on lease liabilities in the profit or loss

## Supplier

IFRS 16 carries forward the supplier accounting requirements in IAS 17. Accordingly the supplier continues to classify its leases as operating or finance leases, and to account for those two types of leases differently.

## TIP's specific approach

The business risks associated with the change in lease accounting are addressed in the "Managing our risk" section of this annual report and are being led by our Chief Commercial Officer.

Below we have provided illustrated estimated impacts on our financial statements and related notes for 2016 to 2018 (prepared on full retrospective basis). As a supplier of equipment there is no impact on our financial statements and related notes and we continue to classify leases as operating or finance leases. However, as a customer, the new lease accounting rules impact the presentation of our profit or loss and balance sheet but have no net impact on our cash flow, although individual line items in our cash flow are also impacted. IFRS 16 also impacts a number of related notes to the financial statements.

In order to assess the potential impacts on our financial statements, related notes, financial covenants and key ratios we reviewed all existing off balance sheet operating leases to determine the appropriate treatment under IFRS 16. All leases with original equipment cost below €5,000 continue to be treated as operating leases in the same manner as prior to IFRS 16. This principally applies to IT equipment. For all other categories of operating lease namely Fleet, Land and Buildings and Motor Vehicles we determined that these should be treated as right of use assets and related right of use leases. We allocated these operating lease payments between depreciation, interest and maintenance components. In most cases, we had limited/no allocation provided by the supplier and had to make reasonable assumptions. We will continue to refine our approach based on additional information provided by suppliers over the coming periods. We will also continue to use our own reasonable assumptions for the allocation where we believe they are more appropriate.

### Key assumptions

**Fleet** - we used our internal residual value assessment to determine the split between depreciation and interest in the lease and therefore the effective interest rate. There is no maintenance component attached to these fleet lease in contracts.

**Land and buildings (property)** - to determine the equivalent purchase price and residual value for property we used external valuations. These assumed that the purchase price of the property and the residual value at the end of term were equal. Therefore there is no decline in fair market value attributed to the underlying assets. Interest associated with these contracts is the difference between purchase price and the gross payments minus purchase price. We did not have sufficient data to allocate between the land and building components. There are limited maintenance obligations attached to these property lease in contracts. The separation of the maintenance component from the lease was based on a third party estimate.

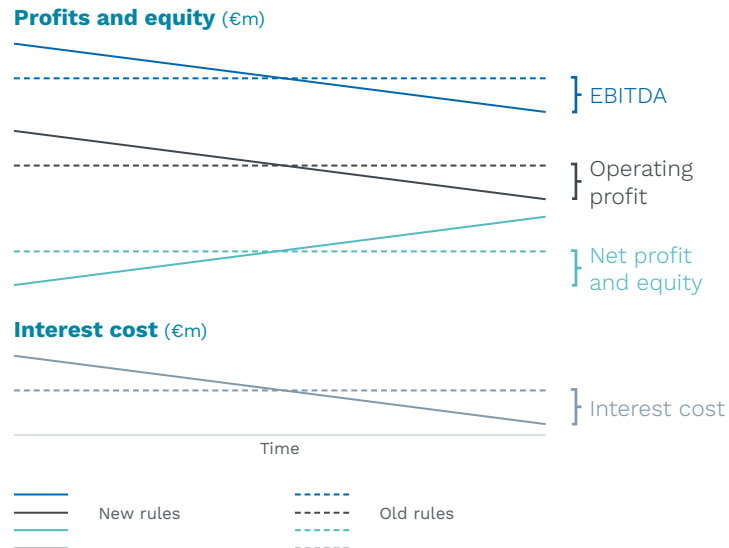
**Motor vehicles** - the purchase price was based on data provided by the supplier i.e. the disclosed list price minus the disclosed supplier discount. The residual value was based on the purchase option attached to the contract. The separation of the maintenance component was based on the supplier's estimate.

**Taxation** - We assumed that the effective non-exceptional tax rate applied in each individual year is also applied to profit before tax impact of IFRS 16.

### Notes

The actual impact of IFRS 16 may differ from this estimate, possibly materially, due to, among other things, changes in interpretation and assumptions, guidance that might be issued and actions we may take as a result of IFRS 16. In addition, our experience of the quality, consistency and accuracy of data provided by suppliers varies greatly.

### Graphical illustration of the potential impact of new lease accounting



# Profit or loss

€m	Note	Estimate			Impact vs reported financials		
		2016	2017	2018	2016	2017	2018
Revenue	8	447.9	516.7	565.0	-	-	-
Cost of sales (excl. credit losses)	9	(314.0)	(372.8)	(408.5)	6.2	7.3	10.0
Credit losses	9	0.8	(0.6)	(2.1)	-	-	-
<b>Gross profit</b>		<b>134.7</b>	<b>143.3</b>	<b>154.4</b>	<b>6.2</b>	<b>7.3</b>	<b>10.0</b>
Administrative and other operating expenses	10	(83.9)	(87.9)	(92.7)	(1.4)	(1.3)	(3.5)
Amortisation of intangible assets	10	(5.1)	(5.9)	(5.7)	-	-	-
Exceptional administrative items	21	-	(6.2)	-	-	-	-
<b>Operating profit</b>		<b>45.7</b>	<b>43.3</b>	<b>56.0</b>	<b>4.8</b>	<b>6.0</b>	<b>6.5</b>
Finance income	18	12.5	13.0	7.5	-	-	-
Finance cost	19	(31.1)	(32.5)	(34.5)	(6.7)	(7.8)	(7.7)
Exceptional finance cost	21	-	-	(3.2)	-	-	-
<b>Profit before taxes</b>		<b>27.1</b>	<b>23.8</b>	<b>25.8</b>	<b>(1.9)</b>	<b>(1.8)</b>	<b>(1.2)</b>
Taxation	20	(8.2)	(5.4)	(7.3)	0.6	0.5	0.4
Exceptional taxation	21	(4.6)	3.6	4.0	-	-	-
<b>Taxation</b>		<b>(12.8)</b>	<b>(1.8)</b>	<b>(3.3)</b>	<b>0.6</b>	<b>0.5</b>	<b>0.4</b>
<b>Net profit</b>		<b>14.3</b>	<b>22.0</b>	<b>22.5</b>	<b>(1.3)</b>	<b>(1.3)</b>	<b>(0.8)</b>
Effective interest rate on incremental borrowing <sup>1</sup>					9.9%	9.6%	8.9%

<sup>1</sup> Calculated on two point average.

# Balance sheet

€m	Note	Estimate			Impact vs. reported financials		
		2016	2017	2018	2016	2017	2018
Fleet	22	802.0	874.1	1,026.9	26.6	33.8	29.8
Property, plant and equipment	23	125.2	122.1	128.4	46.6	44.9	50.8
Intangible assets	24	63.8	60.9	66.9	-	-	-
Financial assets	25	255.4	261.3	-	-	-	-
Deferred tax assets	26	25.7	27.0	30.1	21.1	21.5	23.3
<b>Non-current assets</b>		<b>1,272.1</b>	<b>1,345.4</b>	<b>1,252.3</b>	<b>94.3</b>	<b>100.2</b>	<b>103.9</b>
Inventories	27	15.1	11.2	10.6	-	-	-
Trade and other receivables	28	122.5	125.2	106.5	-	-	-
Financial assets	25	9.0	20.2	-	-	-	-
Current tax assets	26	1.0	1.2	1.0	-	-	-
Cash and equivalents	29	16.6	18.7	11.1	-	-	-
<b>Current assets</b>		<b>164.2</b>	<b>176.5</b>	<b>129.2</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total assets</b>		<b>1,436.3</b>	<b>1,521.9</b>	<b>1,381.5</b>	<b>94.3</b>	<b>100.2</b>	<b>103.9</b>
Borrowings	30	87.2	36.1	760.2	14.7	16.1	17.0
Derivatives	31	1.9	1.2	0.9	-	-	-
Provisions	32	-	2.3	1.1	-	-	-
Trade and other payables	33	144.8	141.0	119.1	-	-	-
Current tax liabilities	26	3.2	1.0	7.8	-	-	-
<b>Current liabilities</b>		<b>237.1</b>	<b>181.6</b>	<b>889.1</b>	<b>14.7</b>	<b>16.1</b>	<b>17.0</b>
Borrowings	30	582.4	709.3	123.3	62.9	68.8	70.9
Derivatives	31	1.6	0.4	0.1	-	-	-
Provisions	32	-	1.7	1.1	-	-	-
Trade and other payables	33	4.2	4.1	12.4	-	-	-
Deferred tax liabilities	26	57.9	51.8	51.5	19.9	19.9	21.3
<b>Non-current liabilities</b>		<b>646.1</b>	<b>767.3</b>	<b>188.4</b>	<b>82.8</b>	<b>88.7</b>	<b>92.2</b>
<b>Total liabilities</b>		<b>883.2</b>	<b>948.9</b>	<b>1,077.5</b>	<b>97.5</b>	<b>104.8</b>	<b>109.2</b>
<b>Net assets</b>		<b>553.1</b>	<b>573.0</b>	<b>304.0</b>	<b>(3.2)</b>	<b>(4.6)</b>	<b>(5.4)</b>
Share capital	35	-	-	-	-	-	-
Share premium	35	513.2	513.2	225.7	-	-	-
Retained earnings		46.3	68.1	90.6	(3.2)	(4.6)	(5.4)
Other reserves	35	(6.5)	(8.3)	(12.3)	-	-	-
<b>Equity attributable to parent</b>		<b>553.0</b>	<b>573.0</b>	<b>304.0</b>	<b>(3.2)</b>	<b>(4.6)</b>	<b>(5.4)</b>
Non-controlling interests	35	0.1	-	-	-	-	-
<b>Equity</b>		<b>553.1</b>	<b>573.0</b>	<b>304.0</b>	<b>(3.2)</b>	<b>(4.6)</b>	<b>(5.4)</b>

# Cash Flow

€m	Note	Estimate			Impact vs reported financials		
		2016	2017	2018	2016	2017	2018
Operating profit		40.9	37.3	49.5	-	-	-
Non-cash adjustments	a	106.0	146.9	162.9	20.1	24.6	26.2
Working capital movements	b	(4.6)	(7.8)	4.8	-	-	-
<b>Cash generated from operations</b>		<b>142.3</b>	<b>176.4</b>	<b>217.2</b>	<b>20.1</b>	<b>24.6</b>	<b>26.2</b>
Net fleet investments	c	(223.3)	(200.6)	(261.6)	(13.7)	(15.3)	(5.3)
Net interest and tax	d	(18.0)	(31.5)	(40.9)	(6.7)	(7.8)	(7.7)
<b>Net cash flow from operations</b>		<b>(99.0)</b>	<b>(55.7)</b>	<b>(85.3)</b>	<b>(0.3)</b>	<b>1.5</b>	<b>13.3</b>
Business combinations (net of cash acquired)	7	(102.3)	(4.8)	(0.9)	-	-	-
Financial assets	25	35.0	-	2.4	-	-	-
Proceeds from PP&E sales	10	-	2.0	0.2	-	-	-
PP&E purchases	28.2	(37.0)	(11.1)	(21.6)	(20.8)	(5.6)	(15.3)
Software additions	28.3	(0.3)	(2.8)	(5.2)	-	-	-
<b>Net cash flow from/(used in) investing activities</b>		<b>(104.6)</b>	<b>(16.7)</b>	<b>(25.1)</b>	<b>(20.8)</b>	<b>(5.6)</b>	<b>(15.3)</b>
<b>Net cash flow after investing activities</b>		<b>(204.3)</b>	<b>(76.9)</b>	<b>(110.4)</b>	<b>(21.1)</b>	<b>(4.1)</b>	<b>(2.0)</b>
Borrowing drawdowns	30	301.2	222.4	250.6	34.5	20.9	20.6
Borrowing repayments	30	(119.9)	(144.2)	(148.5)	(13.4)	(16.8)	(18.6)
<b>Net cash flow from financing activities</b>		<b>181.3</b>	<b>78.2</b>	<b>102.1</b>	<b>21.1</b>	<b>4.1</b>	<b>2.0</b>
<b>Net cash flow after investing and financing activities</b>		<b>(23.0)</b>	<b>1.3</b>	<b>(8.3)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Cash and cash equivalents at 1 January		38.2	16.6	18.7	-	-	-
Net increase/(decrease) in cash and cash equivalents		(23.0)	1.3	(8.2)	-	-	-
Net foreign exchange difference		1.4	0.8	0.6	-	-	-
<b>Cash and equivalents at 31 December</b>	<b>29</b>	<b>16.6</b>	<b>18.7</b>	<b>11.1</b>	<b>-</b>	<b>-</b>	<b>-</b>



# General notes impact

## Note 6. Capital management

€m	Note	Estimate			Impact vs reported financials		
		2016	2017	2018	2016	2017	2018
Gross borrowings after foreign exchange	30	675.7	748.8	880.9	77.6	84.9	87.9
Less: cash and equivalents	29	(16.6)	(18.7)	(11.1)	-	-	-
<b>Net debt</b>		<b>659.1</b>	<b>730.1</b>	<b>869.8</b>	<b>77.6</b>	<b>84.9</b>	<b>87.9</b>
Equity		553.1	573.0	304.0	(3.1)	(4.6)	(5.4)
<b>Capital and net debt</b>		<b>1,212.2</b>	<b>1,303.1</b>	<b>1,173.9</b>	<b>74.5</b>	<b>80.3</b>	<b>82.6</b>
<b>Gearing ratio</b>		<b>54%</b>	<b>56%</b>	<b>74%</b>	<b>3%</b>	<b>3%</b>	<b>2%</b>

## Covenants

€m	Estimate			Impact vs reported financials		
	2016	2017	2018	2016	2017	2018
Interest cover	1.9x	1.7x	1.8x	(0.4x)	(0.3x)	(0.3x)
Solvency	22%	21%	20%	(3%)	(3%)	(2%)
Loan to value	84%	88%	89%	-	-	-

Our covenant levels with our funders have been adjusted for the impact of IFRS 16 as part of the new RCF financing signed on 20 December 2018 and effective from 4 February 2019.

## Metrics

	Estimate			Impact vs reported financials		
	2016	2017	2018	2016	2017	2018
<b>Asset returns</b>						
RoIC	5.8%	5.8%	5.5%	(0.1%)	(0.1%)	(0.2%)
Capital efficiency	20%	21%	21%	(0.4%)	(0.5%)	(0.4%)
<b>Financing</b>						
Net leverage ratio	75%	76%	78%	3%	3%	2%
Gearing ratio	54%	56%	74%	3%	3%	2%
Net debt/EBITDA	4.3x	3.8x	4.0x	0.2x	0.2x	0.2x

# Specific notes impact

## Note 9. Cost of sales

€m	Note	Estimate			Impact vs reported financials		
		2016	2017	2018	2016	2017	2018
M&R own fleet		111.5	116.4	125.6	3.8	4.4	7.1
Damage protection		11.2	10.7	11.9	-	-	-
<b>Leasing and rental variable</b>	<b>16</b>	<b>122.7</b>	<b>127.1</b>	<b>137.5</b>	<b>3.8</b>	<b>4.4</b>	<b>7.1</b>
M&R 3rd party	16	67.8	72.9	90.8	-	-	-
Fleet sales	16	30.1	38.2	29.3	-	-	-
Other	16	3.6	11.0	10.6	-	-	-
<b>Variable (excl. credit losses)</b>	<b>16</b>	<b>224.2</b>	<b>249.2</b>	<b>268.2</b>	<b>3.8</b>	<b>4.4</b>	<b>7.1</b>
Credit losses		(0.8)	0.6	2.1	-	-	-
<b>Total variable</b>		<b>223.4</b>	<b>249.8</b>	<b>270.3</b>	<b>3.8</b>	<b>4.4</b>	<b>7.1</b>
Depreciation of fleet (including fleet customisation)	22	89.2	123.0	139.2	(7.4)	(9.6)	(9.3)
Lease in		0.6	0.6	1.1	9.8	12.5	12.2
<b>Total fixed</b>	<b>17</b>	<b>89.8</b>	<b>123.6</b>	<b>140.3</b>	<b>2.4</b>	<b>2.9</b>	<b>2.9</b>
<b>Total</b>		<b>313.2</b>	<b>373.4</b>	<b>410.6</b>	<b>6.2</b>	<b>7.3</b>	<b>10.0</b>

**Note 10. Administrative, other operating expenses and amortisation of intangible assets**

€m	Note	Estimate			Impact vs reported financials		
		2016	2017	2018	2016	2017	2018
<b>Employee benefit expenses</b>	11	<b>39.8</b>	<b>40.8</b>	<b>40.7</b>	-	-	-
Outside service fees	12	15.2	16.4	18.8	-	-	-
Travel and living	14	4.6	4.4	4.2	2.1	2.5	2.2
Rental expense	15	2.2	2.2	1.7	4.9	5.8	5.5
Other facilities		4.1	5.1	5.1	(0.5)	(0.6)	(0.7)
Office expenses		2.1	2.2	2.0	-	-	-
Sales promotion		1.1	1.6	1.7	-	-	-
Other expenses		1.9	1.7	1.3	-	-	-
<b>Other operating expenses</b>	17	<b>31.2</b>	<b>33.6</b>	<b>34.9</b>	<b>6.5</b>	<b>7.7</b>	<b>6.9</b>
Depreciation of PP&E	23	12.9	14.9	17.2	(7.9)	(9.0)	(10.5)
(Gain)/loss on disposal of PP&E		-	(1.4)	-	-	-	-
<b>Total excluding exceptional</b>		<b>83.9</b>	<b>87.9</b>	<b>92.8</b>	<b>(1.4)</b>	<b>(1.3)</b>	<b>(3.5)</b>
Exceptional items	21	-	6.2	-	-	-	-
<b>Total</b>		<b>83.9</b>	<b>94.1</b>	<b>92.8</b>	<b>(1.4)</b>	<b>(1.3)</b>	<b>(3.5)</b>
<b>Amortisation of intangible assets</b>		<b>5.1</b>	<b>5.9</b>	<b>5.7</b>	-	-	-

## Note 14. Travel and living expenses

€m	Note	Estimate			Impact vs reported financials		
		2016	2017	2018	2016	2017	2018
Car expenses		1.5	1.1	0.7	2.1	2.5	2.2
Travel and subsistence		3.1	3.3	3.5	-	-	-
<b>Total</b>	<b>10</b>	<b>4.6</b>	<b>4.4</b>	<b>4.2</b>	<b>2.1</b>	<b>2.5</b>	<b>2.2</b>

## Note 15. Rental expenses

€m	Note	Estimate			Impact vs reported financials		
		2016	2017	2018	2016	2017	2018
Gross rental expense		3.0	3.0	2.7	8.7	10.2	12.5
Included in cost of sales		-	-	-	(3.8)	(4.4)	(7.1)
Rental income		(0.8)	(0.8)	(1.0)	-	-	-
<b>Total</b>	<b>10</b>	<b>2.2</b>	<b>2.2</b>	<b>1.7</b>	<b>4.9</b>	<b>5.8</b>	<b>5.5</b>

Rental expense can be further analysed as follows:

€m	Note	Estimate			Impact vs reported financials		
		2016	2017	2018	2016	2017	2018
Rental expense		1.3	1.2	1.1	4.9	5.8	5.5
Other rentals		0.8	0.9	0.8	-	-	-
Overflow parking		0.9	0.9	0.8	-	-	-
Rental income		(0.8)	(0.8)	(1.0)	-	-	-
<b>Total</b>	<b>10</b>	<b>2.2</b>	<b>2.2</b>	<b>1.7</b>	<b>4.9</b>	<b>5.8</b>	<b>5.5</b>

## Note 16. Contribution analysis

		Estimate			Impact vs reported financials		
€m	Note	2016	2017	2018	2016	2017	2018
Leasing and rental							
Revenue	8	302.4	355.5	399.9	-	-	-
Variable costs	9	(122.7)	(127.1)	(137.5)	3.8	4.4	7.1
Contribution		179.7	228.4	262.4	3.8	4.4	7.1
Contribution %		59%	64%	66%	1%	1%	2%
M&R 3rd party							
Revenue	8	84.1	94.1	113.7	-	-	-
Variable costs	9	(67.8)	(72.9)	(90.8)	-	-	-
Contribution		16.3	21.2	22.9	-	-	-
Contribution %		19%	23%	20%	-	-	-
Fleet sales							
Revenue	8	38.0	44.6	35.0	-	-	-
Variable costs	a	(30.1)	(38.2)	(29.3)	-	-	-
Contribution		7.9	6.4	5.7	-	-	-
Contribution %		21%	14%	16%	-	-	-
Other							
Revenue	8	23.4	22.5	16.4	-	-	-
Variable costs	9	(3.6)	(11.0)	(10.6)	-	-	-
Contribution		19.8	11.5	5.8	-	-	-
Contribution %		85%	51%	35%			
Total							
Revenue	8	447.9	516.7	565.0	-	-	-
Variable costs	9	(224.2)	(249.2)	(268.2)	3.8	4.4	7.1
Contribution (excl: credit losses)		223.7	267.5	296.8	3.8	4.4	7.1
Contribution (excl: credit losses) %		50%	52%	52%	1%	1%	1%
Credit losses		0.8	(0.6)	(2.1)	-	-	-
Contribution		224.5	266.9	294.7	3.8	4.4	7.1
Contribution %		50%	52%	52%	1%	1%	1%
a) Variable cost of fleet sales consist of:							
NBV of fleet sales		(29.6)	(37.7)	(29.0)	-	-	-
Selling costs		(0.5)	(0.5)	(0.3)	-	-	-
Total	9	(30.1)	(38.2)	(29.3)	-	-	-

## Note 17. Earnings before interest, taxes, depreciation and amortization (EBITDA)

€m	Note	Estimate			Impact vs reported financials		
		2016	2017	2018	2016	2017	2018
<b>Contribution</b>	16	224.5	266.9	294.7	3.8	4.4	7.1
Employee benefit expenses	11	(39.8)	(40.8)	(40.7)	-	-	-
Other operating expenses	10	(31.2)	(33.6)	(34.9)	6.5	7.7	6.9
<b>EBITDA</b>		<b>153.5</b>	<b>192.5</b>	<b>219.1</b>	<b>10.3</b>	<b>12.1</b>	<b>14.0</b>
EBITDA %		34%	37%	39%	2%	2%	3%

## Note 19. Finance cost

€m	Note	Estimate			Impact vs reported financials		
		2016	2017	2018	2016	2017	2018
Interest	30.1	21.0	26.5	29.6	(6.7)	(7.8)	(7.7)
Commitment fees	30.1	1.9	1.3	0.8	-	-	-
Amortisation of deferred fees	30.2	2.7	2.7	2.7	-	-	-
<b>Funding related</b>		<b>25.6</b>	<b>30.5</b>	<b>33.1</b>	<b>(6.7)</b>	<b>(7.8)</b>	<b>(7.7)</b>
Foreign exchange losses		2.5	-	-	-	-	-
<b>Finance cost before derivatives</b>		<b>28.1</b>	<b>30.5</b>	<b>33.1</b>	<b>(6.7)</b>	<b>(7.8)</b>	<b>(7.7)</b>
Interest rate swap realised loss		1.4	2.0	1.4	-	-	-
Interest rate swaps fair market value loss		1.6	-	-	-	-	-
<b>Derivatives</b>		<b>3.0</b>	<b>2.0</b>	<b>1.4</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total excluding exceptional</b>		<b>31.1</b>	<b>32.5</b>	<b>34.5</b>	<b>(6.7)</b>	<b>(7.8)</b>	<b>(7.7)</b>
Exceptional items	21	-	-	3.2	-	-	-
<b>Total</b>		<b>31.1</b>	<b>32.5</b>	<b>37.7</b>	<b>(6.7)</b>	<b>(7.8)</b>	<b>(7.7)</b>



**Note 20 Taxation****Taxation for the period**

€m	Note	Estimate			Impact vs reported financials		
		2016	2017	2018	2016	2017	2018
Current taxation for the period		3.7	5.2	10.1	-	-	-
Adjustment to prior periods	26.1	(1.5)	3.3	(0.6)	-	-	-
<b>Current tax</b>		<b>2.2</b>	<b>8.5</b>	<b>9.5</b>	<b>-</b>	<b>-</b>	<b>-</b>
Changes in tax rates		0.2	(2.0)	(2.0)	-	-	-
Deferred taxation for the period <sup>1</sup>	26.5	8.2	(1.1)	(4.6)	0.6	0.5	0.4
Adjustment to prior periods	26.6	2.2	(3.6)	0.4	-	-	-
<b>Deferred taxes</b>		<b>10.6</b>	<b>(6.7)</b>	<b>(6.2)</b>	<b>0.6</b>	<b>0.5</b>	<b>0.4</b>
<b>Taxation</b>		<b>12.8</b>	<b>1.8</b>	<b>3.3</b>	<b>0.6</b>	<b>0.5</b>	<b>0.4</b>
Non-exceptional taxation		8.2	5.4	7.3	0.6	0.5	0.4
Exceptional taxation	21	4.6	(3.6)	(4.0)	-	-	-
<b>Taxation</b>		<b>12.8</b>	<b>1.8</b>	<b>3.3</b>	<b>0.6</b>	<b>0.5</b>	<b>0.4</b>

<sup>1</sup> Impact on deferred tax has been estimated using non-exceptional effective tax rate.

**Note 22. Fleet**

€m	Note	Estimate			Impact vs reported financials		
		2016	2017	2018	2016	2017	2018
Net book value at 31 December		802.0	874.1	1,026.9	26.6	33.8	29.8

Included in fleet are right of use assets of:

€m	Note	Estimate			Impact vs reported financials		
		2016	2017	2018	2016	2017	2018
Net book value at 31 December		26.6	33.8	29.8	26.6	33.8	29.8

## Note 23. Property, plant and equipment (PP&E)

Net book value at 31 December		Estimate			Impact vs reported financials		
€m	Note	2016	2017	2018	2016	2017	2018
Land		35.7	34.8	34.5	-	-	-
Buildings and structures		78.3	77.1	86.7	42.2	40.7	48.6
Leasehold improvements		3.4	3.3	3.0	-	-	-
Other		7.8	6.9	4.2	4.5	4.2	2.2
<b>Total</b>		<b>125.2</b>	<b>122.1</b>	<b>128.4</b>	<b>46.7</b>	<b>44.9</b>	<b>50.8</b>

Included in PP&E are right of use assets of:

Net book value at 31 December		Estimate			Impact vs reported financials		
€m	Note	2016	2017	2018	2016	2017	2018
Buildings and structures		42.2	40.7	48.6	42.2	40.7	48.6
Other		4.5	4.2	2.2	4.5	4.2	2.2
<b>Total</b>		<b>46.7</b>	<b>44.9</b>	<b>50.8</b>	<b>46.7</b>	<b>44.9</b>	<b>50.8</b>

## Note 26. Current and deferred tax

		Estimate			Impact vs reported financials		
€m	Note	2016	2017	2018	2016	2017	2018
Current tax assets		1.0	1.2	1.0	-	-	-
Current tax liabilities	26.1	(3.2)	(1.0)	(7.8)	-	-	-
<b>Net current tax</b>		<b>(2.2)</b>	<b>0.2</b>	<b>(6.8)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Deferred tax assets <sup>1</sup>	26.2	25.7	27.0	30.1	21.1	21.5	23.3
Deferred tax liabilities <sup>1</sup>	26.3	(57.9)	(51.8)	(51.5)	(19.9)	(19.9)	(21.3)
<b>Net deferred tax</b>	<b>26.4</b>	<b>(32.2)</b>	<b>(24.8)</b>	<b>(21.3)</b>	<b>1.2</b>	<b>1.6</b>	<b>2.0</b>
<b>Total</b>		<b>(34.4)</b>	<b>(24.6)</b>	<b>(28.1)</b>	<b>1.2</b>	<b>1.6</b>	<b>2.0</b>

<sup>1</sup> Impact on deferred tax has been estimated using non-exceptional effective tax rate.

### Note 30. Borrowings

€m	Note	Estimate			Impact vs reported financials		
		2016	2017	2018	2016	2017	2018
RCF		473.2	533.6	646.6	-	-	-
ABS		69.4	77.4	73.0	-	-	-
FLB-FL		45.3	40.5	71.6	-	-	-
FLB-OL		77.6	84.9	87.9	77.6	84.9	87.9
Term loans		4.1	9.0	4.4	-	-	-
<b>Total</b>		<b>669.6</b>	<b>745.4</b>	<b>883.5</b>	<b>77.6</b>	<b>84.9</b>	<b>87.9</b>

### Note 38. Commitments and contingencies

#### Assets pledged under right of use lease

€m	Note	Estimate			Impact vs reported financials		
		2016	2017	2018	2016	2017	2018
Fleet		26.6	33.8	29.8	26.6	33.8	29.8
PP&E		46.7	44.9	50.8	46.7	44.9	50.8
Intangible assets		-	-	-	-	-	-
<b>Non-current assets</b>		<b>73.3</b>	<b>78.7</b>	<b>80.6</b>	<b>73.3</b>	<b>78.7</b>	<b>80.6</b>
<b>Total</b>		<b>73.3</b>	<b>78.7</b>	<b>80.6</b>	<b>73.3</b>	<b>78.7</b>	<b>80.6</b>

Lease commitments can be analysed as follows:

€m	Estimate			Impact vs reported financials		
	2016	2017	2018	2016	2017	2018
Fleet	-	0.3	2.7	(33.7)	(44.0)	(38.2)
Land and buildings	1.0	0.9	(1.9)	(64.0)	(60.8)	(70.3)
Motor vehicles	-	0.1	0.3	(6.3)	(5.1)	(3.4)
IT equipment	0.3	0.3	0.3	-	-	-
<b>Total</b>	<b>1.3</b>	<b>1.6</b>	<b>1.4</b>	<b>(104.0)</b>	<b>(109.9)</b>	<b>(111.9)</b>

€m	Fleet	Land and buildings	Motor vehicles	IT equipment	Total
Within one year	-	1.0	-	0.2	1.2
After one year but not more than five years	-	-	-	0.1	0.1
After five years but not more than ten years	-	-	-	-	-
More than ten years	-	-	-	-	-
<b>At 31 December 2016</b>	<b>-</b>	<b>1.0</b>	<b>-</b>	<b>0.3</b>	<b>1.3</b>
Within one year	0.3	0.9	0.1	0.2	1.5
After one year but not more than five years	-	-	-	0.1	0.1
After five years but not more than ten years	-	-	-	-	-
More than ten years	-	-	-	-	-
<b>At 31 December 2017</b>	<b>0.3</b>	<b>0.9</b>	<b>0.1</b>	<b>0.3</b>	<b>1.6</b>
Within one year	-	0.2	-	0.3	0.5
After one year but not more than five years	-	-	-	0.2	0.2
After five years but not more than ten years	-	-	-	-	-
More than ten years	-	-	-	-	-
<b>At 31 December 2018</b>	<b>-</b>	<b>0.2</b>	<b>-</b>	<b>0.5</b>	<b>0.7</b>

**Note 40. Financial risk management****40.1 Liquidity risk**

€m	Estimate			Impact vs reported financials		
	2016	2017	2018	2016	2017	2018
At 31 December	832.3	884.6	997.3	104.0	109.9	111.9

2016		Estimate				
€m	Note	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Interest		7.7	16.7	42.8	5.1	72.3
Borrowings repayment	30	7.1	90.4	552.3	25.9	675.7
Derivatives	31	0.5	1.4	1.6	-	3.5
Trade payables	33	80.8	-	-	-	80.8
<b>Total</b>		<b>96.1</b>	<b>108.5</b>	<b>596.7</b>	<b>31.0</b>	<b>832.3</b>

2016		Impact vs. reported financials				
€m	Note	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Interest		1.7	5.0	14.6	5.1	26.4
Borrowings repayment		3.7	11.0	39.1	23.8	77.6
Derivatives		-	-	-	-	-
Trade payables		-	-	-	-	-
<b>Total</b>		<b>5.4</b>	<b>16.0</b>	<b>53.7</b>	<b>28.9</b>	<b>104.0</b>

2017						Estimate
€m	Note	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Interest		6.2	18.1	49.7	4.8	78.8
Borrowings repayment	30	12.8	42.7	666.9	26.4	748.8
Derivatives	31	0.4	0.8	0.4	-	1.6
Trade payables	33	55.4	-	-	-	55.4
<b>Total</b>		<b>74.8</b>	<b>61.6</b>	<b>717.0</b>	<b>31.2</b>	<b>884.6</b>

2017						Impact vs. reported financials
€m	Note	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Interest		1.6	4.9	13.9	4.6	25.1
Borrowings repayment		4.0	12.1	44.1	24.7	84.9
Derivatives		-	-	-	-	-
Trade payables		-	-	-	-	-
<b>Total</b>		<b>5.6</b>	<b>17.0</b>	<b>58.0</b>	<b>29.3</b>	<b>110.0</b>

2018						Estimate
€m	Note	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Interest		7.9	45.7	16.0	4.2	73.8
Borrowings repayment	30	11.0	747.0	96.7	25.9	880.6
Derivatives	31	0.1	0.6	0.3	-	1.0
Trade payables	33	41.9	-	-	-	41.9
<b>Total</b>		<b>60.9</b>	<b>793.3</b>	<b>113.0</b>	<b>30.1</b>	<b>997.3</b>

2018						Impact vs. reported financials
€m	Note	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Interest		1.6	4.9	13.8	4.0	24.3
Borrowings repayment		4.3	12.9	47.5	22.9	87.6
Derivatives		-	-	-	-	-
Trade payables		-	-	-	-	-
<b>Total</b>		<b>5.9</b>	<b>17.8</b>	<b>61.3</b>	<b>26.9</b>	<b>111.9</b>



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