



Annual Report 2019

# Growth and beyond



# 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, bearing in mind 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 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:

- Restated all historical financials and ratios throughout this annual report and financial statements (including our thirteen-year history) to include the impact of IFRS 16 (lease accounting) for better understanding and underlying trend analysis

- Added an asset and funding model section to provide an overview of our fleet composition and how we fund our business
- To further improve governance, our Boards established Remuneration (Remuneration Committee), Investment (Investment Committee) and Audit (Audit Committee) Committees to assist them. In this year's annual report, we have introduced an overview of these key committees, their members, roles and responsibilities as well as key activities during the year
- We have reviewed and simplified our key accounting policies to focus on those which are material and significant to the business as it currently operates. As such, we have removed or simplified some policies in our summary of significant accounting policies



**“We are committed to ensuring that our annual report is of 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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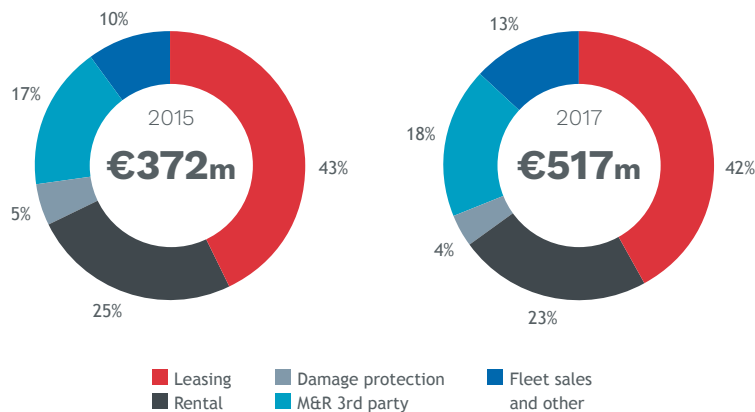
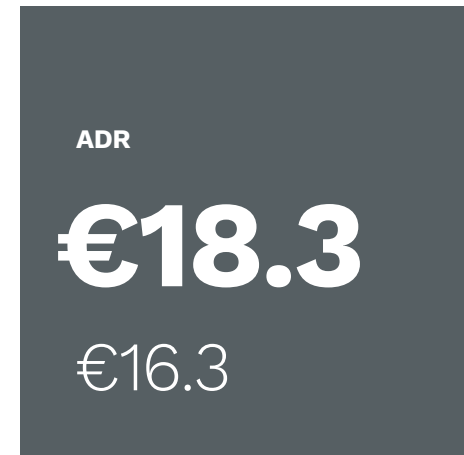
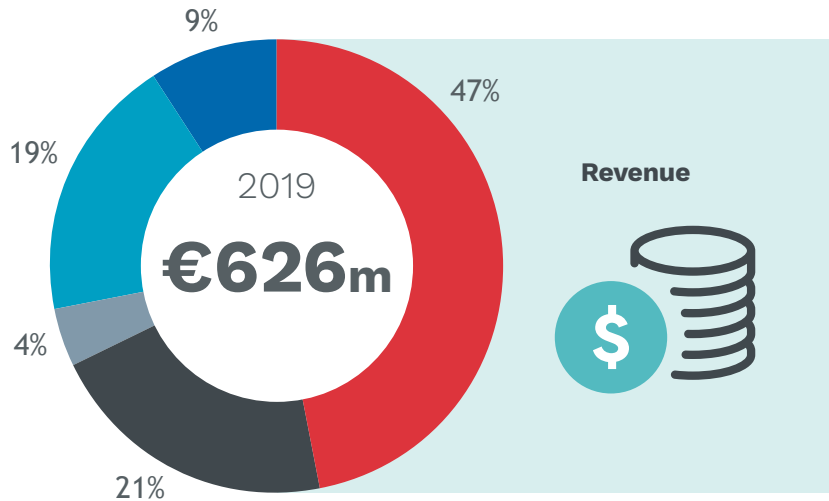


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# At a glance

Numbers versus 2017



**~2,600,000**

Work orders handled

**~1,050,000**

Internal workshop events

**~400,000**

Supplier invoices matched and paid

Net operating assets

**€1,973m**

€971m

Fleet investment

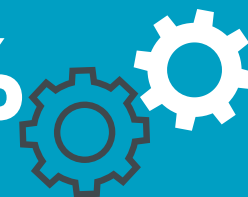
**€251m**

€237m

Gearing ratio

**75%**

74%<sup>1</sup>



Branches

**108**

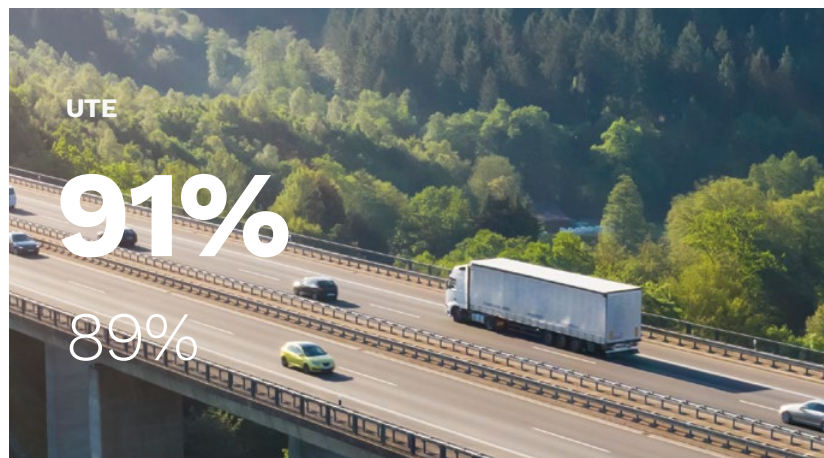
76



UTE

**91%**

89%



MSUs

**261**

179

<sup>1</sup> After adjusting for equity used to fund former shareholder loan.

# We are TIP

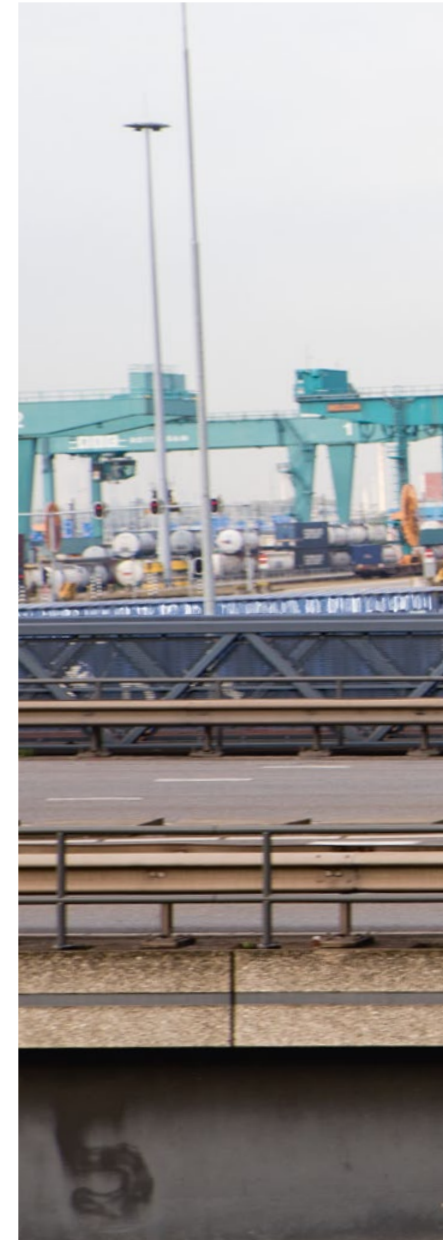
**TIP is one of Europe and Canada's leading equipment service providers.** We specialise in trailer leasing, rental, maintenance and repair, as well as other value-added services, and provide these to transportation and logistics customers across Europe and Canada. Headquartered in Amsterdam, we service our customers from 140 locations spread over 18 countries in Europe and Canada.

With approximately 111,000 units in our fleet, TIP 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 approximately 56,000 equivalent units of our customers.

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 transportation equipment, making us a one-stop-shop for all our customers' equipment needs.

Our services include everything from specifying and sourcing 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

72%

Used assets  
and other

9%

Maintenance  
and repair

19%





## Leasing and rental

We have approximately 111,000 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 with health and safety standards. Our pan-European breakdown recovery service for transportation equipment offers round-the-clock, multi-language support, 365 days per year.

All 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 sale of used equipment. We provide high-specification trailers including the latest models and a full service history.



Find out more at  
[www.tipeurope.com](http://www.tipeurope.com)



A mechanic wearing a blue denim work jacket, a black cap, and orange earplugs is focused on working on the wheel hub of a large vehicle. He is using a tool, possibly a torque wrench, on the axle. The background shows a workshop or garage setting with a metal door.

## A closer look at our M&R 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 downtime through Europe and Canada's fastest-growing workshop network and on-site, with the help of our fleet of mobile service units (MSUs).

At TIP, customers can choose from a wide range of maintenance and repair services for all equipment types across their entire life cycle, whether this is on a non-contracted or a contracted basis.



## Experience brings expertise

Our experience in maintaining trailers for more than 50 years provides a solid base with extensive expertise for the maintenance and repair services we provide. Preventative maintenance services, whether they are performed in one of TIP's many European or Canadian 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 our customers maximum flexibility. Our standard maintenance includes an all-inclusive fixed rate for most standard maintenance operations related to regulatory inspections, equipment checks, EBS/ABS diagnostics, servicing of brakes, axles, suspensions, signage, 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 be contractually agreed and harmonised across multiple locations or agreed on a volume/spend basis.

## The advantages of our maintenance and repair service:

- Plannable costs due to fixed prices
- Increased uptime and asset utilisation of customer fleet
- A team of certified technicians dedicated to maintenance and repairs service requirements
- All customer safety and compliance requirements are met

## What is included in our maintenance service?

- Regulatory 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
- 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 life cycle, whether this is on a non-contracted or a contracted basis.”**

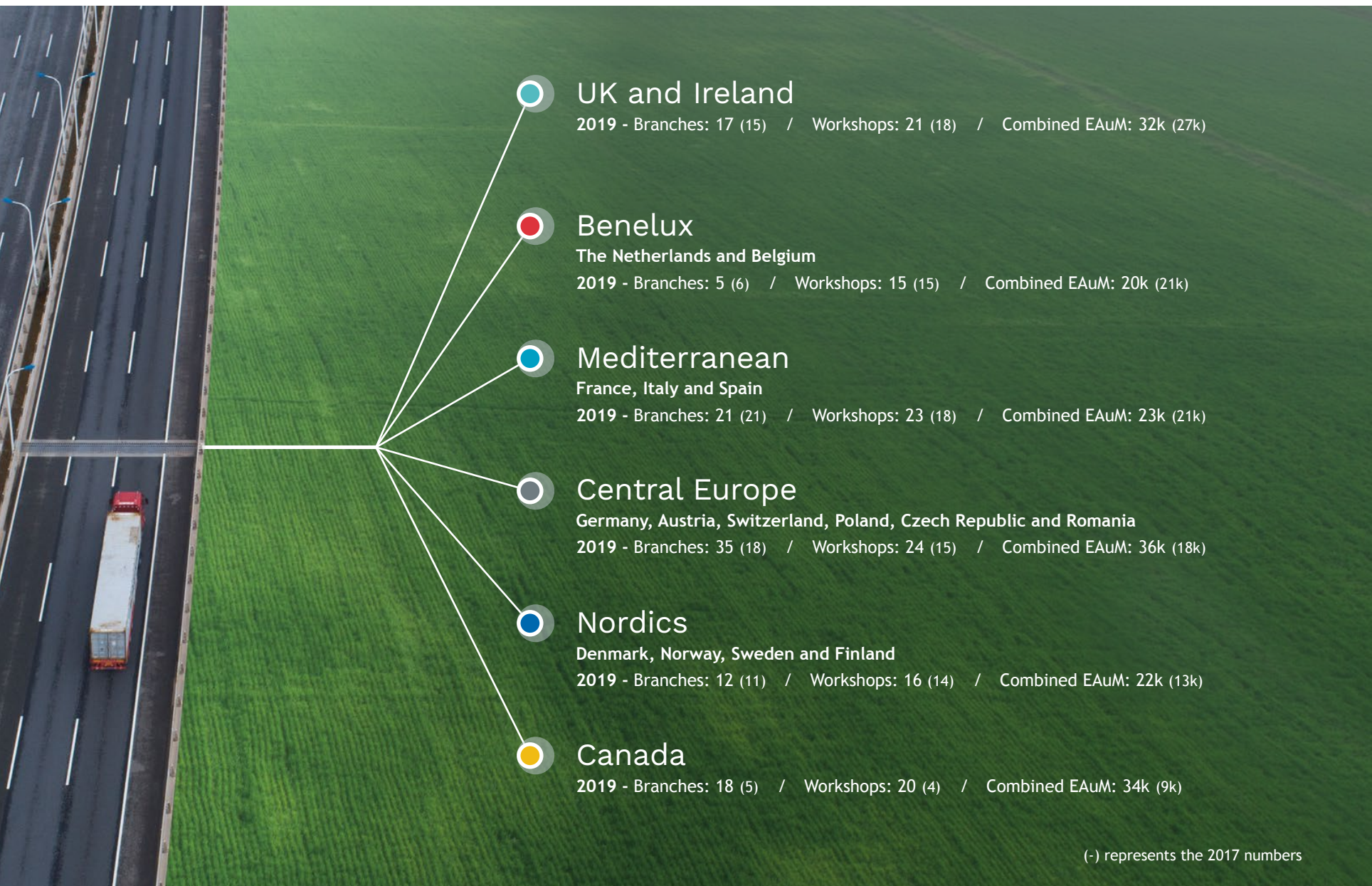


**Information from**  
**[www.tipeurope.com](http://www.tipeurope.com)**

# Where we operate



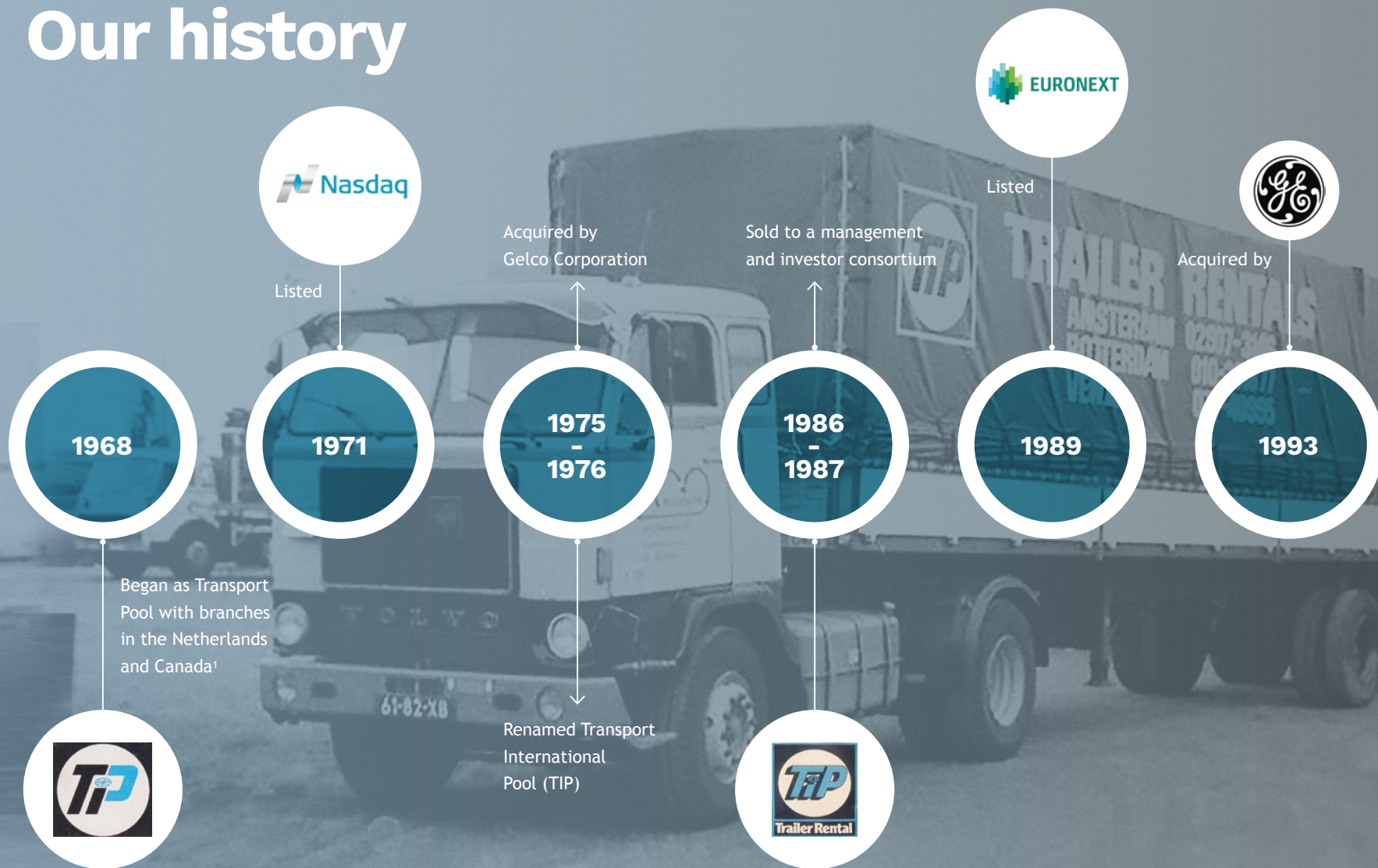




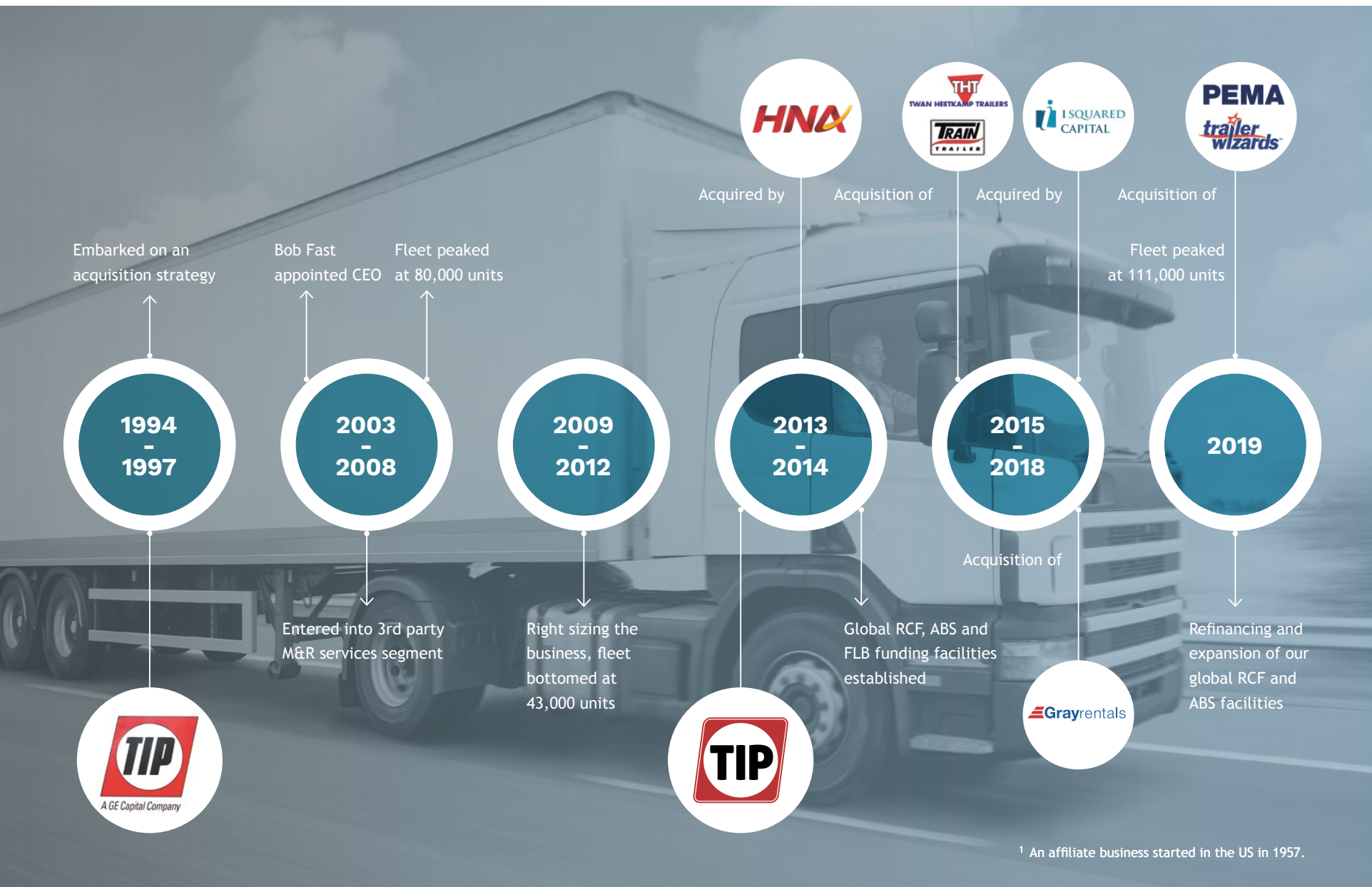
(-) represents the 2017 numbers



# Our history







# Why invest in TIP



## 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 transportation equipment provide resilience to business 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
- Digitisation of our fleet will provide our customers with unique digital services to manage their fleet effectively



## 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, 52% of our sales force has been with TIP 5+ years





# Our values







## 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.







An aerial photograph showing a multi-lane highway on the left, bordered by a green embankment, which meets a body of water with a textured, greenish-blue surface. The text 'Our strategy' is overlaid in large white font on the water.

# Our strategy

## **In this section**

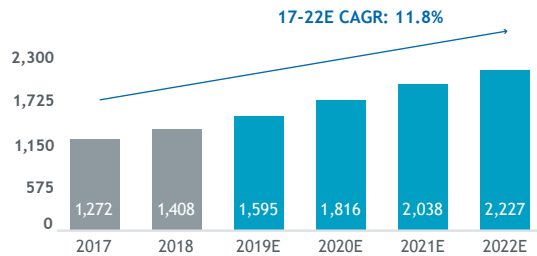
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# Our market<sup>1, 2</sup>

## Strong growth in key end-user markets

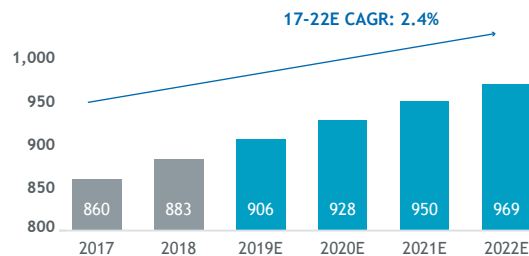
### eCommerce

Revenue in billion € (worldwide)



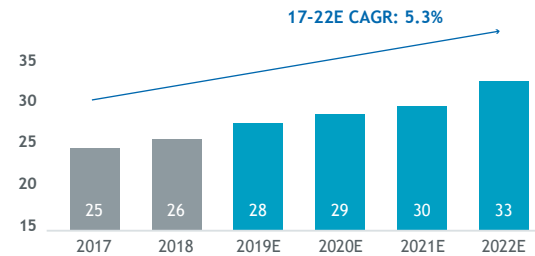
### Consumer electronics

Revenue in billion € (worldwide)



### Retail

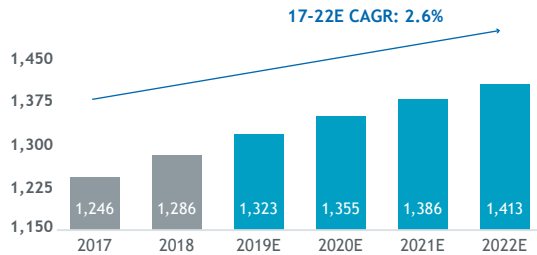
Sales in trillion € (worldwide)



## Underpinned by solid growth in the traditional ones

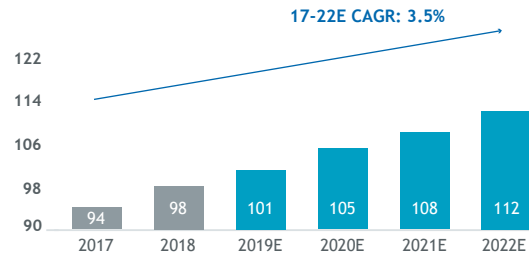
### Food

Volume in billion kilograms (worldwide)



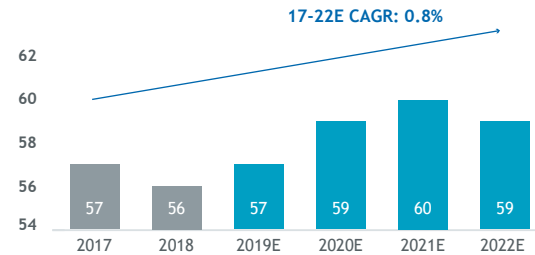
### Pharmaceuticals

Revenue in billion € (worldwide)



### Automotive

Vehicle sales in million units (worldwide)



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

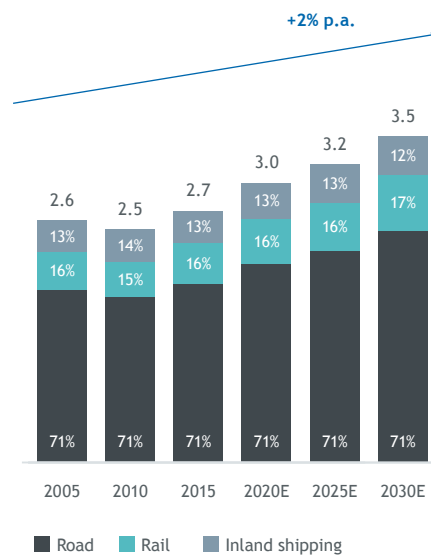
<sup>2</sup> Due to the recent COVID-19 outbreak, a number of forecasts in this section might be subject to adjustments by external sources.



## While road continues to dominate a growing European transportation market

### Freight transport in EU-28 by mode

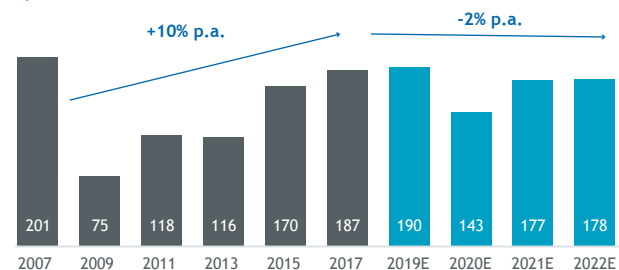
GTkm 000 bn



We observe both European and North America new trailer demand declining in 2020 with a recovery beyond that year

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

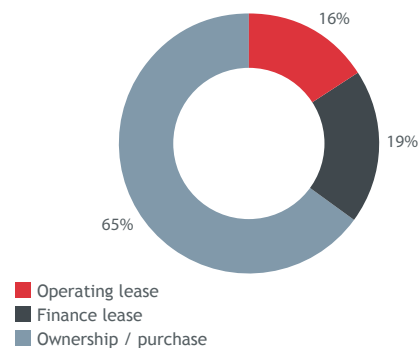
April 2020



Solid ongoing demand for operating leases as customers look to deploy capital in other investment opportunities

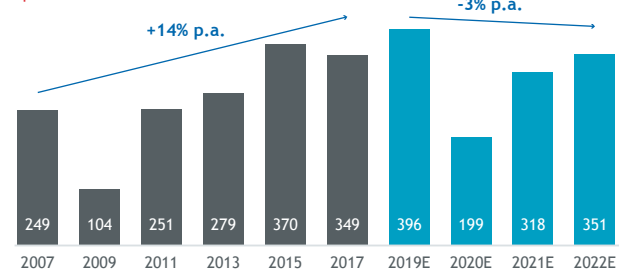
### Trailer leasing penetration rate

The operating lease penetration rate has remained relatively stable over time

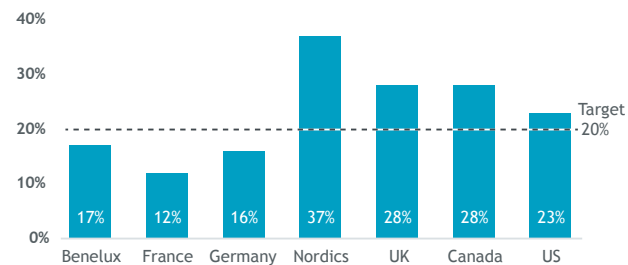


### North America new trailer production (k - units)

April 2020



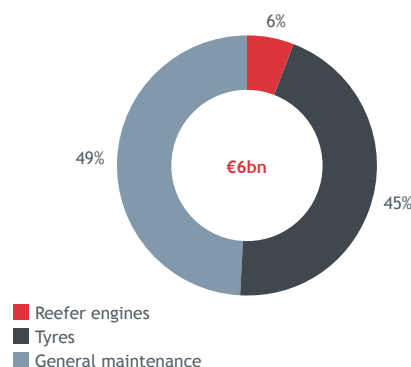
### Operating lease penetration rate by geography



**A €6bn trailer M&R market for the 2-million trailer fleet operating 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 a significant impact on the transportation and logistics sector. However, the majority of our equipment is non-motorised and 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 using 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 roadworthiness inspections on a timely basis to provide maximum uptime. Through TIP's FleetRadar, customers will have online access to all the supporting documents, services and KPI information.

In 2019, we started a collaboration to fulfil our digitalisation strategy by connecting our fleet with telematics solutions from WABCO, a leading global supplier of braking control systems and

other advanced technologies that improve the safety, efficiency and connectivity of commercial vehicles. Our agreement with WABCO will result in an upgrading of TIP's fleet with advanced trailer telematics and digital fleet management services which will provide the best solutions for our various trailer types. These solutions include not only track and trace capabilities, but also remote trailer health and diagnostics functionalities, as well as safety features such as tyre pressure monitoring and cold chain management that support leaner, greener and safer fleet operations. They will enable new data and analytics services which will further upscale our value offering to trailer fleet operators. With the combined technology and business expertise, resources and data analytics capabilities, TIP and WABCO will jointly drive an innovation roadmap to build first-class, fleet-centric and big data-driven services.





# Our business model

## How we create value and growth

We aim to offer first-class services to our customers and to become the trailer provider of choice and most 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



### 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



### 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)



We have 4 pillars which provide a foundation to our asset life cycle business model: Our **people** allow 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**.





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



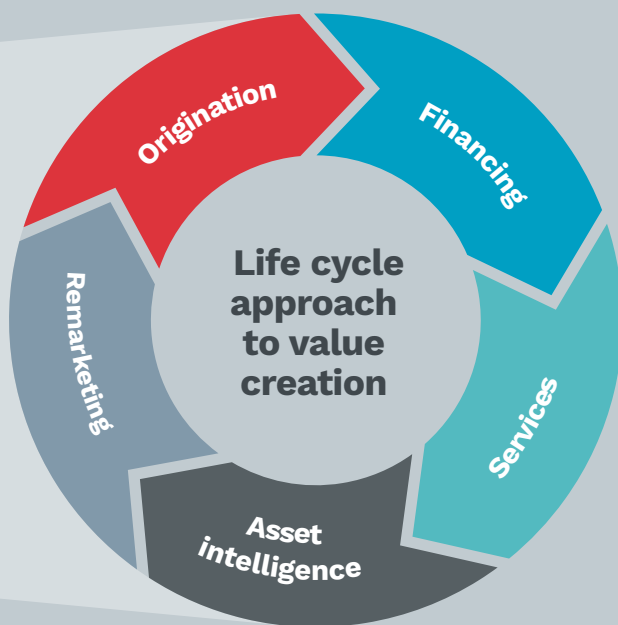
- Range of options
- Leasing
- Rental
- Sale and leaseback



- Dedicated team with over 100 years of combined experience
- Over 30k 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



## We create sustainable value for our stakeholders

### Customers

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

**Revenue**  
**€626m**



### Employees

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

**Employee benefits**  
**€111m**



### 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**  
**€243m**  
**Interest paid**  
**€30m**



### 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**  
**~€430m**



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








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

**EHS awards**  
**4**

# Our assets and funding model

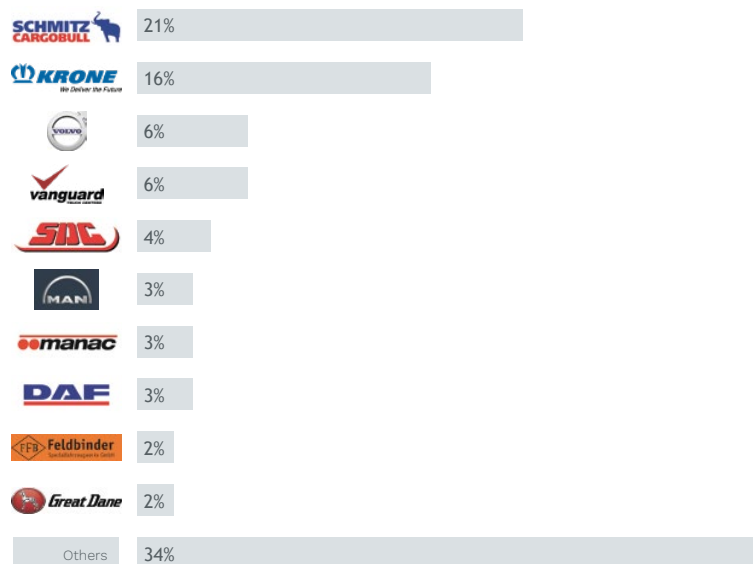
## Fleet composition

Our fleet is well diversified in terms of types of vehicle, countries of registration, brands and models, which helps us to meet the needs of our diverse customer base.

Fleet composition	2015		2017		2019	
	Units	€ NBV	Units	€ NBV	Units	€ NBV
Van 	11%	9%	22%	18%	30%	18%
Curtainsider 	43%	35%	38%	26%	29%	21%
Reefer 	13%	28%	14%	33%	16%	30%
Chassis 	13%	8%	12%	8%	11%	6%
Swapbody 	15%	4%	10%	3%	7%	2%
Truck 	-	-	-	-	4%	14%
Tanker 	5%	16%	4%	12%	3%	9%
	100%	100%	100%	100%	100%	100%
	~50k	~€0.5bn	~64k	~€0.9bn	~111k	~€1.8bn

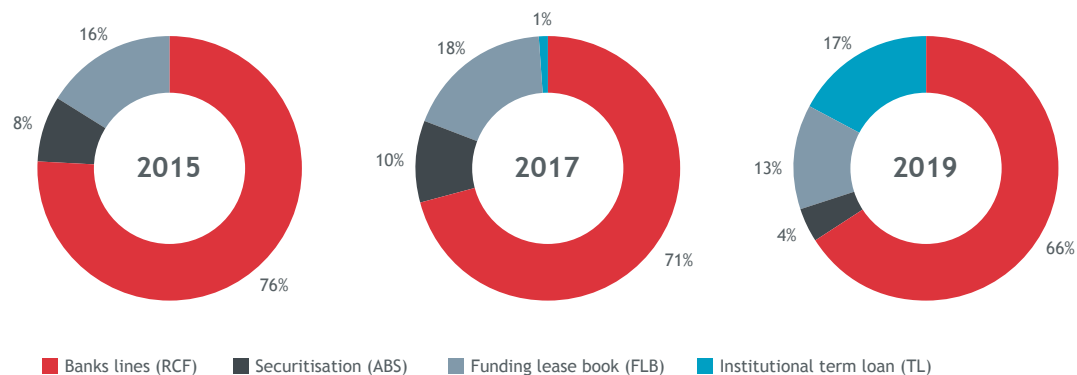


### Diverse leading brands make up the top 10 of our fleet (NBV) as per December 2019 (€m)



### Our diverse, multi-product, independent funding platform

As the business grows, more financial flexibility is required. Over the years, we have successfully continued to diversify our funding structure, providing a solid and flexible financing base which enables us to effectively upscale or downscale our borrowing levels in line with business demand and adapt to the different economic cycles.



# TIP 2020 and related key performance indicators<sup>1, 2</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, to consistently 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 our targets to reflect the impact of IFRS 16 (lease accounting) on our key performance indicators. 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.

<sup>2</sup> The risks stated in this section are covered in detail in the Managing our risk section.

# 1



## Our growth and profit ambition

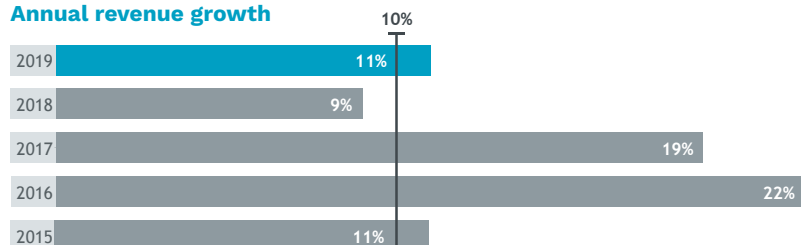
**Revenue:** Grow revenue at double-digit levels until 2020 using four key growth levers:

- 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.

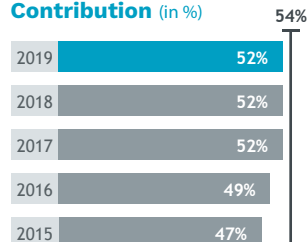
**Risks:** **A** economic conditions **B** competition **C** business strategy and investments **D** financing **G** corporate governance **H** financial reporting, business planning and forecasting **K** people

### Annual revenue growth

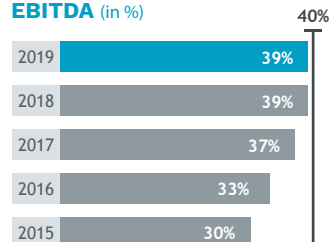


### Margins

#### Contribution (in %)



#### EBITDA (in %)



# 2



## Customer centricity

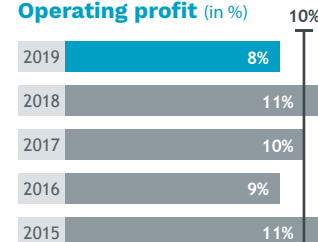
In everything we do, we need to consider the benefits for our customers. They are critical to achieving our growth strategy. We can only grow if our customers stay with us and, even better, are willing to grow alongside us. Our leading position in the industry, combined with our network enables us to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



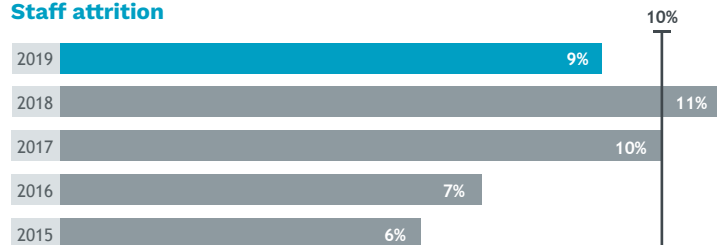
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### Our people

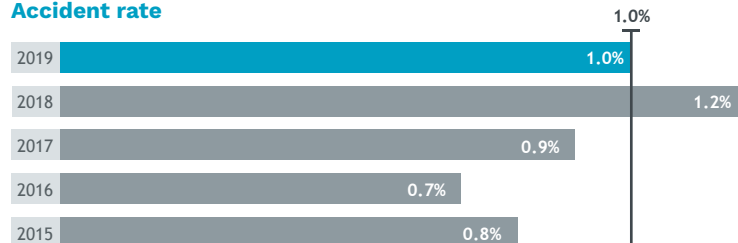
Without our people, we will not be able to reach our goals. We have an advantageous combination of highly experienced people who are willing to share their knowledge, and energetic new people who are given the room to explore new ideas and take initiatives. We wish to nurture and further develop both. 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 grow further and develop themselves.

Risks:  people  employee compliance  
 environment health and safety

#### Staff attrition



#### Accident rate



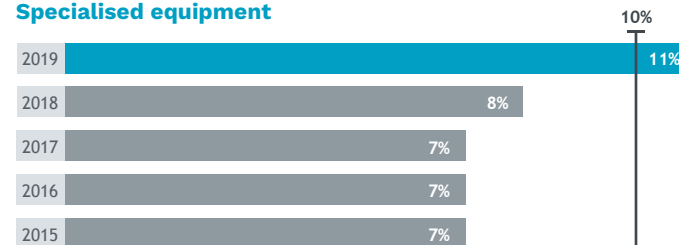
## 4 ↑

### Our assets

The largest part of our current fleet consists of standard trailer equipment (reefer, curtainsider, van, chassis and swapbody). 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, drawbars, waste tankers, fuel tankers, electric vehicles and trucks.

Risks:  financing  asset management

#### Specialised equipment



## 5 Our services

Grow our M&R services by:

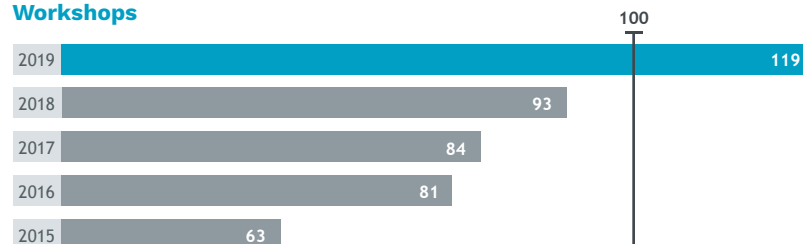
- a) Attracting more non-contracted maintenance and repair business to our workshops
- b) Intensively targeting fleet owners to outsource their maintenance activities
- c) Offering new services in our workshops such as tyre-fitting, reefer maintenance and other auxiliary activities

Other

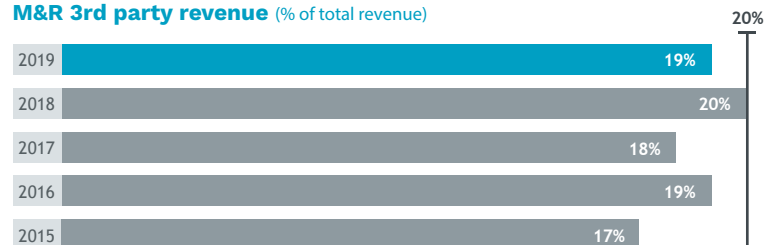
- d) Digitisation of our services processes
- e) Driving new concepts related to the sharing economy and equipment pooling

Risks: **B** competition **C** business strategy and investments **K** people  
**M** information technology

### Workshops



### M&R 3rd party revenue (% of total revenue)



## 6 Our footprint

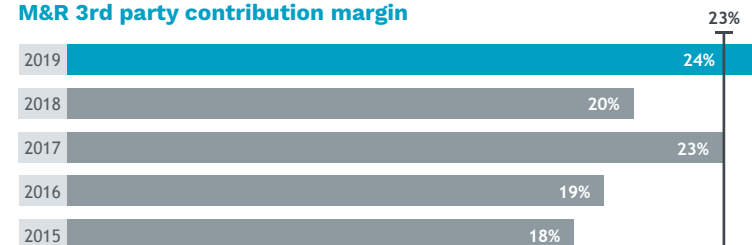
We will continue to grow our footprint in Europe and Canada. We also need to expand outside Europe and Canada in both developed and developing higher growth markets. We aim to be a global player.

Risks: **A** economic conditions **C** business strategy and investments  
**D** financing **E** treasury **F** tax

### Countries



### M&R 3rd party 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 processes, systems 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.

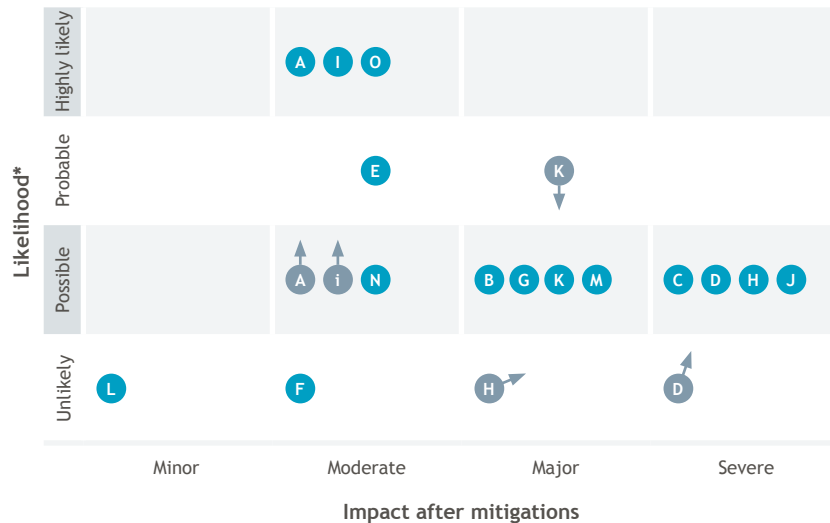
We approach risk management as follows:

- The Boards are responsible for the overall risk management strategy and the supervision of internal risk management and control systems. To further enhance effectiveness and efficiency, the Cube Transportation Board has established an Audit Committee with the specific mandate to review financial reporting, relationship with the

external auditor, internal control, EHS compliance, other regulatory compliance and risk management

- 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 in our company culture through regular training

## Our risks at a glance



\* Likelihood of occurrence within TIP 2020

Main risk pillars		
Strategic	Financial/corporate governance	Operational
<div>A Economic conditions</div> <div>B Competition</div> <div>C Business strategy and investments</div>	<div>D Financing</div> <div>E Treasury</div> <div>F Tax</div> <div>G Corporate governance</div> <div>H Financial reporting, business planning and forecasting<sup>1</sup></div>	<div>I Credit</div> <div>J Asset management</div> <div>K People</div> <div>L Employee compliance</div> <div>M Information technology</div> <div>N Environmental health and safety</div> <div>O Lease accounting rules</div>
Risk management structure		
The Boards		
Executive management team		Internal audit
Operational level		

<sup>1</sup> Broader scope including business planning and forecasting in comparison to 2018.





**“In a growing business, it is vital that we manage the risks inherent to our business activities and reduce the potential impact of these to an acceptable level.** Our operational model is underpinned by sound risk management combined with a strong governance framework. This ensures that the business is managed diligently and prudently, while still enabling us to benefit from an entrepreneurial spirit and growth ambition.”

**Wojciech Walkusz**, Credit Risk Director










## COVID-19 outbreak

On 11 March 2020, the World Health Organization declared the COVID-19 outbreak a world pandemic. Besides devastating humanitarian consequences, many economic sectors are currently seeing a substantial negative impact on their operations and performance. The effect of this pandemic is still being determined but it may impact a number of the key areas described below such as economic

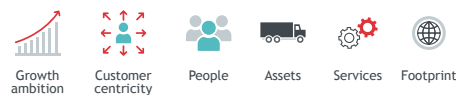
conditions, business strategy and objectives, treasury, credit, asset management and EHS.

Although TIP is resilient up till now, we cannot, at this time, fully assess how the COVID-19 will affect the global economy and companies in 2020. TIP follows the impact of COVID-19 on the business daily and has set up a dedicated Committee

which meets regularly to consider measures to ensure the health and safety of employees, families and the business continuity plan. Our Management monitors the situation closely and takes appropriate action where required to protect the Company's operations.

Potential impact	Examples of mitigation	Change
<div data-bbox="112 179 164 228"><b>A</b></div> <div data-bbox="112 235 293 256">Economic conditions</div> <div data-bbox="112 284 231 354"> <p>Leading EMT member(s): Bob Fast, CEO</p> </div> <ul style="list-style-type: none"> <li>• The European and Canadian economic environments impact our trailer leasing and rental sector. We are exposed to market prices, volatility of demand for our products and services, and remarketing of our fleet. The transportation 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> <li>• Brexit may impact our UK/Ireland business and trade flows between the UK/Ireland and the Continent</li> <li>• When debt is cheap, customers are more inclined to buy rather than lease equipment</li> </ul>	<ul style="list-style-type: none"> <li>• We closely monitor and analyse the market trends to anticipate impact and take necessary actions to navigate through the changing global economic environment</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 5% of our revenue, and no other customer more than 3%</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 borrowings</li> <li>• We mitigate the remarketing risk through our geographic coverage and our ability to leverage multiple channels</li> <li>• Demands for lease renewals and rentals will increase if Brexit results in less demand for new capex</li> <li>• An 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> <li>• Our debt facilities are arranged to allow us to effectively adjust our borrowings in line with demand and have programmes to source debt competitively</li> </ul>	  
<div data-bbox="112 767 164 816"><b>B</b></div> <div data-bbox="112 823 222 844">Competition</div> <div data-bbox="112 872 231 942"> <p>Leading EMT member(s): Bob Fast, CEO</p> </div> <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> <li>• Leasing competition from banks and other low-cost financing providers</li> <li>• Our cost of borrowings is a competitive factor. Increases in rates affect our ability to finance at competitive rates and could affect our market position</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> <li>• We create a commercial advantage by consistently providing the highest level of service at a price which offers value</li> <li>• Banks and other low-cost leasing financiers cannot match our expertise and ability to take residual value positions, remarketing capabilities, fleet management and maintenance service offering</li> <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 last year):



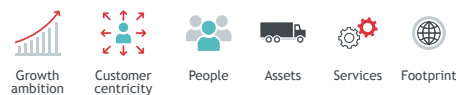
Potential impact	Examples of mitigation	Change
<div data-bbox="185 179 239 229"></div> <div data-bbox="185 235 340 280"><b>Business strategy and investments</b></div> <p data-bbox="185 309 369 617"> <i>Leading EMT member(s):</i>            Bob Fast, CEO,            Arjen Kraaij, CCO            Paul Beadle, COO            Malachy Mc Enroe, CFO (until 9 December 2019)            Simon Glass, Interim CFO (as of 10 December 2019)            Hiske Damhuis, CHRO            Jan Ihlau, CLO         </p>	<p data-bbox="413 179 556 197"><b>Overall strategy</b></p> <ul data-bbox="413 203 875 246" style="list-style-type: none"> <li>• Inappropriate or poorly understood strategies</li> <li>• Poor investment decisions and inadequate execution</li> </ul> <p data-bbox="413 375 523 393"><b>Acquisitions</b></p> <ul data-bbox="413 399 875 585" 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), finance and culture</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> <p data-bbox="413 666 579 684"><b>Other investments</b></p> <ul data-bbox="413 690 875 757" 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 data-bbox="909 203 1707 340" style="list-style-type: none"> <li>• Strategic issues, including risks and opportunities, are discussed at all EMT and Board meetings, and they receive regular progress updates on all significant 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> <ul data-bbox="909 399 1707 631" style="list-style-type: none"> <li>• All acquisitions are subject to comprehensive cost-benefit analysis, due diligence, review, and approval at both the management-led Business Development (BD) committee (BDC), and Investment Committee. All acquisitions are subject to final approval by the full Board of Cube Transportation</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. Where necessary, we engage external experts and experienced resources to support these integrations further</li> <li>• The Integration team ensures that plans are effectively executed and expected benefits are realised</li> </ul> <ul data-bbox="909 690 1707 1209" style="list-style-type: none"> <li>• The EMT and the Boards approve annual investment plans for trailer fleets, workshops and IT as part of the annual budgeting process</li> <li>• All material trailer fleet investments are subject to review and approval by both the management-led Deal Review Meeting (DRM) and the Investment Committee. Matters covered include pricing, credit and asset risk, as well as the strategic importance of the customer. Investments above certain levels require final approval by the full Board of Cube Transportation</li> <li>• All new workshop investments and expansions are subject to review and approval by both the management-led PP&amp;E Investment Committee (PIC) and the Investment Committee. Investments above certain levels require final approval by the full Board of Cube Transportation</li> <li>• All new product introductions (NPIs) are subject to review and approval by both the management-led New Product Introduction Committee (NPIC) and the Investment Committee. Investments above certain levels require final approval by the full Cube Transportation Board</li> <li>• All new IT investments are subject to review and approval by both the management-led Technology Investment Committee (TIC) and the Investment Committee. Investments above certain levels require final approval by the full Cube Transportation Board</li> <li>• DRM, PIC, NPIC and TIC (and related Investment Committee) processes include full financial cost-benefit analysis as well as the strategic rationale</li> <li>• Post completion, significant investments are subject to a post-investment review at various levels and intervals within our management and Board structures</li> </ul>



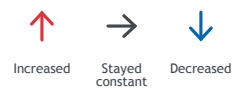



Potential impact	Examples of mitigation	Change
<div data-bbox="112 179 164 230"><b>D</b></div> <div data-bbox="112 235 198 256">Financing</div> <div data-bbox="112 284 285 473"> <p>Leading EMT member(s): Malachy Mc Enroe, CFO (until 9 December 2019) Simon Glass, Interim CFO (as of 10 December 2019)</p> </div>	<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 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 75%</li> <li>• Our revolving credit facility (RCF) matures in 2023, term loan (TL) borrowings are repayable in 2026, our asset-backed securitisation (ABS) has been refinanced until 2021 and our funding lease book (FLB) is due over varying periods beyond 2021. We believe that these facilities provide adequate resources and flexibility for our current business needs</li> <li>• We have flexible facilities (except TL), which allow us to effectively upscale or downscale our borrowings levels in line with business activities</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 3-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 multi-year 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 bi-monthly 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>	<div data-bbox="1676 221 1729 249">→</div> <div data-bbox="1676 256 1729 305"></div> <div data-bbox="1676 326 1729 354"></div> <div data-bbox="1676 382 1729 431"></div>

Alignment to **TIP 2020** strategic imperatives:



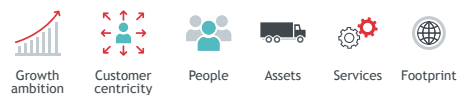
Management assessment of whether the risk has (since last year):



	Potential impact	Examples of mitigation	Change
<div><b>E</b></div> <div>Treasury</div> <div> <p>Leading EMT member(s): Malachy Mc Enroe, CFO (until 9 December 2019) Simon Glass, Interim CFO (as of 10 December 2019)</p> </div>	<p><b>Interest rate</b></p> <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 result in our hedge accounting becoming ineffective, impacting our profit or loss, our reported financial performance and ability to pay a dividend</li> </ul>	<ul style="list-style-type: none"> <li>It is our policy to minimise exposure to interest rate changes</li> <li>82% of the Group's interest exposure is in assets denominated in €/€ related, £ and CA\$</li> <li>We are currently 79% hedged on €, CA\$ and £ on our RCF and ABS borrowings, with an average duration of 2.3 years</li> <li>We have no interest floor in our ABS funding arrangement, and the impact of negative IBOR is also passed to us in FLB borrowings. The funding arrangement which effectively has an interest rate floor is our RCF facility. TL has an interest floor embedded in the fixed interest rate</li> </ul>	<div>→</div> <div></div>
	<p><b>Foreign currency</b></p> <p>An adverse impact on our revenue and profit from transactional or translational currency fluctuations</p> <ul style="list-style-type: none"> <li>While 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 29% of the Group's revenue and costs are in £'s and a further 19% in other European currencies and CA\$</li> <li>A 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, result in FX volatility in equity</li> <li>A 5% movement in £/€ and CA\$/€ had a translation impact of approximately €0.5m on profit before tax in 2019</li> </ul>	<ul style="list-style-type: none"> <li>We manage the transactional exchange impact by borrowing in local currency in £'s, CA\$'s, SEK's, NOK's, DKK's, CHF's and PLN's generally in line with groupwide overall borrowing basis advance rates. 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>	
	<p><b>Cash management</b></p> <ul style="list-style-type: none"> <li>We hold cash in operating bank accounts in various countries. Excess cash impacts our financial covenants and return on equity negatively</li> </ul>	<ul style="list-style-type: none"> <li>We have implemented a centralised Group-level cash pool in 15 European countries (2018: 15), which reduces excess cash in our operating bank accounts</li> <li>We have successfully reduced our cash balance from 8% of net operating assets in December 2014 to 1% in December 2019</li> </ul>	

Potential impact	Examples of mitigation	Change
<div data-bbox="112 179 164 230"><b>F</b></div> <div data-bbox="112 235 144 256">Tax</div> <div data-bbox="112 284 285 473"> <p>Leading EMT member(s): Malachy Mc Enroe, CFO (until 9 December 2019) Simon Glass, Interim CFO (as of 10 December 2019)</p> </div>	<div data-bbox="338 176 405 197">Overall</div> <ul data-bbox="338 201 801 295" 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> <div data-bbox="338 350 564 371">Sudden political changes:</div> <ul data-bbox="338 375 801 491" style="list-style-type: none"> <li>• Significant 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, thereby influencing customer behaviour</li> </ul> <div data-bbox="338 593 531 614">Change of ownership:</div> <ul data-bbox="338 618 801 735" style="list-style-type: none"> <li>• As part of our 2018 acquisition of Grayrentals Limited and the change of ownership from HNA to I Squared Capital in August 2018, we were required to pay ~€4m UK advanced tax in 2019, restricting cash available to invest in growth</li> </ul>	<div data-bbox="1682 221 1721 249">→</div> <div data-bbox="1676 288 1727 333"></div>
<div data-bbox="112 767 164 819"><b>G</b></div> <div data-bbox="112 823 305 844">Corporate governance</div> <div data-bbox="112 872 233 963"> <p>Leading EMT member(s): Bob Fast, CEO Jan Ihlau, CLO</p> </div>	<ul data-bbox="338 767 801 809" style="list-style-type: none"> <li>• Overall governance could be ineffective due to the increasing size and complexity of the business</li> </ul>	<div data-bbox="1682 792 1721 820">↓</div> <div data-bbox="1676 859 1727 904"></div>


Alignment to **TIP 2020** strategic imperatives:



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

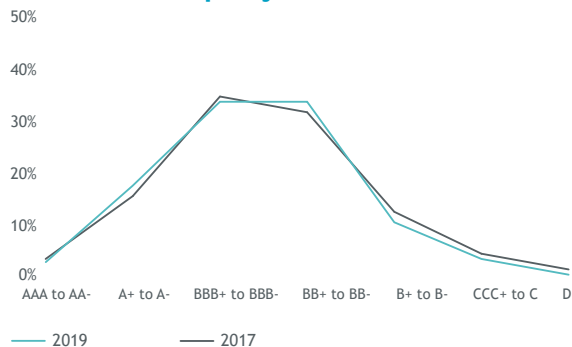




	Potential impact	Examples of mitigation	Change
<p><b>H</b></p> <p><b>Financial reporting, business planning and forecasting</b></p> <p><i>Leading EMT member(s):</i> Malachy Mc Enroe, CFO (until 9 December 2019) Simon Glass, Interim CFO (as of 10 December 2019)</p>	<ul style="list-style-type: none"> <li>Failure to accurately report and forecast financial results due to error, fraud or resourcing issues could damage our reputation</li> <li>Business plans, forecasts and related review processes should provide reliable and timely information for short-, mid- and long-term opportunity and risk assessments, enabling pro-active management</li> <li>Impact of IFRS 16 (lease accounting) on our internal performance reviews and external reporting</li> </ul>	<ul style="list-style-type: none"> <li>Our financial and management Board reporting is governed by policies and guidelines which are reviewed and approved annually by the EMT and the Board(s)</li> <li>During 2019, the Cube Transportation Board established an Audit Committee to increase the effectiveness of reviews on key accounting, reporting and audit matters. This Committee meets regularly including meetings with the external auditor</li> <li>Standard reporting, budgeting and forecasting systems and processes are in place for most of our businesses, and standard reporting packs are prepared where necessary. This includes weekly cash forecasts, KPI reports, monthly/quarterly variance to budget submissions, rolling 15-month forecasts and a 5-year business plan. These are subject to review by senior experienced regional finance and fPAC (financial Planning, Analysis and Control) teams as well as the SLT and EMT</li> <li>We have restated all our internal and external reporting, KPIs and performance measurements to reflect the impacts of IFRS 16. We have taken a consistent approach to IFRS 16, both internally and externally, and although a change of this nature has significant impact on our teams, we believe that it is the best long-term approach to maximise accountability, shared understanding and standard metrics across all stakeholders. We have, for the past three years, provided assessments and analysis on IFRS 16 impacts in our annual report to aid external stakeholders</li> </ul>	

Potential impact	Examples of mitigation	Change
<div data-bbox="112 179 166 225">I</div> <div data-bbox="112 235 166 253">Credit</div> <div data-bbox="112 285 285 473"> <p>Leading EMT member(s): Malachy Mc Enroe, CFO (until 9 December 2019) Simon Glass, Interim CFO (as of 10 December 2019)</p> </div> <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 delivery of a service. The impact could result in a provision or write-off of the debt, and we might lose future revenues and profits associated with the equipment or service provided</li> <li>• Fraud or money laundering risk can adversely impact our business</li> </ul>	<ul style="list-style-type: none"> <li>• Over 40 credit risk staff have credit authority delegated at regional and headquarter level. They assess the creditworthiness of customers, collect delinquent accounts, repossess the assets and manage litigation with customers to mitigate losses</li> <li>• We use several 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 transportation and logistics operators, further limit this risk. Refer to the customer credit quality graph below</li> <li>• Our thorough credit processes have resulted in an average 0.3% 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 a means of money laundering. We do not accept cash for used trailer sales, leasing and rental</li> <li>• We also apply robust know your supplier (KYS) and anti-money laundering anti-terrorism (AMLAT) checks to new suppliers</li> </ul>	<div data-bbox="1682 197 1725 225">→</div> <div data-bbox="1676 257 1725 302">↕</div>

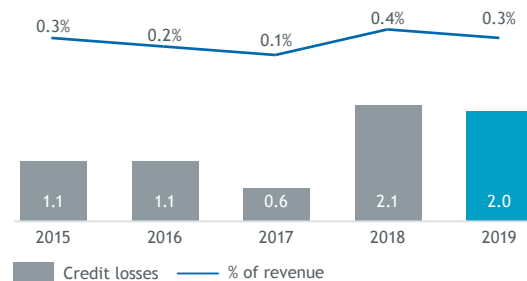
### Customer credit quality<sup>1</sup>



<sup>1</sup> 2019 includes PEMA and excludes Trailer Wizards.

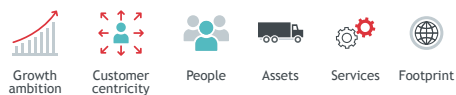
### Credit losses (€m)<sup>1</sup>

Average credit losses 0.3%

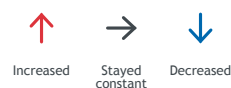


<sup>1</sup> 2016 adjusted for one-time indemnification and recovery, see Glossary for further explanation.

Potential impact	Examples of mitigation	Change
<div data-bbox="185 179 239 229"></div> <div data-bbox="181 233 355 256" data-label="Section-Header"><b>Asset management</b></div> <div data-bbox="181 281 340 375" data-label="Text"> <p>Leading EMT member(s): Arjen Kraaij, CCO Paul Beadle, COO</p> </div>	<div data-bbox="411 175 494 196" data-label="Section-Header"><b>Sourcing</b></div> <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> <div data-bbox="411 491 542 512" data-label="Section-Header"><b>Residual value</b></div> <ul style="list-style-type: none"> <li>• We purchase substantially all 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> <div data-bbox="411 736 552 757" data-label="Section-Header"><b>In-life servicing</b></div> <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> <div data-bbox="908 200 1704 705" data-label="List-Group"> <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, Asset Management 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> <li>• We have centralised procurement processes in place for fleet as well as for key parts and services supplies. There are also centralised controls over supplier on-boarding and payment approvals</li> <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, Asset Management Director and VP Remarketing</li> <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> </ul> </div>	<div data-bbox="1746 197 1798 225"></div> <div data-bbox="1746 257 1798 306"></div> <div data-bbox="1746 327 1798 351"></div>

Alignment to **TIP 2020** strategic imperatives:

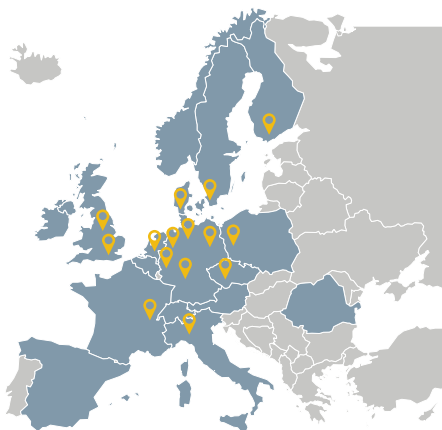
Management assessment of whether the risk has (since last year):



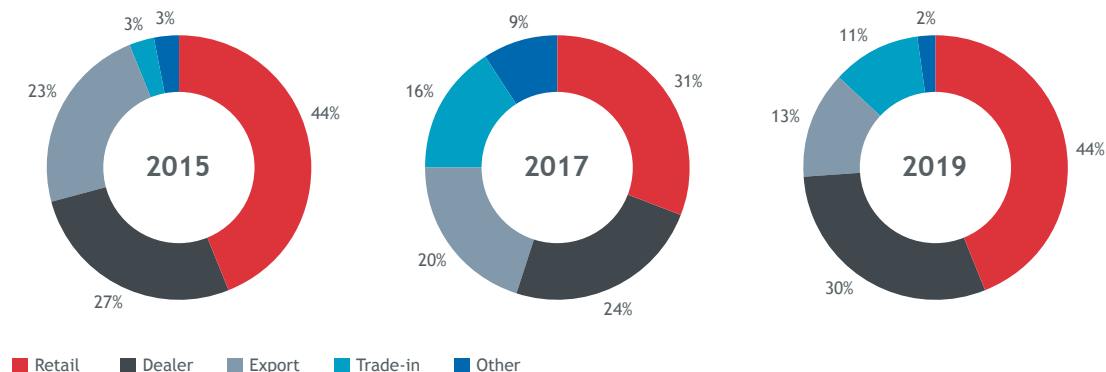


Potential impact	Examples of mitigation	Change
<p><b>J</b></p> <p><b>Asset management</b></p> <p>Leading EMT member(s): Arjen Kraaij, CCO Paul Beadle, COO</p>	<p><b>Remarketing of used assets</b></p> <ul style="list-style-type: none"> <li>We are exposed to market prices and volatility of demand for our 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 Eastern Europe, North Africa and the Middle East</li> </ul>	<p>→</p> <p>↕</p> <p>🚚</p>
<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 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>		

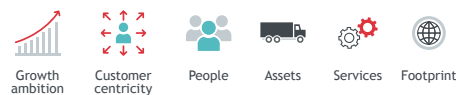
## Remarketing centres



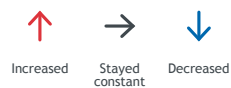
## Fleet sales by end markets



Alignment to **TIP 2020** strategic imperatives:

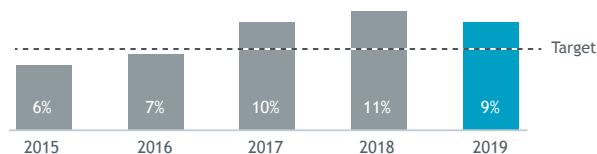


Management assessment of whether the risk has (since last year):



Potential impact	Examples of mitigation	Change
<div data-bbox="185 179 241 230">K</div> <div data-bbox="185 235 247 256">People</div> <div data-bbox="185 284 369 378"> <p>Leading EMT member(s): Bob Fast, CEO Hiske Damhuis, CHRO</p> </div> <ul style="list-style-type: none"> <li>• Attracting and retaining good people is essential to delivering excellent performance and excellent 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> <li>• Availability of young well-trained staff is key for support function roles to execute our growth strategy</li> <li>• Pension obligations</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 act as a powerful retention tool</li> <li>• We provide constructive career development opportunities for all jobs within our organisation. We recognise that in that way we do not only retain and develop our top talents but also give them the opportunity to grow and encourage them to take their career in their own hands</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 open communication with colleagues at all times and monitor employee satisfaction through listening groups, employee forums and our employee NPS surveys. There is nothing more important to us than the health and well-being of our employees and their families, so we launched our global well-being programme - TIP TOP Healthy. We provide a TIP company-wide employee assistance programme and organise well-being events and initiatives per country</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 decreased to 9% and is below our target of 10%</li> <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> <li>• TIP operates defined contribution schemes and makes pension contributions, where required, to state social security systems. TIP does not operate any defined benefit pension schemes. With the acquisition of PEMA, the German PEMA GmbH has a small defined benefit scheme on the balance sheet that is fully funded and does not have any deficit</li> </ul>	<div data-bbox="1754 214 1798 242">→</div> <div data-bbox="1754 274 1798 323"></div> <div data-bbox="1754 361 1798 396"></div> <div data-bbox="1754 428 1798 463"></div>

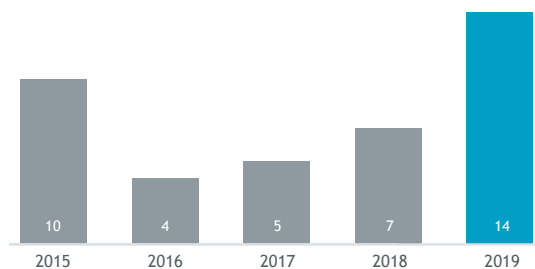
## Attrition



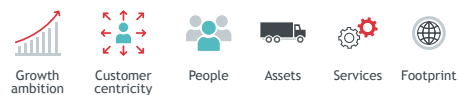
We calculate staff attrition % by dividing the number of permanent employees who left the business voluntarily during the year by the average headcount of the year.

	Potential impact	Examples of mitigation	Change
 <p><b>Employee compliance</b></p> <p>Leading EMT member(s): Bob Fast, CEO Hiske Damhuis, CHRO Jan Ihlau, CLO</p>	<ul style="list-style-type: none"> <li>Employee misconduct, fraud or non-compliance with regulations either negligently, inadvertently or knowingly could lead to financial loss or penalties, reputational damage, loss of business or impact staff morale</li> <li>The European General Data Protection Regulation (GDPR)</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 both the EMT and the Cube Transportation Board on a regular basis</li> <li>Regular GDPR and Data Privacy training is provided across our European businesses and where applicable to specific business functions</li> <li>Regular communications are 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>	 

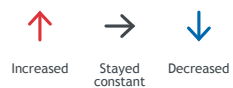
### Number of Ombuds cases raised



Alignment to **TIP 2020** strategic imperatives:



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





Potential impact	Examples of mitigation	Change
<div data-bbox="185 179 239 229"></div> <div data-bbox="181 233 291 281">Information technology</div> <div data-bbox="181 305 336 376">Leading EMT member(s): Paul Beadle, COO</div>	<div data-bbox="411 175 510 196"><b>Continuity</b></div> <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 or cyberattacks may disrupt operations and financial information processes</li> <li>Availability of back-up data centres for all servers and applications</li> </ul> <div data-bbox="411 515 676 536"><b>Acquisitions/growing services</b></div> <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> <div data-bbox="411 809 660 830"><b>Replacements and upgrades</b></div> <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>	<div data-bbox="1754 201 1798 243"></div> <div data-bbox="1746 278 1798 313"></div>

- 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 back-up centre for all our servers and applications. However, several of our key 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
- We have a comprehensive suite of security technologies in place including antivirus/malware software, firewalls, email scanning and internet monitoring
- We have business interruption insurance which covers certain costs and losses associated with IT system failures. In addition, we also have insurance coverage for certain potential cyberattacks

- Of the 41 acquisitions completed since the beginning of 2014, there are 6 (2018: 8) 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
- We have continued 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 and Phase II, which covers supplier management, estimate and more. This will further facilitate systems integrations and as the project completes, will free up resources to focus on other IT integrations

- 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
- We hold a monthly Technology Investment Committee (TIC) meeting to review all technological investment proposals above €100k and monitor progress

Potential impact	Examples of mitigation	Change
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N

## Environmental health and safety

Leading EMT member(s):

Paul Beadle, COO  
Hiske Damhuis, CHRO

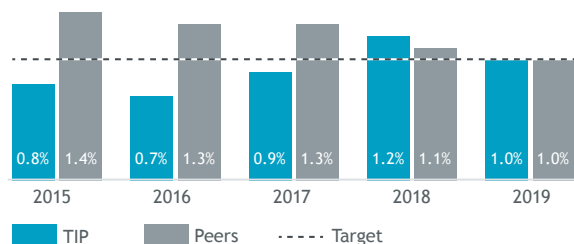
### Our business involves maintaining, repairing and operating heavy transportation equipment

- 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
- During 2019, we increased the number of workshops by 28% (2018: 11%), resulting in the requirement to train additional mechanics

- We have a proactive operational culture that puts health and safety at the top of our agenda to reduce the likelihood of accidents
- 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
- Induction and training programmes reinforce health and safety policies
- We have programmes to help our customers meet their responsibility to their workforces when using our equipment
- We have developed health and safety KPIs which are reviewed by the EMT, Management Board, and Audit Committee on a regular basis and with reviews by the full Cube Transportation Board once or twice per year
- We actively drive wellbeing programmes and have rigorous policies and processes in place to support a healthy environment. We believe our sickness rate is relatively low



## Accident rate vs peers

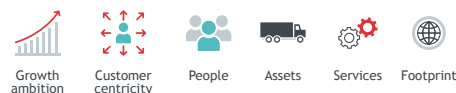


Our business uses the internationally recognised Frequency Accident Rating (FAR), which is calculated as the number of lost time accidents multiplied by 200,000 (the base for 100 employees working 40 hours per week), divided by the total hours worked. A lost time accident is a work-related major injury/illness that results in an employee's inability to work over 7 days after the initial injury/illness.

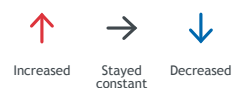
Peers are international businesses with similar distributed business models with substantial requirements for mechanics/technicians. Specifically, we used Ashtead, Aggreko and Northgate.




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 last year):



	Potential impact	Examples of mitigation	Change
 <p><b>Lease accounting rules</b></p> <p><i>Leading EMT member(s):</i> 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>• IFRS 16 Leases, issued by the International Accounting Standards Board, provides a new approach to lease accounting and became effective on 1 January 2019. This new approach substantially eliminates off-balance sheet treatment for leases and requires customers to record leased assets on their balance sheets. This accounting change 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 47% (2018: 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 supporting our customers by providing information to assist them 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 change applies across all industries, the market is adapting to these changes and customers' financial ratios are being or have been modified accordingly. Historically, as a general rule, many customers' funders and rating agencies already took the off-balance sheet items and incorporated them into their financial ratios</li> </ul>	 





# Review of the year

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# Review of the year



**Jan**

Maintenance contract with

**Feb**

- Release of 2018 annual report
- Acquisition of



**Mar**

Refinancing of our ABS programme



**Sep**

Acquisition of Top Truck Centrum

**Aug**

Cooperation agreement for aftersales services in Western Europe with



**Oct**

Maintenance contract with





**Apr**

- Opening of the first multi-service truck road centre with secure parking in Dourges
- Acquisitions of AEC and partial fleet portfolio of Axis



**May**

Participation in Padborg at



**Jul**

Digitisation and telematics collaboration agreement with

**Jun**

Participation in Munich at



**PEMA**

**Nov**

Expansion of the RCF facility and launch of our institutional term loan funding programme

**Dec**

Acquisitions of





# CEO Review

**“Despite increased economic uncertainties, we had another good year of execution, growing revenue by 11% to €626m.** We have successfully leveraged our scale to improve our EBITDA margin from 30% in 2014 to 39% in 2019 and achieved a strong operating profit in a challenging environment. With our shareholder support, we announced and closed two strategic acquisitions, PEMA in Europe and Trailer Wizards in Canada. These acquisitions will significantly strengthen our business in our two key geographies.”

## **Dear stakeholder,**

I am pleased to present the 2019 annual report for our company. 2019 was another year of change for our business. We continued to grow at double-digit levels and enhanced our geographical footprint further, in particular with the acquisitions of PEMA and Trailer Wizards. I want 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 11% in 2019 and reached €626m. We reached an EBITDA of €243m, 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.

Our return on invested capital (RoIC) decreased to 4.2%<sup>1</sup> (2018: 5.4%) driven by a combination of a slowing economy in the second half of the year, particularly in Germany, as well as the timing of closing of customer capex deals and acquisitions.

We continued to maintain strong profit margins, with contribution, EBITDA and operating profits at 52% (2018: 52%), 39% (2018: 39%) and 8% (2018: 11%) respectively. Our TIP 2020 strategy remains focused on our customers' needs, and we continue to build on the four 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.

We entrust the execution of our strategy to our senior and regional leadership teams.

It is a source of pride that, despite the challenging transportation and logistics environment, we have the most stable leadership team in the market. As well as driving the growth and development of our business, they freely share their valuable experience with colleagues, ensuring that our next generation of leaders is equipped with the necessary knowledge and skills to take our business forward.

When we set our TIP 2020 strategy in 2015, we had a revenue of ~€370m. We then set the very ambitious aspiration of reaching ~€1bn by 2020. With the acquisition of PEMA and Trailer Wizards, we are in touching distance of achieving that aspiration. Size and scale are critical to our success and our bottom line profitability as they allow us to leverage our cost base effectively, invest in modern IT, the latest telematics and data analysis solutions and enable us to access broader funding sources in the capital markets, thereby supporting our growth and diversifying our risks.

<sup>1</sup> 2019: After normalising the timing impact of the PEMA and Trailer Wizards acquisitions. 2018: Excludes HNA revenue streams.

We run a robust and highly efficient operating platform across our 18 countries, delivering a full range of services. Our people working with ever-improving digital capabilities are driving faster responses to customer needs. They are the bedrock of our business and the primary focus for our continuous improvement strategy. This is the heart of our highly efficient operating model with our tight focus on cost discipline, enabling us to centralise processes across our platform, drive efficiencies from our scale and ensure future growth is increasingly profitable.

PEMA brings us a great team in Germany, Central Europe and the Nordics with a deep understanding and experience of the truck market in particular, which will help us broaden our product offering to our customers. Trailer Wizards strengthens our footprint in Canada, in particular in the Western and Eastern part of the country where we were sub-scale, and where they have a strong franchise.

We look forward to working with the PEMA and Trailer Wizards teams and learning from and with them as we work to serve our customers better, providing unrivalled industry-leading products and services.

## Revenue and financial performance highlights

Despite uncertain European and Canadian economies, we delivered a strong set of results. Revenue increased by 11% (2018: 9%) and EBITDA increased by 11% (2018: 14%).

We maintained a strong contribution margin of 52% driven by our continued capex, workshop and acquisition investments, while attracting new and retaining existing customers. EBITDA margin remained at a high level of 39%, while our operating expenses remained under tight control at 13% (2018: 13%).

### Margins:

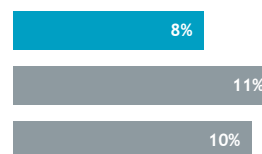
#### Contribution



#### EBITDA

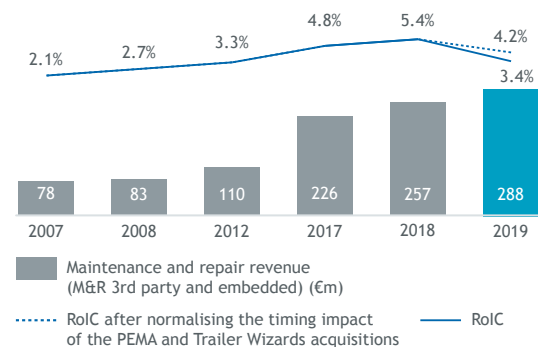


#### Operating profit



With the continued investment in our fleet and from acquisitions, we substantially grew our leasing backlog by 51% to €987m (2018: €655m). The interest rate pricing environment for leasing equipment remained challenging in 2019 following central bank rate reductions and further moves into negative rates in many of our markets. Despite this headwind, we maintained a strong leasing and rental contribution margin of 65% (2018: 65%). 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 improvement in leasing and rental margin was affected by low and negative interest rates which impacted the pricing of new leases.

## RolC<sup>1</sup>



<sup>1</sup> Excludes HNA revenue streams.

In this low interest rate environment, it will be challenging to drive contribution margins higher, which may impact on our overall target of 54% contribution by 2020.

We have continued to develop our 3rd party maintenance and repair product offering both organically and through bolt-on acquisitions. Revenue has grown at a compounded annual growth rate of 20% over the past five years. During 2019, it grew by a more modest 3% (2018: 21%), as we focused on successfully improving our contribution margin to 24% (2018: 20%). The shortage of mechanics in the market also constrained growth and margin expansion during 2019. We continue to invest in acquisitions, new workshops, additional bays and the addition of new mobile service units to underpin future growth in the coming years.

## Our acquisitions, welcoming new colleagues, thanks to I Squared Capital and our Boards

On 26 July 2019, we announced the acquisition of PEMA, a leading trailer and truck leasing business with a strong presence in Germany, Central Europe and the Nordics, that will substantially strengthen our footprint in those regions. On 3 September 2019, we further announced the acquisition of Trailer Wizards, a leading trailer leasing and rental business in Canada. In our industry, and also in many of our

acquisitions, relationships are vital to getting deals done. TIP's relationship with Trailer Wizards extends back to our earliest days in the 1960s. A substantial portion of the Trailer Wizard business was built on the acquisition of GE's TIP Canadian business as part of the exit strategy for GE Capital early in this decade. This acquisition substantially strengthens our footprint, particularly in Western and Eastern Canada, where our existing business was sub-scale. Our other acquisitions during the year included both lease portfolios and maintenance and repair businesses as we looked to expand our geographical footprint and workshop infrastructure, and acquire new leasing and rental customers.

We are delighted to welcome 856 new colleagues from PEMA and Trailer Wizards, plus 68 (2018: 79) employees from other acquisitions who joined the TIP family in 2019. We look forward to working with and learning from them as we grow our business together.

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.

I would like to take this opportunity to thank I Squared Capital, our shareholder, and our Boards of Directors for their support and commitment over this year, enabling us to double the size of our business

within 18 months under their stewardship. It has truly been a transformational change.

## Management changes

I would like to welcome Simon Glass as our new interim CFO following the departure of Malachy Mc Enroe, after more than 2 decades in the business. Simon has over 30 years of senior financial management experience, of which almost 20 years were in CFO roles. We are currently overseeing the process to fulfil the permanent position. I would like to thank Malachy for his dedication and commitment to the business all these years.

I am pleased that, following the acquisition of PEMA, Peter Ström has joined our senior leadership team. Peter has been leading the PEMA business in Germany since 2011, and together with Oliver Bange, Vice President of Central Europe, will head up the German, Austrian, Swiss and Eastern European operations of PEMA and TIP.

I would also like to welcome David Binks, Steven Webber and Detlef Borghardt as independent directors on our Supervisory Board. They bring a broad range of experience in the leasing and logistics industries and their contribution will be of great value to our business as we continue our expansion and growth strategy.

## Investments

We maintained our investments in new leasing and rental fleet at ~9,600 units (2018: ~9,700 units) during 2019. 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 ~€251m (2018: ~€272m) in new fleet. In addition, we substantially increased the number of units acquired via acquisitions to ~41,800 units (2018: ~3,300 units). We simultaneously increased our efforts on remarketing, despite a weakening second-hand equipment market, driving increased focus on retail sales in particular to protect margins. Through our diversified resale model, we managed to offset the fluctuations in a number of national and export markets. With solid utilisation of 91% (2018: 91%), we sold ~7,500 units (2018: ~7,000) for ~€40m (2018: ~€35m). As a result, our net operating assets grew by 76% (2018: 16%) at year-end.

We invested ~€29m (2018: €19m) to open 7 (2018: 6) new workshops and to expand the number of bays by ~190 (2018: ~110) at existing facilities. We added 21 (2018: 3) workshops through acquisitions. We also added 60 (2018: 22) mobile service units to support customer mobility and provide maintenance and repair services at our customers' facilities.

This has further enhanced our maintenance and repair infrastructure and geographic presence.

During 2019 we closed 6 (2018: 5) acquisitions worth €865m (2018: €67m).

## Capital allocation

We continued to maintain a strong focus on our investment decision-making process and remain disciplined in our capital allocation with the overriding objective of enhancing shareholder returns. During 2019, we reviewed this framework with our Supervisory Board.

Our capital allocation framework priorities are:

1. Dividend
2. Capex for both fleet replacement and growth
3. PP&E investment in existing facilities
4. Bolt-on acquisitions in existing markets
5. Transformational acquisitions
6. Other including IT-related investments



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

€m	2015	2016	2017	2018	2019
Dividend	-	-	-	-	-
Capex	195	276	237	272	251
PP&E investments	29	27	17	19	29
Bolt-on acquisitions in existing markets	44	96	9	67	18
Transformational acquisitions	-	53	-	-	847
Other including IT-related investments	9	-	3	6	2
	277	452	266	364	1,147

## Capital allocation governance

Our Boards lead our overall business capital investment plans and allocations as part of our annual budgeting process. During 2019, the Cube Transportation Board established an Investment Committee to review all material investments on their behalf. Full Board approval is required on all individual investments above agreed levels. The Investment Committee works closely with our management-led business committees which support individual investment decisions, facilitating pipeline and priority management.

Below is the overview of different investment types along with the related business 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 Board members, 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 prioritise 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.

## Financing

In 2019, we successfully increased our bank revolving credit facility by €183m to €1,150m, while raising additional €275m in the private placement term loan market for the first time to support both the PEMA and Trailer Wizards acquisitions and capex.

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.

## Risk management

In 2019, we maintained robust risk management processes covering credit and asset risks as well as treasury, tax and operational risks. Our credit losses decreased from an already low level further to 0.3% (2018: 0.4%), and we maintained good volumes of used asset sales at ~7,500 (2018: ~7,000) units while maintaining solid pricing, demonstrating the strength of our remarketing network and our team's in-depth knowledge of the industry.

## COVID-19 outbreak

The outbreak of the COVID-19 is having a major impact on our society and economy and thus on TIP. Our number one priority is ensuring the wellbeing and safety of our employees, their families, and our communities. We set up a focused taskforce at the end of January 2020, which has created guidelines and established measures, addressed concerns and provided updates regularly.

We follow the impact of the COVID-19 outbreak on our business, partners and customers on a daily basis. We are focused on ensuring the smooth operation of our business, whilst we prepare for different scenarios as the situation unfolds.

Our business performed strongly in the past years, we have a strong cash position and liquidity, and the full support of our shareholder. With the right measures and our joint efforts, I am confident we will get through this unprecedented situation.

It fills us with pride to serve as one of the key players in the European and Canadian supply chain which ensures logistics continues to serve society when most needed. I would like to thank our people who work in our workshops and branches supporting our customers and carrying on our business in these difficult times.

## Outlook

Despite political concerns centred on Brexit and trade wars, the European and Canadian economies grew during 2019, although at a slower pace than in 2018.

We are monitoring closely the development and potential impact of the COVID-19 outbreak. We have worked on several scenarios in terms of time and severity of impact, which allows us to maintain visibility and take the necessary actions to navigate through this situation. We hope for a short and temporary circumstance, but we have to be prepared for a more severe and long-lasting impact. We are taking initiatives to further improve our cost efficiency and maximise our UTE.



We continue to see good demand for lease renewals and rental in this uncertain environment. We enter 2020 cautiously and ready to flex both our capex and acquisition investments.

We continue to focus on the integration of PEMA and Trailer Wizards. We anticipate that the shift towards full-service maintenance leases will continue, as well as 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 extensive supplier network.

We remain focused on profitable growth, delivering attractive returns from our European and Canadian network. We have a strong focus on improving margins and continue to drive efficiency, cost discipline and the scale benefits from our international platform. We remain confident in

our industry, its structural growth drivers and the strength of our position in the industry with a growing, profitable business model.

### **A word of thanks 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 a very special place to work.

Today, together, we are bigger and stronger than six years ago. Our accomplishments and achievements would not have been possible without the trust and support of our loyal customers, key suppliers, business partners, shareholder 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**

**“The acquisitions of PEMA and Trailer Wizards are an exciting step forward to achieve the growth path that we defined in our TIP 2020 strategy.** These acquisitions will create an even stronger TIP platform and enable us to further diversify our geographic footprint and strengthen our position in Europe and Canada. It will further drive TIP’s diversification in the industry by expanding our fleet portfolio, with the addition of highly experienced personnel. This will be to the benefit of employees, customers, partners and shareholder.”

**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 data for the years 2018 and 2017 as included in this annual report.

Comparative information for 2016 and 2015 is derived from the consolidated financial statements as included in our annual reports 2018 and 2017 (adjusted for IFRS 16 impacts). 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.

### 2019 financial highlights and key components of performance

€m	2017	2018	2019	% change
Leasing	217	248	297	20%
Rental	118	130	134	3%
Damage protection	20	22	22	-
<b>Leasing and rental</b>	<b>355</b>	<b>400</b>	<b>453</b>	<b>13%</b>
M&R 3rd party	94	114	117	3%
Fleet sales	45	35	40	14%
Other	23	16	16	-
<b>Total revenue</b>	<b>517</b>	<b>565</b>	<b>626</b>	<b>11%</b>
<b>Contribution (excluding: credit losses)</b>	<b>269</b>	<b>296</b>	<b>329</b>	<b>11%</b>
Credit losses	(1)	(2)	(2)	-
<b>Contribution</b>	<b>268</b>	<b>294</b>	<b>327</b>	<b>11%</b>
<b>Contribution %</b>	<b>52%</b>	<b>52%</b>	<b>52%</b>	<b>-</b>
Operating expenses	(76)	(75)	(84)	12%
<b>EBITDA</b>	<b>192</b>	<b>219</b>	<b>243</b>	<b>11%</b>
<b>EBITDA %</b>	<b>37%</b>	<b>39%</b>	<b>39%</b>	<b>-</b>
<b>Operating profit</b>	<b>53</b>	<b>60</b>	<b>53</b>	<b>(12%)</b>
Operating profit %	10%	11%	8%	(3%)
Net operating assets	971	1,123	1,973	76%
<b>Capital efficiency</b>	<b>21%</b>	<b>21%</b>	<b>20%<sup>1</sup></b>	<b>(1%)</b>

<sup>1</sup> After normalising the timing impact of the PEMA and Trailer Wizards acquisitions.

The table below outlines the impact of exchange movements, acquisitions and organic growth on our key performance components.

### Key components of performance

€m	Revenue	Contribution	Operating expenses	EBITDA	Operating profit
2018	565	294	75	219	60
Lost HNA revenue/margin <sup>1</sup>	(4)	(4)	-	(4)	(4)
<b>Adjusted 2018</b>	<b>561</b>	<b>290</b>	<b>75</b>	<b>215</b>	<b>56</b>
Exchange effects	1	-	-	-	-
<b>2018 at 2019 rates</b>	<b>562</b>	<b>290</b>	<b>75</b>	<b>215</b>	<b>56</b>
Incremental impact in 2019 of:					
2018/2019 acquisitions	32	17	2	15	1
Organic growth	32	20	7	13	(4)
<b>2019</b>	<b>626</b>	<b>327</b>	<b>84</b>	<b>243</b>	<b>53</b>
% Total reported change	11%	11%	12%	11%	(12%)
% Total 2018 at 2019 rates	11%	13%	12%	13%	(5%)
% Organic change	6%	7%	9%	6%	(7%)

<sup>1</sup> Refer to thirteen-year financial summary - profit or loss without HNA-related revenue streams for further explanation.

Group revenue for the year increased by 11% to €626m (2018: €565m) with double-digit growth in leasing.

Leasing and rental revenue increased by 13%, and maintenance and repair (M&R 3rd party) revenue increased by 3% compared to 2018, constrained by a shortage of mechanics in a continued strong employment market. We invested €251m (2018: €272m) in our fleet and a further

€29m (2018: €19m), principally in workshops, to broaden our platform and support future growth.

We sold around 7,500 used trailers, in line with the previous year, despite a softening of used trailer markets nationally and internationally. We faced additional price pressure due to a high stock of used trailers with original equipment manufacturers (OEM) with margins decreasing to 8% (2018: 16%).

We increased contribution by 11% to €327m (2018: €294m) in line with revenue growth. Fleet utilisation remained stable at 91% (2018: 91%) with contribution margins at a high level for leasing and rental at 65% (2018: 65%). Our M&R 3rd party margins increased to 24% (2018: 20%), reflecting the benefits from our digitisation and a number of new workshops reaching normal operating capacity levels.

Operating expenses increased by 12% to €84m (2018: €75m). They remained fairly stable at a level of 13% of revenue in 2019 (2018: 13%) as we continue to focus on leveraging our existing cost base and capacity.

We have a high-quality customer portfolio maintained through robust KYC, due diligence, vetting processes and strong collections disciplines. Credit losses stayed stable at €2m (2018: €2m). Our average credit losses over the last 5 year period is 0.3% of revenue.

Our EBITDA increased by 11% to €243m (2018: €219m). This was driven by our investments in new fleet, contract renewals and acquisitions, while leveraging our operating expenses efficiently. Our investment in acquisitions contributed to €15m of the improvement in EBITDA. These acquisitions, combined with new investments in fleet, will have an additional positive impact in 2020. Net operating assets increased by 76% to €1,973m (2018: €1,123m) principally driven by the PEMA and Trailer Wizards acquisitions.

Operating profit decreased to €53m, partially driven by the loss of HNA revenue.

Our major acquisitions during 2019 were PEMA, a German based trailer and truck leasing business with a substantial presence in Germany, the Nordics and Eastern Europe, and Trailer Wizards, a large supplier of trailer leasing and rental in Canada.

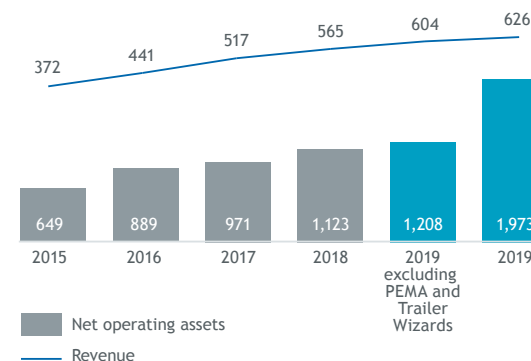
## Robust long-term cash flow model and performance

We generally purchase fleet when we secure new leasing contracts with customers. 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 following table:

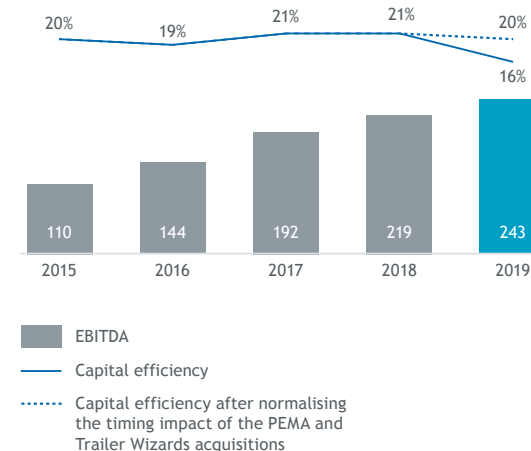
€m	2009 - 2013	2014 - 2019
EBITDA (excluding the gain on fleet sales)	745	975
Fleet purchases	(126)	(1,285)
Acquisitions	-	(1,151)
Fleet sales	214	213
Other net capex	(28)	(70)
<b>Net capex</b>	<b>60</b>	<b>(2,293)</b>
<b>EBITDA - net capex</b>	<b>805</b>	<b>(1,318)</b>

During the years 2009-2013, we reduced net operating assets by 68% 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 2019 our revenue grew by €61m (2018: €48m), and net operating assets rose by €850m (2018: €152m), mainly driven by our acquisitions of PEMA and Trailer Wizards. During the years 2014-2019, we invested €2,293m in net capex, resulting in revenue increasing by 92% (excluding PEMA and Trailer Wizards: 85%) and net operating assets growing by 325% (excluding PEMA and Trailer Wizards: 160%) during this period.

### Net operating assets (€m)



### EBITDA (€m)



Our capital efficiency decreased to 20% in 2019 (2018: 21%). At 20% it remains solidly higher than before the global financial crisis (2007 and 2008: 16% 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 leverage of our cost base and through effective deployment of our assets.

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

Regional operating expenses support customer deal sourcing and service delivery. They are mainly comprised of compensation and benefits and 3rd party services related to our local 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. Additionally, this cost management model enables us to 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 consolidate our purchasing power to achieve the best prices effectively. From 2007 to 2019, we have maintained the same level of overheads while growing revenue by 24%.

## Liquidity and financing

### Equity

In 2019, we received additional equity from our parent in the form of a share premium amounting to €206m in relation to the acquisitions of PEMA and Trailer Wizards.

### Borrowings

During 2019, we continued to make substantial progress on our borrowings related 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 2019 with total committed facilities primarily for fleet of €1,872m (2018: €1,358m), at an average margin of 2.4% (2018: 2.7%) and with four diversified funding sources:

Revolving credit facility	(RCF)
Asset-backed securitisation	(ABS)
Funding lease book	(FLB)
Term loans	(TL)

### I. RCF:

On 20 December 2018, we signed an agreement to refinance the existing loan facility with a new financing facility which was drawn down on 4 February 2019. This new facility reduced the margin by 0.9%, with an accordion option to further increase the facility by €300m. This new financing is a club deal with a consortium of banks offering a €967m multicurrency revolving credit facility and matures in December 2023, with an option to extend for an additional two years. In October 2019, as part of the financing of the PEMA and Trailer Wizards acquisitions, we successfully raised a further €183m using the accordion facility, from a mix of existing and new banks.



**“2019 marked a major milestone in our history with the successful expansion of our existing RCF facility to a total of €1,150m in November 2019 and entering the institutional private placement term loan market for the first time, raising €275m, which allowed us to complete the acquisitions of PEMA and Trailer Wizards in December of the same year. Our financing efforts will enable us to pursue our growth ambitions in the new decade while maintaining flexibility.”**



**Kapil Sharma**, Treasury and Investor Relations Director



At closing of the PEMA acquisition, we obtained a new accordion of €242m, which will allow us to further expand the RCF or our private placement term loan facilities in the future.

The facility is a multicurrency facility, which will enable us to borrow in the major currencies in which we operate. There are minimum interest rate hedging requirements.

At the end of 2019, €1,056m (2018: €644m) of the RCF facility was drawn.

There are three 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	2019
Interest cover	2.6x	1.6x	1.7x	1.8x	1.5x
Solvency	26%	22%	21%	20%	20%
Loan to value	89%	84%	88%	89%	88%

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

#### II. ABS:

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

We started the year with a committed senior loan facility of €100m with a margin of 1.70%, which expired in March 2019. We successfully refinanced the programme until March 2020. The programme had a senior facility of €100m with a margin of 1.65%.

In March 2020, we successfully refinanced the programme until March 2021. This programme has a senior facility of €100m with a margin of 1.65%. Under the terms of our RCF and Term Loan facilities, we can 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.

At the end of 2019, €71m (2018: €73m) of this ABS facility was drawn. There are two financial covenants, interest cover and solvency, which apply to the ABS facility as they do for the RCF and Term Loan facilities. We complied with these during 2019.

### III. FLB:

As a consequence of the application of IFRS 16 on lease accounting, which became effective in 2019, operating leases are now recognised as borrowings on our balance sheet. We have, throughout this annual report, restated all financial information and metrics as if IFRS 16 had always been effective to ensure compatibility of information for users. For more details on the impact of IFRS 16 on our balance sheet, profit or loss and cash flow, please refer to note 3 of the financial statements.

Consequently, the distinction between operating and finance leases disappeared and they are jointly presented under this funding lease book facility.

At the end of 2019, as part of our funding lease book, we have lease facilities for fleet totalling €229m (2018: €218m) of which €87m (2018: €103m) was drawn. Interest rates on these finance leases are ~5.5% (2018: ~5.2%). These facilities are with various funders, manufacturers and lease providers principally in the UK, the Netherlands, Germany and France.

Also, as part of our funding lease book, we make use of leases for PP&E assets such as land, buildings and motor vehicles. We ended 2019 with €115m (2018: €69m) of leases committed and drawn for PP&E.

### IV. TL:

At the end of 2019, we have 11 (2018: 6) term loans totalling €278m (2018: €4m). Average interest rates on these term loans are ~2.4% (2018: ~4.0%), with a duration of ~seven years.

During 2019, as part of the financing of the PEMA acquisition, we successfully entered the institutional private placement term loan market for the first time, raising €275m in term loans from five funders.

These loans, denominated in € and drawn on 30 November 2019, are non-amortising and are due for repayment after seven years. The interest rate is set at 2.4% fixed and is paid quarterly.

The institutional term loans rank pari-passu with the RCF facility in relation to security, and the three financial covenants which apply to the RCF also apply to the term loans.

Within the new €242m accordion under the RCF and Term Loans facilities, we can use the full amount to place additional term loans providing us additional flexibility to access further liquidity in that market and continue to diversify our sources of funding.

## Liquidity overview

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

€m	2015	2016	2017	2018	2019	% change
Cash	38	17	19	11	17	55%
<b>Committed unused facilities:</b>						
RCF	228	121	163	323	94	(71%)
ABS	43	11	23	27	29	7%
FLB	15	39	54	115	142	24%
TL	-	-	-	-	-	-
<b>Total</b>	<b>324</b>	<b>188</b>	<b>259</b>	<b>476</b>	<b>282</b>	<b>(41%)</b>
<b>% change</b>		<b>(42%)</b>	<b>38%</b>	<b>84%</b>	<b>(41%)</b>	

The flexibility to increase our RCF and Term Loan facilities by a further €242m provides additional liquidity to support our growth.

During 2019, we completed the implementation of Europe-wide daily cash pooling for substantially all our business. This allows us to minimise cash, saving interest and freeing up capital for investment. We have successfully reduced our cash balance from 8% of net operating assets in 2014 to 1% in 2019. Our loan to value headroom of 12% (2018: 11%) representing €182m (2018: €84m) provides us with additional immediate cash drawdown capacity should we need it.

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 European and Canadian economies and markets while having a resilient balance sheet and cash flow profile to withstand an economic downturn.

## 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 covenants, which are required to be reported monthly and quarterly under our RCF/TL and ABS facilities, to ensure we maintain sufficient headroom. Summary reports are provided to the EMT and the Board every month.

We also have an External Financing Committee (EFC) which reviews and approves all additional borrowing facilities, subject to Board approval where appropriate. EFC also monitors ongoing compliance with all bank covenants, operations of funding facilities and strategies for maintaining relations and open communications with funders.

## Minimum contracted borrowings repayment commitments

The table below summarises the maturity of our borrowing facilities at 31 December 2019 by year of expiry.

€m	2020	2021	2022	2023	2024+	Total
RCF	-	-	-	1,150	-	1,150
ABS <sup>1</sup>	100	-	-	-	-	100
FLB	190	38	30	25	61	344
TL	1	1	1	-	275	278
<b>Total</b>	<b>291</b>	<b>39</b>	<b>31</b>	<b>1,175</b>	<b>336</b>	<b>1,872</b>
<b>% of total</b>	<b>15%</b>	<b>2%</b>	<b>2%</b>	<b>63%</b>	<b>18%</b>	<b>100%</b>

<sup>1</sup> In March 2020, we successfully refinanced the ABS programme until March 2021.

## Interest rate risk management

Both our RCF and ABS facilities are at floating rates and where appropriate and in accordance with the lenders requirements, may be subject to 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 borrowings swapped to fixed on our principal facilities:

	2015		2016		2017		2018		2019	
	% hedged	Duration (years)	% 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	74%	2.4
ABS	86%	1.5	86%	3.3	85%	2.9	78%	2.6	100%	2.2
<b>Weighted average</b>	<b>73%</b>	<b>3.1</b>	<b>83%</b>	<b>2.4</b>	<b>85%</b>	<b>2.1</b>	<b>74%</b>	<b>1.9</b>	<b>76%</b>	<b>2.4</b>

We incurred a net loss of €1m (2018: €1m) as a combination of realised settlements, and the impact of ineffectiveness in swapped currencies with negative interest rates. Our € interest rate swaps became ineffective for hedge accounting purposes during 2016 due to negative interest rates in the Euro area.

Our term loan facilities and the majority of our FLB facilities are at fixed rates and hence are not subject to interest rate volatility risk.

## 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 UK, 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 permits us to draw down in €, £, NOK, SEK and DKK. The FLB programmes are managed at the regional level, hence denominated in the local currency.

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.

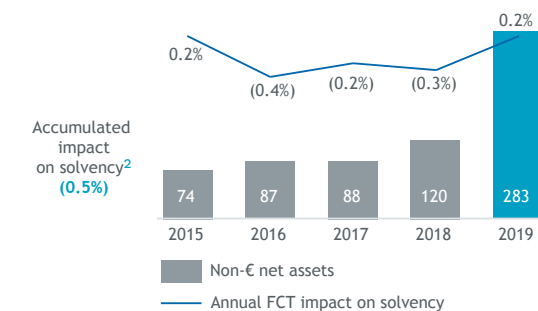


During 2019, the £, NOK and the CA\$ strengthened against the € by 6.1%, 1.1% and 6.9% respectively. The SEK and RON weakened against the € by 1.6% and 2.5%.

The proportion of our underlying operating profits denominated in currencies other than € and DKK increased to ~41% (2018: ~30%).

We do not currently hedge our foreign currency translation (FCT) exposure on equity. The movement of currencies referred above resulted in a translation gain of €6.2m (2018: loss of €4.1m) on our non-€ denominated net asset position at year-end. The table below summarises our non-€ net assets, the 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	29%	29%	27%	39%	52%
FCT movement (€m)	1.9	(5.5)	(2.5)	(4.1)	6.2

<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 higher 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 €24m (2018: €(53)m).

The increase in borrowings from our RCF, ABS, FLB and TL facilities combined with the cash flow from our EBITDA, allowed us to invest €210m (2018: €258m) in net capital expenditures and €865m (2018: €67m) in acquisitions.

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

€m	2015	2016	2017	2018	2019
EBITDA	110	153	192	219	243
Net capital expenditures	(167)	(217)	(186)	(258)	(210)
Lease in cost	(1)	(1)	(3)	(1)	(1)
Net taxation payments	(1)	(1)	(2)	(11)	(9)
Net working capital/other non-cash items	(29)	(12)	(20)	(2)	1
<b>Free cash flow</b>	<b>(88)</b>	<b>(78)</b>	<b>(19)</b>	<b>(53)</b>	<b>24</b>
Acquisitions	(44)	(149)	(9)	(67)	(865)
Acquisition costs	-	-	-	-	(11)
Bargain purchase price related to acquisitions	-	-	-	-	28
Net interest payments	(5)	(15)	(27)	(29)	(30)
Borrowings issuance fees	(13)	-	-	-	(22)
Equity	-	-	-	21	206
HNA loan repayment/(provided)	-	35	-	-	-
<b>Net cash (outflow)/generated</b>	<b>(150)</b>	<b>(207)</b>	<b>(55)</b>	<b>(128)</b>	<b>(670)</b>
Opening net borrowings	258	449	667	742	883
Non-cash adjustment IFRS 16	41	34	26	17	21
Net cash outflow/(generated)	150	207	55	128	670
Exchange differences	-	(23)	(6)	(4)	17
<b>Closing net borrowings</b>	<b>449</b>	<b>667</b>	<b>742</b>	<b>883</b>	<b>1,591</b>

The ongoing strong EBITDA 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.

We increased our gearing ratio to 75% (2018: 74%). We consider this appropriate for a long-established asset leasing business. It has ranged between 65% and 75% over the past five years (excluding HNA-related revenue streams).

### **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 in the markets we are considering investing in and presented to our various business and Investment Committees for approval as appropriate.

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

We are committed to ensuring that our annual report is of high quality, easy to understand and transparent. Access to capital, both equity and borrowings, is critical to our business. Having this report and other funding marketing materials continuously updated, is, therefore, an essential element to ensure we can react quickly to unforeseen events and risks, as well as growth opportunities. Two examples illustrate our proactive approach:

- a) We are only required under IFRS to provide a single-year comparative in our financial statements, but we provide two years. This gives us, at all times, three years audited IFRS financial statements, which are 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 (private or public) to access our business and its investment opportunities quickly.

The value of our integrated, comprehensive and timely approach was demonstrated over the past two years. In early February 2018, our former shareholder HNA started a process to sell the TIP business. By early May 2018, we had a signed sale and purchase agreement with our current shareholder, I Squared Capital. Bidders in the sale process found the comprehensive nature, quality and ease of use of our annual report greatly facilitated their ability to form views on our business and quickly commit to a transaction. In 2019, our comprehensive annual report and our funding marketing materials also supported the successful expansion of our RCF facility, raising term loans in the institutional private placement market for the first time and the refinancing of our ABS facility.

### **Investor Relations**

Our EMT, Investor Relations team and regional Finance Directors are committed to regularly interacting with the international financial community to ensure they have a full understanding of our markets, business, strategic plans, performance against those plans, business opportunities and risks, as well as staying current in our understanding of evolving capital markets.

During the year, members of the EMT and Investor Relations team presented to 30+ debt investors and conducted ~200 investor one-on-one's, group meetings and conference calls.

The value of this commitment was again demonstrated during the year as we successfully expanded our RCF facility, raised term loans in the institutional private placement market and refinanced our ABS 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 periodically to ensure that it is appropriate to our business strategy, business model or tax legislation. We 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. The EMT receives regular status updates on all tax filing obligations and ongoing tax audits.

During 2019, we continued to monitor tax developments and we do not expect our tax positions to be materially impacted by tax policy initiatives and enacted legislation.

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

### Tax paid/(collected)

€m	2015	2016	2017	2018	2019
VAT (based on contribution)	36	40	49	56	68
Payroll	28	33	35	38	40
Corporate	1	1	2	11	9
Other (principally real estate-related)	1	1	1	2	3
<b>Total</b>	<b>66</b>	<b>75</b>	<b>87</b>	<b>107</b>	<b>120</b>
% of revenue	18%	17%	17%	19%	19%

As a consequence of the acquisition of the TIP Group by I Squared Capital in 2018, our UK operating entities paid £4m corporation tax to HMRC in early 2019. Based on our current expectations, this payment will reduce future tax payments by an equal amount.

## Credit review

Despite a weakening economy in the second half of 2019, the credit quality of our customer portfolio remained stable. This reflected the increase in the volume of business with highly rated customers in key markets, and strengthened customers balance sheets reflecting the strong performance of the global economy in recent years.

Against that, we had increases in delinquencies. These have been primarily 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.

Our credit losses, however, decreased to 0.3% (2018: 0.4%) reflecting the quality of the portfolio and our rigorous collections process and disciplines.

Stressed credit situations also bring us opportunities. In the UK, one competitor who engaged in leasing and rental of trucks and trailers went into administration during the year. We were able to step in and take over a significant portion of their assets and customers. We expect a slow and uncertain economy in 2020 and 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 reasonable prices, but were unable to execute on these due to a lack of available liquidity and a shareholder who at that time was focused on reducing the size of the business.

## Events after the reporting period and other significant items

On 1 January 2020, the Group performed the following reorganisations:

- TIP Trailer Services THT B.V. was merged with TIP Trailer Services Netherlands B.V.
- PEMA Truck-Trailer Verhuur BVBA, PEMA PRAHA spol. s.r.o., PEMA Last-og Trailerudlejning A/S, PEMA POLSKA Sp. z.o.o., PEMA Truck - och Traileruthyrning AB and PEMA Truck - und Trailervermietung GmbH were transferred from PEMA GmbH to Global TIP Holdings Two B.V.

On 6 March 2020, the Group refinanced its committed ABS senior facility of €100m until March 2021.

On 11 March 2020, the World Health Organization declared the COVID-19 outbreak a world pandemic. As a result, many economic sectors are currently seeing a substantial negative impact. The effect of this pandemic is still being determined but may include impacts on TIP such as decreased sales. The Group feels confident that the TIP business priorities and plans will address the prevailing consumer and customer needs and trends, including how TIP's markets are expected to be affected by general economic activity and consumer sentiment.

Although the Group is resilient up till now, we cannot, at this time, fully assess how the COVID-19 will affect the global economy and companies in 2020. The Group's Management monitors the situation closely and takes appropriate action where required to protect the Group's operations. As we have noted above we do not believe that for the TIP Group COVID-19 is an adjusting event, and accordingly the financial statements as at the reporting date have not been adjusted.

On 17 March 2020, it was announced that the earlier communicated reduction in tax rate for United Kingdom as per 1 April 2020 would not be enacted, with an estimated tax cost to the Group of €0.4m.

The Group intends to perform the following reorganisations during 2020:

- On 1 June 2020, the Group plans to merge PEMA Last-og Trailerudlejning A/S into TIP Trailer Services Denmark ApS and PEMA Truck - och Traileruthyrning AB into TIP Trailer Services Sweden AB
- On 1 July 2020, the Group plans to merge PEMA POLSKA Sp. z.o.o. into TIP Trailer Services Poland Sp. z.o.o. and PEMA PRAHA spol. s.r.o. into TIP Trailer Services Czech Republic s.r.o.





Each year we see more than

**1,700,000**

tyres  
for inspection

We handle

**138,000**

roadside incidents  
per year

We manage work on

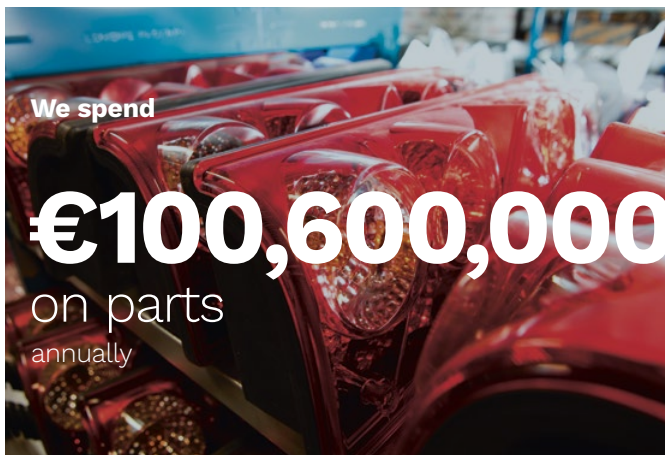
**167,000**

trailers per year

We manage more than

**8,000**

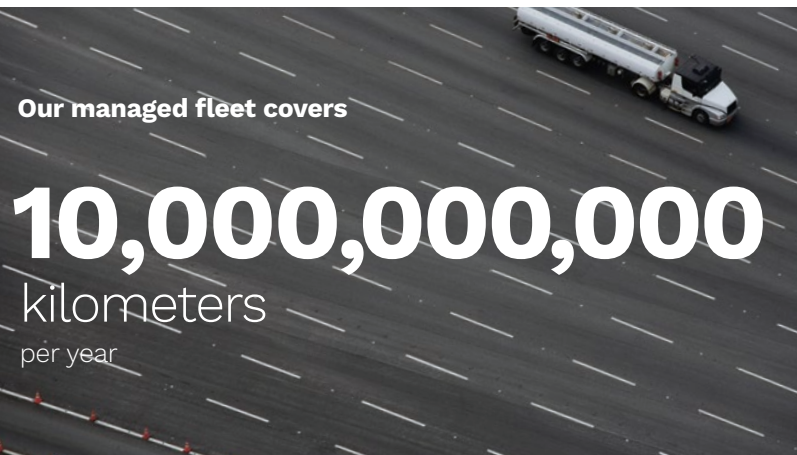
suppliers  
in our network



We spend

**€100,600,000**

on parts  
annually



Our managed fleet covers

**10,000,000,000**

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 and Canadian scale to sustain utilisation rates by transferring

trailers across countries and regions, taking advantage of demand and pricing conditions.

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

€	2015	2016	2017	2018	2019
Prior year	17.1	18.1	16.5	16.3	17.0
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	0.7
Other/mix impact	0.8	(0.3)	0.7	0.6	0.6
<b>Current year</b>	<b>18.1</b>	<b>16.5</b>	<b>16.3</b>	<b>17.0</b>	<b>18.3</b>

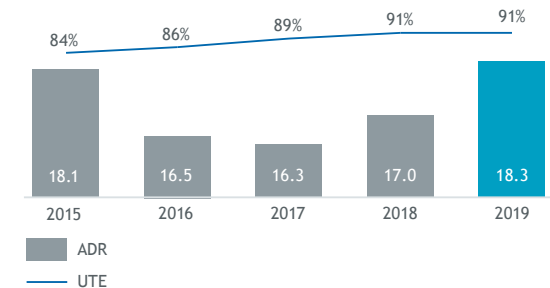
With a continued investment in fleet, we increased our leasing revenue by 20% (2018: 14%). Re-lease rates on expired leases remained at a high level of 49% (2018: 50%).

In recent years, an increasing number of our customers have chosen to maintain their fleet with us. We have seen this through an increased

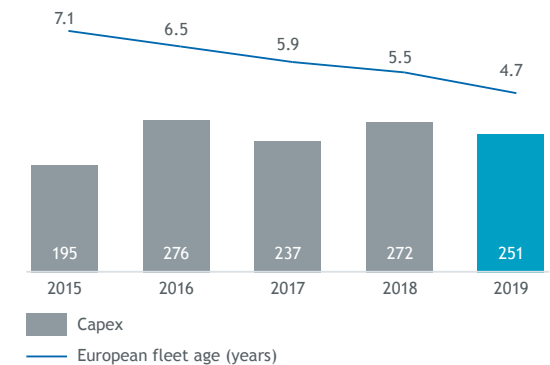
proportion of leases with a service maintenance option (rising from 66% in 2007 to 82% in 2019).

With strong demand for new equipment, we invested €251m (2018: €272m) in new trailers.

ADR (€) and UTE (%)

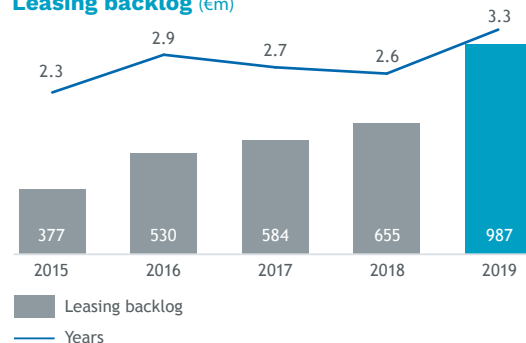


Capex (€m)





### Leasing backlog (€m)



As a result of the healthy lease renewal, new capex leases and the acquisitions of PEMA and Trailer Wizards, we increased our leasing backlog to €987m, up 51% from the previous year.

Our ability to reinvest operating cash flow, combined with our unused credit facilities, will enable us to further invest in our fleet during 2020 to satisfy customer demand for new equipment leases.

Steady growth and stable market conditions across Europe and Canada, combined with portfolio acquisitions, had a positive impact on our rental business, which grew 3% to €134m (2018: €130m), supporting our customers' need for flexibility. Our well-maintained rental fleet is an ideal solution in uncertain times and provides customers with 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, ensure a healthy balance between revenues and costs at both an aggregate and individual

customer level. Damage protection revenue remained stable at €22m.

In 2016, leasing and rental contribution % showed its first increase since the aftermath of the global financial crisis. In 2019, it remained at strong levels of 65%. 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 (2009 to 2013) of underinvestment by our former shareholder
- 2019 fleet acquisitions were accretive to overall contribution margin
- Improved productivity and cost control from insourcing - €8m (2018: €10m) as additional maintenance work moved in-house
- Damage protection margins remain strong with customers appreciating the security that this product offering provides to them

### Leasing and rental

€m	2015	2016	2017	2018	2019
Leasing	161	184	217	248	297
Rental	92	98	118	130	134
Damage protection	17	20	20	22	22
<b>Revenue</b>	<b>270</b>	<b>302</b>	<b>355</b>	<b>400</b>	<b>453</b>
M&R own fleet costs	(108)	(111)	(115)	(126)	(148)
Damage protection costs	(11)	(11)	(10)	(12)	(12)
<b>Contribution</b>	<b>151</b>	<b>180</b>	<b>230</b>	<b>262</b>	<b>293</b>
<b>Contribution %</b>	<b>56%</b>	<b>60%</b>	<b>65%</b>	<b>65%</b>	<b>65%</b>



**“Our commercial strategy aims at focused growth, both organically and through acquisitions,** allowing us the scale to provide the most compelling and comprehensive offering to our customers, delivering long-term sustainable value for all stakeholders. Through the acquisitions of PEMA and Trailer Wizards, we accomplished very strong growth as well as asset and geographical diversification, fully aligned with our commercial strategy.”

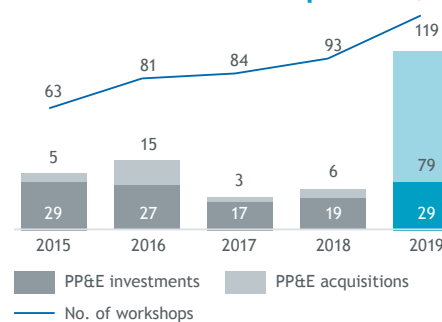
**Arjen Kraaij**, Chief Commercial Officer



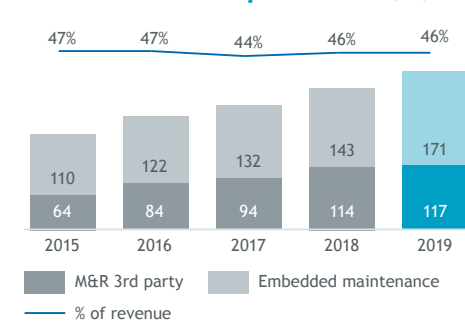
## Focus on maintenance and repair performance

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 2019 was 23%. Also, there is a significant volume of maintenance and repair revenue generated through the maintenance embedded within our leasing and rental portfolio. Total maintenance and repair revenue remained at 46% of revenue in 2019.

**PP&E investments and acquisitions (€m)**



**Maintenance and repair revenue (€m)**



### 3rd party maintenance and repair

€m	2015	2016	2017	2018	2019
Revenue	64	84	94	114	117
Contribution	11	16	21	23	29
Contribution %	18%	19%	23%	20%	24%

The growth in maintenance and repair revenue in 2019 has been achieved at a higher margin of 24%, up by 4% from the previous year. The principal drivers were as follows:

- Investments in new workshops built and acquired in 2017 and 2018 are now running at normal operating capacity levels
- We have successfully reduced mechanic attrition while strengthening our recruitment processes and practices, resulting in higher productivity in our workshops
- We have seen productivity benefits from our Matrix IT investments
- These positives were partially offset by building workshops on greenfield locations. Before 2018, we principally established workshops on existing branches or through acquisitions. Greenfield locations typically take longer to reach normal operating capacity levels, build customer pipelines and develop cost and operating scale

We added 28 (2018: 9) new workshops in 2019. 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 in hiring and training mechanics. We expect them to support maintaining and growing margins in future years.

Our maintenance offering was enhanced organically through the expansion of our maintenance infrastructure. We opened 7 (2018: 6) new workshops:

- Netherlands (Nieuwegein)
- France (Dourges)
- Germany (Duisburg, Ulm, Neuss)
- UK (Birmingham)
- Denmark (Aarhus)

We added a further 21 (2018: 3) workshops via acquisitions in 2019:

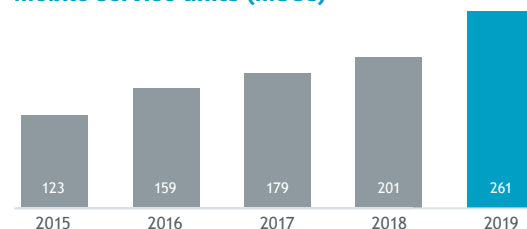
- Spain (Seville, Valencia, Zaragoza)
- Germany (Bremen, Herzberg, Recklinghausen, Langenau, Landsberg)
- Poland (Szczecin)

- Canada (Delta, Calgary, Edmonton, Winnipeg, London, Cambridge, Milton, Mississauga, Cornwall, Montreal, Saint-Laurent, Moncton)

During the year, we closed 2 workshops in the Netherlands (Hoogeeveen) and Germany (Rosbach).

We also added bays to a number of our existing workshops and added numerous shifts, increasing our overall capacity. In 2019, we added 60 mobile service units ('MSUs') (2018: 22) and plan to further grow our fleet of MSUs in 2020. 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.

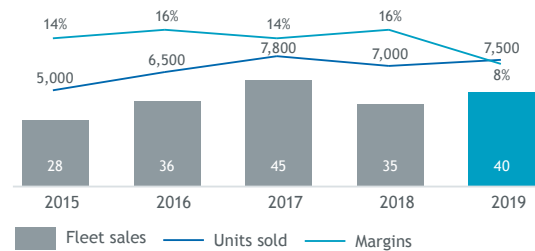
### Mobile service units (MSUs)



## Focus on used assets

In a softening market for used equipment in 2019, we sold around 7,500 assets - ~500 units more than in 2018. Revenue increased by 14% mainly driven by the higher volume of assets sold.

### Fleet sales (€m)

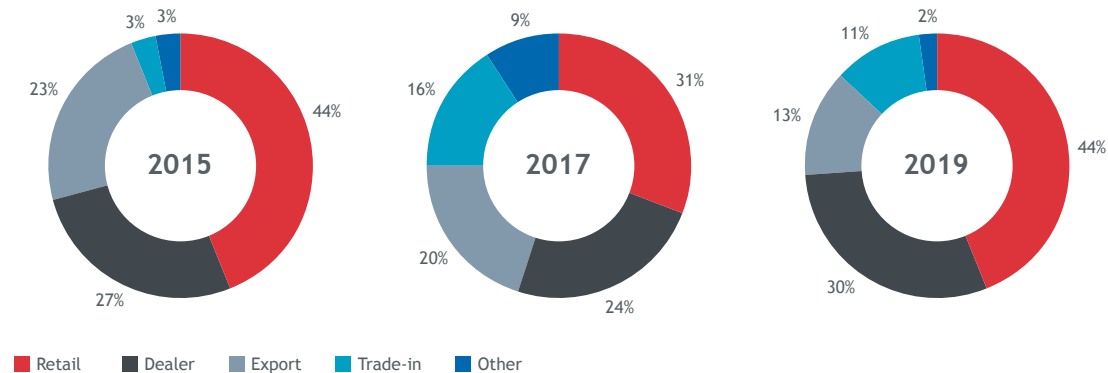


Retail and dealer sales accounted for 74% (2018: 57%) of sales. Through our diversified resale model and an increase in the share of retail sales from 32% in 2018 to 44% in 2019, we managed to offset the fluctuations in some national and export markets.

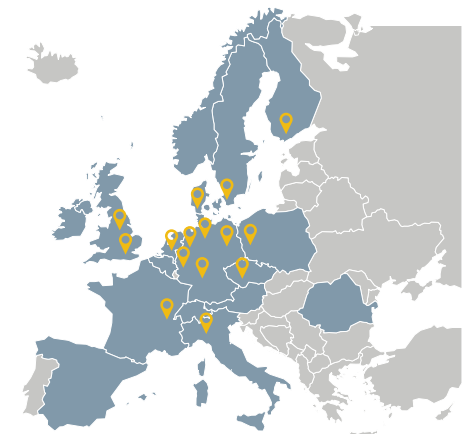
Margins decreased in 2019 from 16% to 8%. The principal drivers were as follows:

- Over-supply of used trailers and high stock levels
- Decline in several export markets
- Lower margins on dealer sales and trade-ins
- Increase in retail sales helped to partially offset a drop in margin

### Fleet sales by end markets



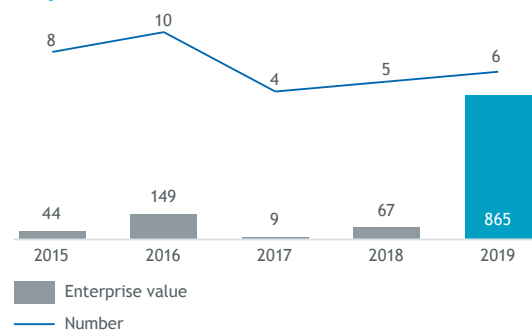
### Remarketing centres





## Focus on acquisitions and integrations

Acquisitions (€m)



During 2019, we continued our strategy centred on acquiring accretive businesses to support growth, leverage our scale and expand our geographical presence. We closed 6 (2018: 5) acquisitions during the year, comprising of 3 leasing and rental portfolios and 3 maintenance and repair businesses, for a combined total of €865m (2018: €67m). These acquisitions were spread across 10 (2018: 3) countries.

Acquisition	Country	Month closed
Addicks & Kreye	Germany	February
AEC	Spain	April
Axis	UK	April
TOP Truck Trailers	Poland	September
PEMA	Germany, Denmark, Sweden, Switzerland, Czech Republic, Poland, Belgium	December
Trailer Wizards	Canada	December

The acquisitions of PEMA and Trailer Wizards were completed as share purchases with the various legal entities of PEMA and Trailer Wizards taken over as part of the transactions. All other acquisitions were asset deals with no legal entity acquired. Axis, in the UK, was a multi-product leasing and rental business which went into administration, and from which TIP acquired part of their remaining portfolio of assets.

Our 2019 acquisitions have contributed directly to our financial performance with €23m of revenue and €11m of EBITDA. These acquisitions will further enhance our revenue and EBITDA over the coming years, as we use them as platforms for future growth.

We aim at integrating areas such as Finance, Human Resources, Commercial, Operations and most IT platforms within a reasonable period of time after acquisitions have been closed. During our integration process, we strive to:

- Retain knowledge and skills, while 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 41 acquisitions completed since the beginning of 2014, there are 6 (2018: 8) 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. Our Canadian businesses and PEMA operate standalone operational and financial systems, providing monthly reporting packs to allow us to complete our financial and management reporting.

We added 924 (2018: 79) 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 before the indicative non-binding proposal is 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 before 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. Consistently, over the past 3 years we have moved many of these applications to a cloud-based environment which increases our flexibility to deploy these applications at speed as we grow.

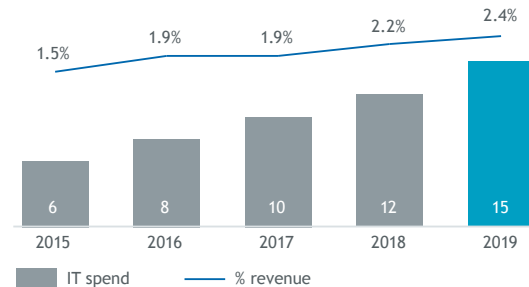
Our objectives are now to invest in the front end of our business to:

- 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 our business 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

### IIT investments

As we have grown our business since 2014, we have reduced our operating expenses as a % of revenue from 19% to 13%. During that period, our revenue has doubled in size, with our M&R revenue also doubling, the number of workshops moving from 41 to 119 and branches from 53 to 108. To support this growth and drive productivity, we have increased our ongoing IT spend by ~150% to 2.4% as % of revenue.

#### IT spend<sup>1</sup> (€m)

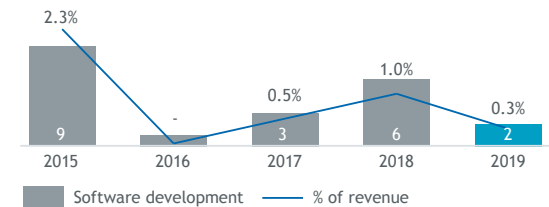


<sup>1</sup> 2017 excludes the impact of an onerous contract (~€1m per annum from 2017 to 2020), see financial statements note 21.

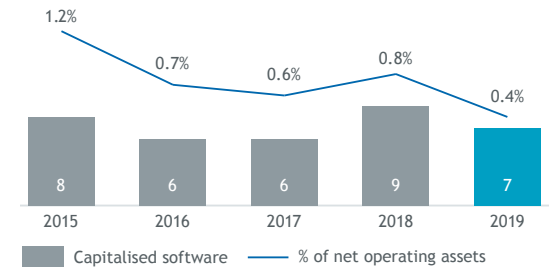
In 2019, we invested €2m (2018: €6m) in developing software. We will continue to make investments in front-end software which increases operational, maintenance and workshop productivity in the coming years.

We will also invest in software for funding and treasury to support our front-end growth and risk management, as well as software to aid the integration of acquisitions.

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



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



<sup>1</sup> 2017 excludes the impact of an onerous contract (~€1m per annum from 2017 to 2020), see financial statements note 21.

**“2019 has been a remarkable year in terms of business digitisation and 3rd party M&R contribution. Our commitment, execution and investments in a digital platform for our employees and customers are truly paying off.**

The network upgrade, continuous improvement in operating applications, implementation of FleetRadar (Customer Portal), the move to Power BI and the upgrade on our financial applications have all clearly supported the improvements in contribution margins. We are committed to the continuation of these programmes in 2020 and beyond.

Additionally, we finished 2019 with 119 workshops (+26), ~800 (+190) workshop bays and ~1,255 (+355) highly skilled mechanics and have grown our 3rd party maintenance revenue from €114m to €117m, adding an additional €6m of contribution.”



**Paul Beadle**, Chief Operating Officer



## Principal projects

### Matrix

Matrix applications are at the core of business operations, digitising our operational processes and enhancing the functionalities for M&R including 3rd party, workshop management, leasing and rental.

In 2019, we successfully completed phase 2.0 of project Matrix, which covers Workpack Management ‘WPM’ that drives automation and consistency in our processes across Europe.

We also integrated our supplier portal in order to digitise the job approval for the PO process.

WPM is the replacement of our fleet maintenance module and links all platform components together, utilising a new coding system that automates the workshop management (fully digitised) process from Search equipment > Search customer > Amend/Create open work pack > Create work > Quotation > Assign work to supplier > Work done > Service done and document > Close workpack > Purchase order > Invoice.



E-Invoice  
Italy



January/March

Mobile  
operating system  
enhancement



April

Landing page  
enhancements



April/July

Intercompany  
invoicing



July/October

Inventory integration  
Toscon, Stadlmüller,  
Hirtshals



October/December

Workshop  
planning and  
time recording



December

## Matrix 2019 milestones

April



Supplier portal  
integrated  
into Workpack  
Management

April/September



Workpack  
Management

July/September



E-Invoice  
Spain

September



Quotation  
application  
enhancements

November



Landing page  
Invoice search

December



Tyre  
management


Quotation management has the ability to store contract entitlements at a customer level. Detailed customer entitlements are automatically loaded into the quotation, thereby removing the risk of billing mistakes, increasing billing consistency to the customer, and producing detailed quotation documents for customer approval.

We achieved the deadline mandated by the Italian Government to deliver all sales invoices for our Italian customers to their portal. Since 1 January 2019, all Italian invoices have been delivered

electronically to the Italian Government for onward transmission to our customers. In addition, we built the technical solution for delivery of invoices in Government-required format for a customer in Spain. Although this is not yet a mandatory requirement, the solution is ready for future implementation for Spanish customers.

In 2019, in order to enhance our tyre management process, we built the foundation to capture advanced levels of detail to enable the business,

in 2020, to move to predict the time when tyres should be replaced before a breakdown.

In 2020, we will also be exploring areas such as workshop capacity, planning and time recording, rental and lease customer rate/entitlements process, parts inventory, optimising single asset view and further expansion of our customer portal  FLEETRADAR.

Single sign  
on across all  
application



January/March

UNIFY voice  
conference facility



March

Firewall  
replacement



April/June

Video  
conference at  
global HQ



October

Corporate  
wi-fi replacement  
completed



October/December

## TIP 2019 IT milestones

February



Telecom expense  
management portal

March



Full review of Service  
Desk and end user  
compute

September



Workday and email  
on technician tablets

October/December



Windows 10  
roll out

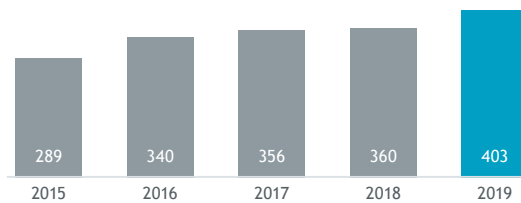
November



Datacenter migration  
commenced

### Chopin

Number (k) of supplier  
invoices processed



With the development of our business over the past five years, we have seen substantial growth in the number of supplier invoices which we process and pay, reaching 403k (2018: 360k). 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 productivity that we run both an efficient and effective process for sourcing, cost control,

supplier setup/maintenance, invoice processing and payment.

To improve productivity and digitisation, we successfully completed the implementation of a new indirect sourcing, supplier setup/maintenance and accounts payable system during 2019. Until the end of 2018, we used a 3rd party provider in India to handle our purchase order matching and invoice processing. As part of the project, we also moved this work in-house to our TIP service centre in Warsaw, Poland.

The project objectives were to:

- Improve productivity through the application 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 8,000 plus suppliers, who have 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 the 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 completed the project implementation in the first half of 2019 and focused on stabilisation during the second half of the year. We continue to work on enhancement and refinements, maximizing both OCR throughput and direct electronic submission of invoices by suppliers.

### **Network upgrade**

2019 saw the execution of our European wide upgrade of the IT network. We upgraded to a fibre network, which increased the bandwidth to 100MBPS for all locations. In addition, we implemented corporate Wi-Fi and dedicated application (Matrix) bandwidth. This increased performance and will deliver significant financial savings of €350k per year on an annual basis.

### **Business intelligence (BI)**

Over the last four 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. We aim to provide a world-class service to our internal and external customers.

In 2019, we further refined our business intelligence platform by partnering with the consulting company McKinsey to develop a value-based management process, visualisation tools and applications.

We are producing a set of KPIs and dashboards to illustrate economic value creation from underlying business data metrics. The process will assist our Boards and senior management in quickly assessing and steering overall performance and prioritising areas for improvement. The KPIs have been cascaded down into the various organisational functions and regions to ensure consistency in tracking as well as execution based on the actual drivers of business performance.

## Employee testimonial



**“I enjoy the hands-on approach of the organisation, which allows actual lean development and work in a scrum manner. Everybody is open for discussions on improvements, allowing us to stay flexible in a fast-changing environment.”**

“I started my career in TIP as part of the successful van Dijk internship programme, back in 2015. The Business Intelligence department was in its infancy, having been set up in 2014. At the time I began my internship, we needed to develop a significant number of financial and management reports, which gave me a great opportunity to put into practice my academic background.

I enjoyed the incredibly innovative spirit of the team. We were a small group of people building financial reports from scratch, while teaching ourselves the relevant skills. Within 6 months we managed to create all financial reports which are still used by management to make critical business decisions today. It is an achievement that makes me proud of being part of this team.

The Business Intelligence department has continued to grow, and this reflects my personal growth path within TIP. In an ever-changing environment, new requirements emerged, TIP encouraged me to develop my skills accordingly. As the competencies of the department grew, we had to find more calculation-intensive solutions. Focusing on coding, particularly

Python scripts, helped me in optimising processes and improving our deliverables towards internal stakeholders.

I enjoy the hands-on approach of the organisation, which allows actual lean development and work in a scrum manner. Everybody is open for discussions on improvements, allowing us to stay flexible in a fast-changing environment.

I am excited about the next steps, namely cloud computing, implementation of predictive analytics and creating completely new products for our customers. One of the main focuses of TIP’s Business Intelligence team is wing-to-wing data governance, from source data quality to reporting, which will result in greater satisfaction for our report users as well as a general increase in productivity of our organisation.

It makes me proud to be part of TIP.”

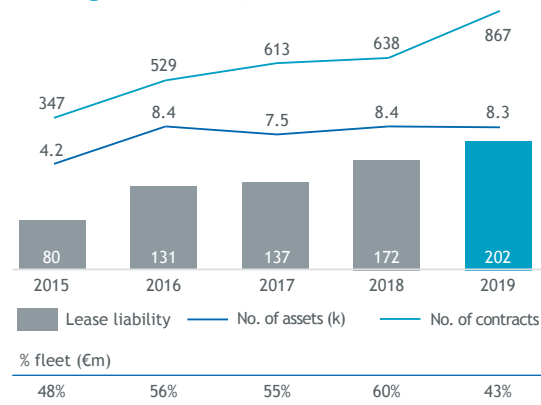
**Janis Dambitis**, Senior BI Developer





## Funding lease book (FLB) and loan administration

### 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 fund their business, we saw a ~3x growth in our funding lease book between 2015 and 2019. This has been further complicated with increased handling risk driven by IFRS 16, which from 1 January 2019 required us to place the previously classified operating leases on our balance sheet and effectively treat them as borrowings, with interest charged to our profit or loss on an effective interest rate basis and depreciation charged on a straight-line basis. This has replaced the single line invoice cost that was previously charged to our profit or loss, making cost analysis and control more complicated.

We have implemented a cloud-based contract management and analytics software 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 completed the first phase of the project (contract administration and IFRS 16 compliance) in the first half of 2019. Phase 2 focused on strategic reporting to be able to support business decisions by automating reports, analysis and pricing and was completed by the end of 2019.

Subsequent phases are focusing 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

As our funding requirements and products have grown in recent years, the number of loans and values (external and intergroup funding of our operating entities) has increased substantially to the stage where we needed to move away from managing them manually.

We have successfully implemented cloud-based loan management software with the objectives to:

- Enhance contract governance and contract administration, while also improving accuracy and consistency in handling our loans (external and intergroup)
- Automate data storage, classification, calculation, analysis and reporting for our loans and enhance compliance
- Support business decisions by automating reports and analysis

### **Datacentre migration**

We have commenced the discovery and detailed planning stage of the migration of our key core services from the Datacentre to a cloud provider. We are working in conjunction with NTT, who are providing a fully managed service that will adapt with the requirements of the business. As part of this project, we will have completed the implementation of Office365 and be able to utilise PowerBI as well as other Azure technologies. The project is expected to be finalized within the next 2 years.

### **Integrations**

Of the 41 acquisitions completed since the beginning of 2014, there are 6 (2018: 8) 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.

Canada businesses and PEMA remain on their own applications. The annual revenue of the businesses running on these separate operating systems represents 41% (2018: 17%) of our total revenue.

During 2019, in addition to enhancing our core systems, Matrix, Chopin, BI, Office365 and funding lease book, we successfully converted Grayrentals, Toscon, Hirtshals and Stadlmüller to our standard systems. By merging our THT legal entity with our main Dutch trading entity, we were able to further simplify our systems set-up and maintenance costs, while reducing operating costs. Our Canadian businesses and PEMA continue to operate standalone operational and financial systems, providing monthly reporting packs to allow us to complete our financial and management reporting.

During 2020, we will focus on bringing the remaining and new acquisitions onto our standard processes and systems, to further drive productivity and consistency of customer experience across our network, simplify our reporting processes and drive 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 Investment Committee and 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.

## 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.

To minimise costs, insurance may be arranged either centrally or locally, ensuring that all entities are protected 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	2019
<b>Mandatory insurances</b>			
Fleet	3,299	3,315	3,871
Company cars	380	347	394
<b>Total mandatory insurances</b>	<b>3,679</b>	<b>3,662</b>	<b>4,265</b>
<b>% of revenue</b>	<b>0.7%</b>	<b>0.6%</b>	<b>0.7%</b>
<b>Optional insurances</b>			
General liability (including business interruption)	215	207	240
Property	288	289	286
Director and officer (D&O)	16	63	37
Employee business travel	80	75	72
Crime	-	51	36
Cyber	1	1	47
<b>Total optional insurances</b>	<b>600</b>	<b>686</b>	<b>718</b>
<b>% of revenue</b>	<b>0.1%</b>	<b>0.1%</b>	<b>0.1%</b>
<b>Total</b>	<b>4,279</b>	<b>4,348</b>	<b>4,983</b>
<b>% of revenue</b>	<b>0.8%</b>	<b>0.8%</b>	<b>0.8%</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 Belgium, Czech Republic, Finland, France, Germany, Italy, Poland, Romania and UK.

### 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 insurance policies for the Group 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 their TIP duties.

### 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 Board.

Our overall approach is to accept certain insurable risks selectively. Our objective is to identify and develop an insurance risk profile to continuously monitor and manage these risks. 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 18 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.

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

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

In our view, being economically successful and internationally 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 aims to be a leader in responsible business practices. We support the United Nations Global Compact ten principles promoting human rights, labour standards, 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 of sub-suppliers or third parties to evade requirements

## General Data Protection Regulation (GDPR)

We prepared for the European GDPR, which became effective on 25 May 2018 and supports the right of privacy for our customers, employees and suppliers.

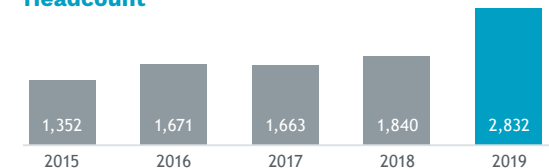
During 2019, we continued to give regular GDPR and Data Privacy training for general awareness amongst our European businesses and for specific business functions. Regular communications were provided to the business to complement the training programmes and promote awareness among employees. TIP's risk 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.

## 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 992 people, principally driven by our 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)



**“It was an exciting and turnkey year for our business and people.** Everyone’s hard work was essential in getting closer to our TIP 2020 strategic goals. In addition, many initiatives have been launched that have improved the attraction, retention and engagement levels of our people. With the large acquisitions at year-end we welcomed ~1,000 new colleagues, with new skills and talent. I have never been so proud to be part of the TIP family and I am confident we are very well positioned to grow stronger together in 2020.”

**Hiske Damhuis**, Chief Human Resources Officer



We employ over 59 nationalities and have a stable 18% of females in a predominantly male-driven industry. We continue to push gender equality through growing and developing our female workforce. During 2019, 20% of all promotions and lateral 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 are proud that in 2019 we met the ratio of at least 30% women on the Management Board and the Board.

We will continue to 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.

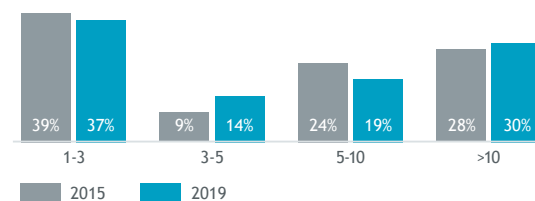
### Experienced employees

The average length of service of our workforce is 8 years (2018: 7 years). However, the portion of employees with less than 5 years’ experience has increased from 48% in 2015 to 51% in 2019 driven by the 3x increase in our M&R business.

During the year, we added 924 (2018: 79) employees through acquisitions. These employees, although new to TIP, 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, we believe people drive the success of our company.

### Employees' years of service

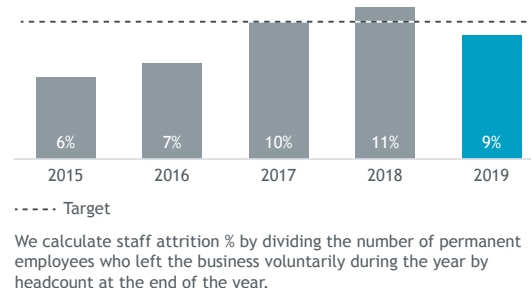


### Attrition

Attrition has decreased to 9% and is below our target of 10%. We have tremendously increased the number of mechanics in our workforce in recent years. This type of work, by its nature, has higher attrition and we are very proud that the attrition amongst mechanics decreased by 3%. Attrition for all other staff, excluding mechanics, has remained stable at 8%. Our attrition is low relative to our industry.

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 ageing population.

### Attrition

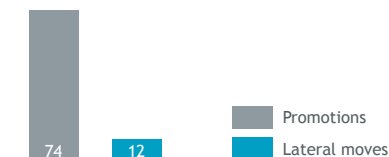


### Development and learning

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 74 promotions and 12 lateral moves in 2019.

### 2019 promotions and lateral moves



We want to continuously provide learning and development in order to ensure steady growth of knowledge and skills and personal development, and to keep employees up-to-date with the latest technologies in the market. In our e-learning portal we provide courses related to stress management and improvement of personal soft skills. In 2019, we spent ~€235K on essential skills and management training while our people attended ~480 courses and completed over 7,000 courses in our e-learning platforms.

We have designed a career map that gives our staff insight into the jobs available, potential career paths and moves. We help with 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.

We provide an opportunity to share a career journey best suited to an individual'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 310 students from over 50 nationalities have successfully completed the programme. We currently have 18 van Dijk intern positions in our corporate functions. Our vision and belief in this programme go beyond most internships and it serves as a talent pool for entry-level positions in our company.

We invest in growing and developing our apprentices. In 2019, we enhanced the apprentice programme in the UK with an extensive training and coaching programme, and introduced an induction day as well as an attractive and balanced apprentice C&B package to be used as best practice in the rest of the Company. We hired 67 apprentices in 2019, growing our total to 114, with the majority being mechanics.

We also initiated various recruitment initiatives focused on the attraction of technical talents, enabling us to create a pipeline. We increased our social media presence, introduced new sourcing channels and refocused on our referral programme.

We want TIP to be a place where our mechanics love to work and make a real difference for our customers. We want to be the employer of choice.

That is why we encourage everyone to be themselves and we provide benefits to bring the very best of ourselves to the workplace.

### 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 use e-NPS as a multi-time run pulse survey to test the satisfaction of our staff and be able to act where necessary.



## Employee testimonial



**“I am proud to work in this enthusiastic environment where everybody is welcome to give their own opinions and ideas, and where diversity is a plus.”**

“When I joined TIP more than 10 years ago, Italy was a very small entity in TIP’s world. Since my first day, it was clear that we were part of a well-structured international company. It is impressive to see how TIP has grown over these 6 years, increasing its footprint in Europe and Canada, expanding the workshop network and welcoming new businesses and colleagues to the TIP family. It is great and challenging to be part of this amazing growth.

The first acquisition we made in Italy was a big opportunity to start learning in the field how to manage due diligence and integration projects. Looking back, I cannot believe in the last 6 years we have increased from 9 people working in just one office to 65-70 people spread across 5 branches and 4 workshops.

I started my career in TIP as Risk and Collections Manager. Over time, I have been given more responsibilities within the Finance team and within the Italian Management Team. This has been possible as TIP invests in people’s development and encourages all employees to improve their professional and personal skills, giving gratification when deserved.

I am proud to work in this enthusiastic environment where everybody is welcome to give their own opinions and ideas, and where diversity is a plus. I love travelling, and working in TIP feels a bit like travelling for fun as it is always a nice opportunity to discover new cultures and share different lifestyles.”

**Valeria Viggiano**, Credit Manager Italy



## 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 practise a total remuneration strategy. This enables us to ensure equality and that performance is rewarded in various forms.

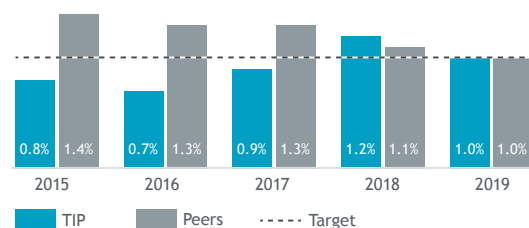
We believe people can help each other grow by providing constructive feedback and therefore we developed a feedback training available in all languages.

## 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 wellbeing 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 vs peers



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 major injury/illness that results in an employee's inability to work over 7 days after the initial injury/illness.

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.

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 conducts employee surveys to test EHS knowledge and perception of the programme every other year. 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.

In 2019, we launched TIP's global wellbeing programme, TIP TOP Healthy. At TIP, the health and safety of our employees is of primary importance. We have a long history of EHS focus to keep our staff safe. Health is broader than just physical health, and therefore with TIP TOP Healthy, we also focus on the wellbeing of our employees. Part of the TIP TOP Healthy programme is the employee assistance programme, which gives TIP employees, as well as their household members, 24/7/365 access to a help centre.

We also provide 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. Additionally, in our e-learning portal we offer courses related to stress management and we will continue to add courses focused on health and wellbeing.

Our sickness rate runs at low single-digit % levels.

We have rigorous processes in place whereby HR works closely with the manager and employee to address concerns and help employees integrate in the workplace. TIP is committed to promoting equality and diversity as well as ensuring the dignity of all employees in the workplace. As the business is rapidly changing, we strive to provide and maintain a work environment characterised by collegiality

and mutual respect. Therefore, we introduced the Respectful Workplace Policy, which provides a foundation to achieve this commitment and entails general guidelines of respectful behaviour within our Company.

### Awards and certificates

During 2019, we received a number of industry awards and certificates for our outstanding contribution to health and safety:

- British Safety Council
- UTAC certification
- Alcumus SafeContractor
- Inspecta Quality Management System Certificate



### Trailer Inspection Professional by TÜV NORD

In our continuous pursuit for maintenance excellence, TIP approached the industry-recognised certification company TÜV NORD to design and administer the new 'Trailer Inspection Professional' certification scheme.

Objectives:

- Establish a standard European-wide trailer inspection criterion
- Maximise the potential to capture all relevant maintenance defects

Value:

- Inspection of customer's fleet according to independent standards
- Reduce downtimes and breakdowns by correctly identifying defects
- Ensure technicians understand and use safe working practices
- Raise general inspection standards across Europe as TÜV NORD intends to open this scheme up to the broader industry



From left to right: Andreas Köhl (TÜV NORD), Geert Angenheiser (TIP), Steffen Roßberg (TÜV NORD), Peter Marquardt (TIP) and Lars von Ohlen (TIP)

## European Transport Board



We are the founder and lead member of the European Transport Board (ETB), a group of leading European transportation 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

In 2019, the ETB met twice in Majorca and Florence. Some topics discussed were the digitisation strategy of TIP, its collaboration with Wabco and Fretlink, an innovative platform which connects shippers to the largest hub of local carriers in Europe, and eLogistics industry.

## Communities

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 wherever the customer is located. 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. Key events in the regions include:

## UK and Ireland

Over the past 6 years, our UK team has raised more than €350,000 for deserving charities by setting an annual bicycle ride challenge. In 2019, this was a 3-day charity ride from Faro to Lisbon in Portugal covering more than 400km. With 50 participants including employees, customers and suppliers, our UK team raised ~€75,000 for Christies' hospital in Manchester and the Donna Louise trust in Stoke-on-Trent.



Participants in charity cycling challenge

Additionally, during the year, the team hosted and participated in several charity events such as the Red Nose Day, Mission Christmas and the Superhero Day hosted by Cash for Kids to raise funds for CLIC Sargent, the UK's leading cancer charity for children.

## Nordics

Amongst other initiatives, the Nordic team supported Gadens Børn, an NGO that works with vulnerable street children in Kolkata, India, with some specially designed trailers that will create awareness around the NGO. This initiative, with the collaboration of our suppliers and customers, provides children in Kolkata access to school, meals and healthcare for one year.



*TIP customised trailer*

## Central Europe

For many years now, our German team has participated in the Rüssel Truck Show, where visitors gathered to enjoy flashily designed trucks. Our employees volunteered at the event and all the funds raised went to the child cancer support organisation Kinderkrebshilfe in Kassel, Germany. More than €50,000 was collected during the event.

## Connecting

We actively engage with other representatives of our industry, key suppliers and customers to gain knowledge about our market.

### 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 February, our Benelux team engaged with more than 50 suppliers and customers to celebrate the launch of our Innovation Platform. Innovative topics discussed included special equipment modernisation, new clean cooling technologies for our reefers, and opportunities of cooperation with universities. It is already a success story with its second session in June and its third session in October.



*Attendees at partner days*

From March to September, our Nordic region organised partner days in each of the countries, with more than 140 customers and suppliers attending. We took the opportunity to exchange views on developments within the industry.

In September, we hosted a conference on security in the transportation and logistics industry in Paris, France. More than 200 decision-makers from the supply chain industry gathered to participate in the event co-hosted by the Paris Dauphine University.



*Participants at Paris Dauphine University*

### Transport logistic and other exhibitions

We actively participate in leading industry exhibitions, such as the Padborg Transport fair in Denmark, the RO-KA-TECH - Waste tanker expo and the Transport logistic, both in Germany.



Transport logistic is the world's leading trade fair for logistics, mobility, IT and supply chain management, which brings together industry experts in Munich. It takes place every two years and is regarded worldwide as a business platform and driving force for the logistics and transportation sector. The 2019 exhibition had over 2,300 exhibitors and more than 64,000 visitors. This offered us the opportunity to get in touch with new customers, especially internationally, but also to exchange views with our long-standing customers and partners. The TIP team, consisting of rental and workshop experts, explained the broad TIP product and service portfolio and how it can be individually adapted to customer needs. A special highlight was the presentation of our renewed in-house customer portal.



TIP exhibition stand

## 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.

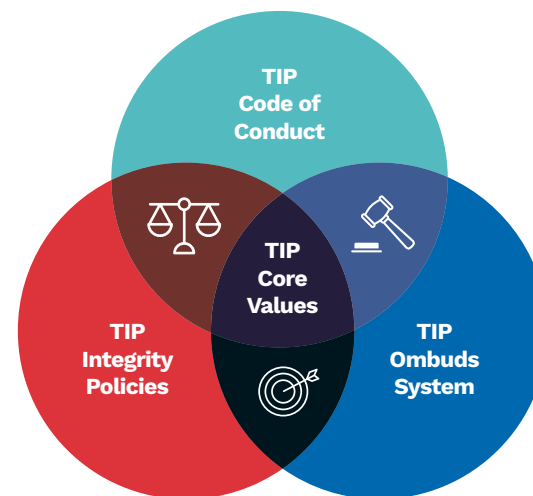
We are continuously monitoring compliance with our policies. Each employee is accountable for their actions and our integrity policies require employees to report any compliance concern or breach. The Ombuds system provides a safe and unbiased forum for employees to raise concerns.

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

- 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 are continuously improving 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.



**“TIP’s compliance culture, systems and training implement our high standards of honesty and business integrity** to comply with local laws and international best practices to identify, manage, monitor and resolve compliance risks supplemented by our Ombuds network and integrated reporting system.”

**Jan Ihlau,**

Chief Legal Officer and Company Secretary







# Governance

## **In this section**









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# Board 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 deciding which risks TIP 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 and Committees legend

- |   |   |
|---|---|
|  Supervisory Board      |  The Board |
|  Management Board       |  EMT       |
|  Remuneration Committee |  SLT       |
|  Investment Committee   |   |
|  Audit Committee        |   |



**Adil Rahmathulla** –  
Canadian



Adil is a Co-founder and Managing Partner 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 as Chairman of the Supervisory Board in 2018 after the sale of TIP to I Squared Capital.



**Mohamed Adel El-Gazzar** –  
British



Mohamed is a Partner of I Squared Capital and joined the Company in 2013. 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 is a Managing Director of I Squared Capital and joined the Company in 2016. 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 Flexivan, Express Freight Finance and Entegra Capital. He is also a board member of the National Chamber Foundation, the research arm of the U.S. 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.



**David Binks<sup>1</sup>** –

British

David Binks brings to the Board 35 years of experience in the logistics industry, gained through executive roles in marketing, sales and operations around the world. Most recently, David was concurrently CEO of TNT and Regional President of FedEx Europe, based in the Netherlands. Following FedEx's €4.4bn acquisition of TNT Express, David led both businesses units while preparing and executing their full operational integration. Prior to this, David was Regional President for FedEx in the EMEA and in Canada with full profit or loss responsibility across those territories.

David was appointed to the Supervisory Board in 2019.



**Steven Webber<sup>1</sup>** –

British

Steven is a senior private equity professional with over 20 years of experience working on large buyout transactions. Most recently, Steven was a Managing Director with Terra Firma Capital Partners where he was primarily focused on aircraft leasing, real estate and asset-intensive businesses. Steven started his career with the Nomura Principal Finance Group and was part of the team that spun out of Nomura in 2002 to form Terra Firma Capital Partners. Steven currently sits on the Board of Shenton Aircraft Investment Limited.

Steven was appointed to the Supervisory Board in 2019.



**Detlef Borghardt<sup>1</sup>** –

German

Detlef is an experienced executive and former CEO of SAF-HOLLAND S.A., a German S-DAX listed company and a leading supplier of chassis-related systems and components primarily for trailers and semi-trailers, but also for trucks and buses. He served the company since 2000, the last 8 years as its CEO and a member of the Board of Directors. He was responsible for 22 factories and worldwide commercial activities with approximately 4,500 employees and €1.3bn sales. Detlef has almost 30 years of experience in the global commercial vehicle and automotive supplier industry.

Detlef was appointed to the Supervisory Board in 2019.

<sup>1</sup> Independent Director.

<sup>2</sup> GE Equipment Services was a multi-product commercial transportation and construction equipment leasing and rental division of General Electric (GE). 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.



**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>2</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 subsequently 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 after its sale to HNA in 2013. He is based in the Netherlands.

Bob has served on the Board since 2014. After the sale of TIP to I Squared Capital, Bob was appointed to the Management Board 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 sale to I Squared Capital in 2018. He is based in the Netherlands.

Arjen was appointed to the Management Board in 2018 and to the Board in 2019.



**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<sup>2</sup> 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 and to the Board in 2019.



**Malachy Mc Enroe** – Irish  
**Chief Financial Officer** (resigned on 9 December 2019)



Malachy (1965) was appointed CFO for TIP and GE Equipment Services<sup>1</sup> 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 subsequently into the I Squared Capital structures and processes from a finance perspective.

Malachy joined TIP/GE in 1997 and 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 and was appointed to the Management Board after the sale of TIP to I Squared Capital in 2018. He served on both Boards until his resignation on 9 December 2019.

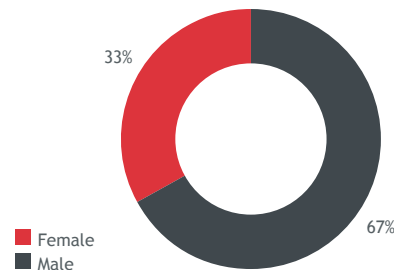
<sup>1</sup> GE Equipment Services was a multi-product commercial transportation and construction equipment leasing and rental division of General Electric (GE). GE Equipment Services contained various trading divisions including TIP, GE Rail Services, GE Key Lease, GE Modular Space, TLS Van Rental,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

<sup>2</sup> At year end.

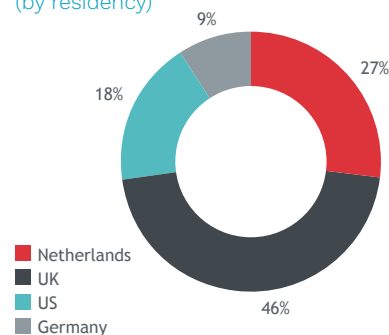
### Management Board TIP years of experience<sup>2</sup>



### Management Board gender diversity<sup>2</sup>



### Cube Transportation Board geographical spread<sup>2</sup> (by residency)



# Senior leadership and executive management teams

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

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

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.

### **Bob Fast\*** ● ●

Main responsibilities: Strategy and business execution

### **Arjen Kraaij\*** ● ●

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

### **Hiske Damhuis\*** ● ●

Main responsibilities: People and employee communication

### **Malachy Mc Enroe\*** (resigned on 9 December 2019) ● ●

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





**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 re-appointed 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



**Simon Glass** – British  
**Interim Chief Financial Officer**



Simon joined TIP in December 2019 as interim CFO. Simon was most recently interim CFO for the FoodFolk Group in the Nordic region, where he was responsible for all financial and taxation related matters. Simon has over 30 years of senior financial management experience across the world at AWAS Ireland, Royal Bank of Scotland Group, Standard Chartered Bank and HSBC Group, of which almost 20 years were in CFO roles.

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



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



Jan 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. In 2013, he was appointed Chief Legal Officer and Company Secretary for TIP on the completion of the acquisition by HNA. 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 subsequently the integration into the I Squared Capital structures and processes as well as the refinancing of the business from a legal perspective. Jan is an experienced General Counsel with more than 20 years of broad international legal leadership experience. Prior to joining TIP, Jan was a senior lawyer with a major German law firm, where he led their corporate and commercial law department

Jan was appointed as a member of the EMT in January 2020.

Main responsibilities: Legal, Compliance, Corporate Governance and Insurance

<sup>1</sup> GE Equipment Services was a multi-product commercial transportation and construction equipment leasing and rental division of General Electric (GE). 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.



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

● Oliver re-joined TIP 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.



**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 division 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 as 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 of experience in the transportation and trailer services industry, Michael initially joined TIP 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 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 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 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.

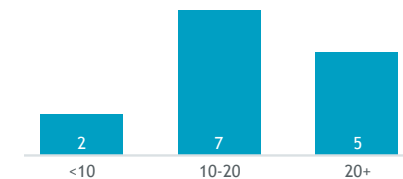


**Peter Ström** – Swedish  
**Vice President Central Europe Region**

Peter has been working in the German commercial vehicle industry since 2000. He started at Mercedes-Benz Financial Services in Sweden and thereafter moved to Germany where he joined DaimlerChrysler Financial Services as European Sales Manager. Subsequently, he moved on to Mercedes Benz CharterWay International as Managing Director and then to GE Capital Fleet Services as European Commercial Director. Peter Ström has been leading PEMA GmbH as CEO since 2011 and was appointed Vice President for Central Europe following TIP's acquisition of PEMA.

### TIP years of experience

The average length of service of our leaders is 17 years (2018: 18 years). In addition to their experience with TIP, 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 Boards

Our corporate governance principles have been approved by our shareholder, Supervisory and Management Boards, and our EMT. They 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 in 2018 to acquire TIP and its related subsidiaries.

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

### ● The Supervisory Board

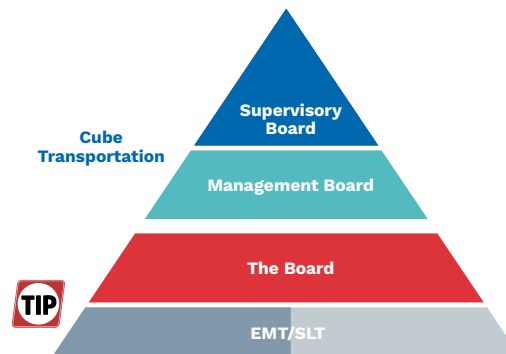
The Supervisory Board supervises the Management Board and the general course of affairs of the company. It provides advice to the Management Board and coordinates strategic matters between I

Squared Capital and TIP. The Supervisory Directors are guided by the interests of the company when performing their duties. Members of the Supervisory Board are appointed for an indefinite period.

The members of the Supervisory Board are:

- Adil Rahmathulla
- Mohamed Adel El-Gazzar
- Enrico Del Prete
- Maxime Jacqz
- Thomas (Tom) J. Donohue, Jr.
- David Binks - appointed 1 April 2019
- Steven Webber - appointed 12 July 2019
- Detlef Borghardt - appointed 30 August 2019

## Our Boards



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



The main **responsibilities** of the Supervisory Board are:

- 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:

- 2019 annual report
- 2020 budget
- Business strategy
- Business growth opportunities and risks
- 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 have also met and participated in conference calls with broad groups of employees, on both an individual and group basis.

The Supervisory Board met 3 times in 2019.

## ● 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.

The **members** of the Management Board are:

- Bob Fast
- Malachy Mc Enroe - resigned 9 December 2019
- Arjen Kraaij
- Hiske Damhuis

The main **responsibilities** of the Management Board are:

- Achievement of the business objectives
- Deploying corporate strategy
- Business growth opportunities and risks
- The structure and operation of internal risk management and control systems
- The financial reporting process
- Compliance with legislation and regulations
- Corporate social 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:

- 2019 annual report
- 2020 budget
- Execution of the business strategy
- Increase/changes in finance facilities
- Acquisitions
- Significant organisational changes and appointments to the EMT
- Compliance and EHS matters

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

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

## Cube Transportation Board Committees

In order to improve effectiveness and efficiency, three joint Supervisory and Management Board Committees were established in early 2019.

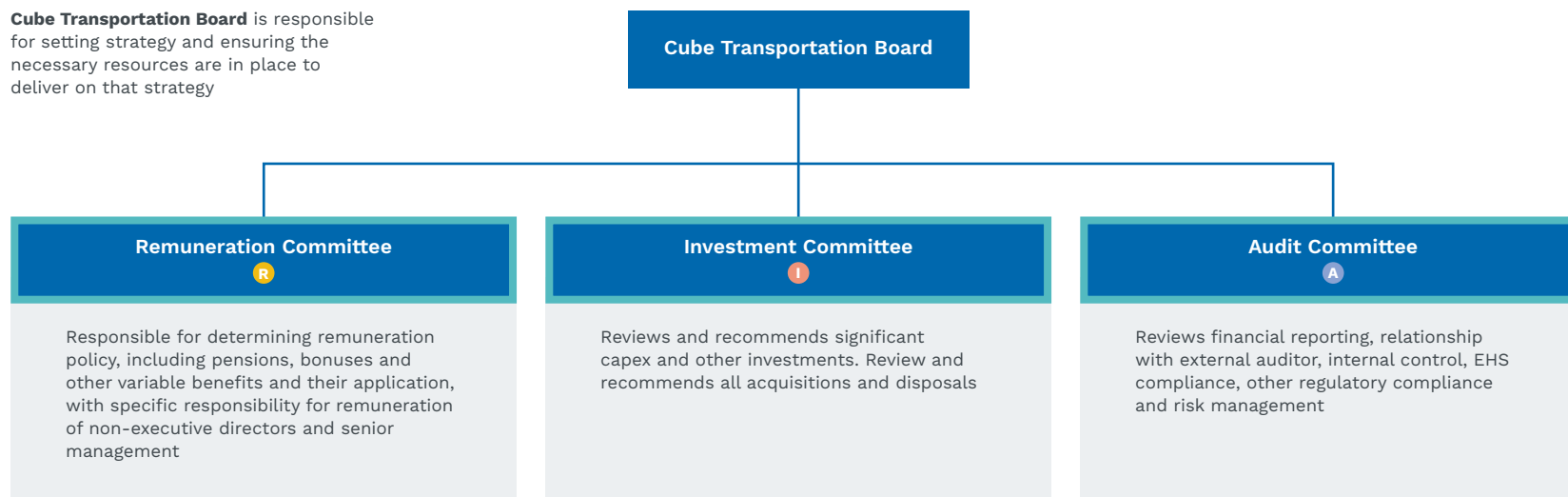
The appointment of these committees, the Charters governing their roles and responsibilities were

approved by the members (shareholders) at the time of their establishment. These committees cover investments, audit and compliance matters, and remuneration. They review and advise the Boards in their assigned areas of responsibility and approve matters as required by their Charters.

The Board retains full responsibility for the decisions taken. Board members are entitled to attend committee meetings and receive minutes of all meetings and backup documentation as requested. The Company Secretary acts as secretary to all Board Committees.

## Role of Cube Transportation Board and Committees

**Cube Transportation Board** is responsible for setting strategy and ensuring the necessary resources are in place to deliver on that strategy



## **R** Remuneration Committee

The **members** of the Remuneration Committee are:

- Adil Rahmathulla - appointed 7 February 2019
- Mohamed Adel El-Gazzar - appointed 7 February 2019
- Enrico del Prete - appointed 7 February 2019
- Maxime Jacqz - appointed 7 February 2019
- Bob Fast - appointed 7 February 2019
- Hiske Damhuis - appointed 7 February 2019

The main **responsibilities** of the Remuneration Committee are:

- Determining, on behalf of the Board, the remuneration of senior management
- Approving the design of, and determining targets for, any performance-related plans for senior management, ensuring alignment with long-term strategy
- Determining and approving the remuneration of directors
- Recommending the broad policy for remuneration across the business
- Approving fringe benefit and variable compensation programmes across the business

The Remuneration Committee aims to ensure that TIP can recruit, motivate and retain talented and experienced staff, enabling the Company to deliver profitable growth, as well as managing an increasingly large and diverse business.

During 2019, the Remuneration Committee focused on a number of areas on behalf of the Board, including:

- Determining and approving the 2018 annual bonus for financial, strategic and personal objectives for senior management
- Setting the 2019 bonus targets for financial, strategic and personal objectives for senior management
- Establishing the framework for 2020 bonus targets for financial, strategic and personal objectives for senior management

We consider the **effectiveness** of the Remuneration Committee based on the quality of the discussions, the level of interaction with the business and attendance records. Remuneration Committee members regularly interact with the Boards and SLT on both an individual and group basis.

## **I** Investment Committee

The **members** of the Investment Committee are:

- Enrico del Prete - appointed 7 February 2019
- Maxime Jacqz - appointed 7 February 2019
- Bob Fast - appointed 7 February 2019
- Arjen Kraaij - appointed 7 February 2019
- Steven Webber - appointed 7 February 2019

The main **responsibilities** of the Investment Committee are:

- Advising the Cube Transportation Board with regards to the overall capital expenditure (capex) and investment strategy
- Reviewing the business processes for approving capex and investments
- Setting the limits of authority for capex and investment-related decisions
- Reviewing and approving all material fleet capex, PP&E investments, IT, strategic business initiatives and all mergers and acquisitions
- Reviewing and making recommendations on how the overall capex and investment plans align with the business strategy
- Monitoring capex and other investment returns and making adjustments to the capex and investment processes to reflect lessons learned

During 2019, the Investment Committee focused on a number of areas on behalf of the Cube Transportation Board. It evaluated the best opportunities in the market, reviewing and making recommendations to the Board on the business's investment strategy, policy and risk management.

The Committee reviewed all material fleet capex and workshop investment proposals, laying a solid foundation for future organic growth. It also approved 6 acquisitions which will further expand the business footprint, scale and effectiveness. These included the 2 significant acquisitions of

PEMA in Europe and Trailer Wizards in Canada. The committee also reviewed and evaluated several potential acquisition opportunities.

We consider the **effectiveness** of Investment Committee is based on the quality of the discussions, the level of interaction with the business, and attendance records. Investment Committee members regularly interact with the Boards 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 in relation to investment opportunities and decisions.

The Investment Committee works closely with, and is aligned to, the business committees and processes which support individual investment decisions, and facilitate pipeline and priority management:

Fleet 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)

## **A Audit Committee**

The **members** of Audit Committee are:

- Enrico del Prete - appointed 7 February 2019
- Maxime Jacqz - appointed 7 February 2019
- Bob Fast - appointed 7 February 2019
- Malachy Mc Enroe - appointed 7 February 2019 - resigned 9 December 2019
- Jan Ihlau - appointed 7 February 2019

The main **responsibilities** of the Audit Committee are:

- Monitoring and challenging, where necessary, the integrity of the annual report (including strategic, performance, governance reviews) and financial statements as well as other financial performance-related information and projections shared with key stakeholders during the year
- Reviewing internal controls, EHS compliance and risk management processes
- Recommending appointment of an external auditor
- Management of audit relationship, including compliance with recommendations of the external auditor
- Reviewing the operation and effectiveness of the Company's internal audit function
- Reviewing and monitoring conflicts of interest
- Reviewing and monitoring Ombuds procedures and practices
- Reviewing the annual budget

- Approving tax planning policies
- Reviewing IT security measures and controls
- Reviewing and approving key Treasury policies
- Monitoring business legal entity re-organisations and simplifications
- Reviewing policies and procedures for detecting fraud, including AMLAT (Anti-money laundering) and KYC (Know your customer/(supplier)) procedures
- Reviewing other compliance programmes to ensure they are appropriate for the business

## **Meetings**

The COO, fPAC, TIR, Tax, EHS, IT Directors, and Compliance Leader typically attend all Audit Committee meetings, and other directors, executives and managers are invited as necessary. The external auditor attends a number of these meetings, particularly in relation to the external audit planning and finalisation.

## **Annual report(s), related financial statements, significant financial judgements and viability statement**

The Audit Committee considered whether suitable accounting policies had been adopted and if management had made appropriate estimates and judgements. The Audit Committee paid attention to matters it considered important by virtue of their impact on the business

results and particularly those which involved relatively high levels of complexity, judgement or estimation by management. In particular, the Committee considered:

- The allocation of fair values attributed to the assets as part of Cube Transportation's acquisition of TIP and TIP's acquisition of PEMA and Trailer Wizards
- The implementation of IFRS 16 lease accounting
- Accounting for significant IT and software development projects

Management confirmed that they were not aware of any material misstatements in the financial statements and the Group auditor, EY, confirmed that they had found no material misstatement in the course of their work.

The Committee considered and discussed with management the established and documented process in place for the preparation of the 2019 TIP annual report and financial statements, in particular planning, co-ordination and review activities. The Committee also noted the formal procedure undertaken by EY. This enabled the Committee, and then the Board, to conclude that the TIP annual report, taken as a whole, is fair, balanced and understandable and that it provides the necessary information for stakeholders to assess strategy, performance and business model.

The Audit Committee reviewed the viability and directors' responsibility statements, considered the appropriateness of management's approach to supporting their conclusions and noted EY's opinion on going concern and overall audit opinion. The Committee subsequently recommended these statements for approval by the Board.

#### **External auditor**

The Audit Committee oversees the relationship with the external auditor, including approval of the external auditor's fee proposals.

The fPAC Director reviewed the EY external audit plan at a meeting held in September 2019 and received an update at a meeting held in January 2020, at the commencement of the audit. Following the audit, the Audit Committee met with EY to review the findings from their audit of the Group financial statements.

In accordance with its responsibilities, the Audit Committee is required to make a recommendation to the Cube Transportation Board and members (shareholders) on the appointment, re-appointment and removal of the external auditor. The Audit Committee recommended the re-appointment of EY as external auditor and this was approved by the Cube Transportation Board.

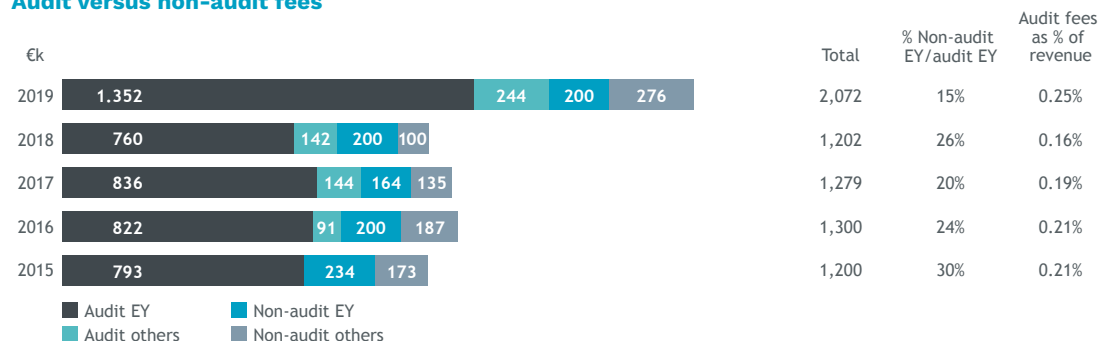
The Audit Committee and the fPAC, TIR and Tax teams review the effectiveness of the external audit process.

As part of this process, audit effectiveness questionnaires are completed and the responses summarised by the fPAC team in a report to the Audit Committee. Based on their consideration of this report and its own interaction with EY, in the form of reports and meetings, the Audit Committee 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 Cube Transportation Board.

The Audit Committee has 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.



## Audit versus non-audit fees



The Audit Committee has a policy in place regarding the employment of employees or former employees of the external auditor. This policy provides that the fPAC Director will consult with the Audit Committee 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

The 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 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, Audit Committee 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, Audit Committee 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 a substantial portion 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 generally performs all internal audit reviews directly. During the year, the IA team held 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.

### Other audits/control reviews

As part of its ABS and FLB funding programmes, the Group is subject to control, audit and reviews directly by its funders on its funder reporting, internal controls, documentation and effectiveness of its security pledges in relation to these funding programmes. The ABS programme is reviewed by a leading accounting firm on behalf of the funder, with the results provided to the funder and the Treasury and Investor Relations Director and CFO. If any significant issue is identified, these are reported to the EMT and Audit Committee with remedial action plans.

Given the growth in complex models used in critical business areas covering funding, accounting, impairments, provisions, investment valuations, budgeting and forecasting, in 2019 the Group engaged in a pilot review by a leading accounting firm of a key funding model focused on the structural integrity, level of documentation and performance of the model. In 2020, we will look at the potential expansion of this review to other critical models to ensure the integrity of our financial reporting, budgeting and forecasting.

#### **Legal entity simplifications**

During 2019, we continued our efforts to simplify the Group structure and increase transparency.

For the overview of the current Group structure, please refer to note 36 of the financial statements.

#### **Other areas**

The Committee spent considerable time assessing and benchmarking the business EHS policies and procedures during the year and recommended a number of areas to improve Board reporting and visibility on EHS matters.

We consider the **effectiveness** of the Audit Committee is based on the quality of the discussions, the level of interaction with the business, and attendance records.

Audit Committee members regularly interact with the Boards, the SLT, Group fPAC Director, Treasury and Investor Relations Director, Tax Director, EHS Director and Compliance Leader on both an individual and group basis. They also met and participated in conference calls with broad groups of finance and compliance employees, on both an individual and group basis in relation to audit committee matters.

#### **The Board**

The **members** of the Board are:

- Bob Fast
- Malachy Mc Enroe - resigned 9 December 2019
- Arjen Kraaij - appointed 15 October 2019
- Hiske Damhuis - appointed 15 October 2019

The **responsibilities** of the Board are:

- Achieving the business objectives
- Deploying corporate strategy
- The structure and operation of the internal risk management and control systems
- Business growth opportunities and risks
- 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:

- 2019 annual report
- 2020 budget
- Execution of business strategy
- Increase/changes in finance facilities
- Acquisitions
- Compliance and EHS matters

9 out of 9 Board meetings took place in Amsterdam.

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

### Board attendance

Attendance	Management Board	The Board
<b>Number of meetings</b>	<b>7</b>	<b>9</b>
Bob Fast	7	9
Malachy Mc Enroe <sup>1</sup>	6	6
Arjen Kraaij	7	5
Hiske Damhuis	7	5

<sup>1</sup> Resigned on 9 December 2019.

## 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 2019, no conflicts of interest were identified.

## 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 and 2018, we reviewed our governance framework against the 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 rigour 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. We also expanded our strategic overview of the business by incorporating a market overview and our business model.

During 2019, we further enhanced our governance framework by introducing a number of Board committees covering:

- Remuneration - 'Remuneration Committee'
- Investment - 'Investment Committee'
- Audit and compliance - 'Audit Committee'

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
- 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. On remuneration, we have provided a limited report, which we believe is appropriate. 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 members' appointments, which we believe is appropriate to ensure we can retain key knowledge, expertise and experience. In addition, 4 Supervisory Board members are 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.

## Executive management and senior leadership teams

The EMT is responsible for the overall day-to-day management of TIP, 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 3 times, EMT met 8 times and the Board of Global TIP Holdings Two B.V. convened 9 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.

### EMT<sup>1</sup> and SLT<sup>2</sup> attendance

Attendance	EMT	SLT
<b>Number of meetings</b>	<b>8</b>	<b>3</b>
Bob Fast	8	3
Arjen Kraaij	8	3
Hiske Damhuis	8	3
Jan Ihlau	-	2
Malachy Mc Enroe <sup>3</sup>	7	2
Paul Beadle	7	3
Christian Petersen		3
Didier Felice		3
Mark Crossland		3
Michael Furnival		2
Oliver Bange		2
Rick Kloepfer		3
Rogier Laan		3

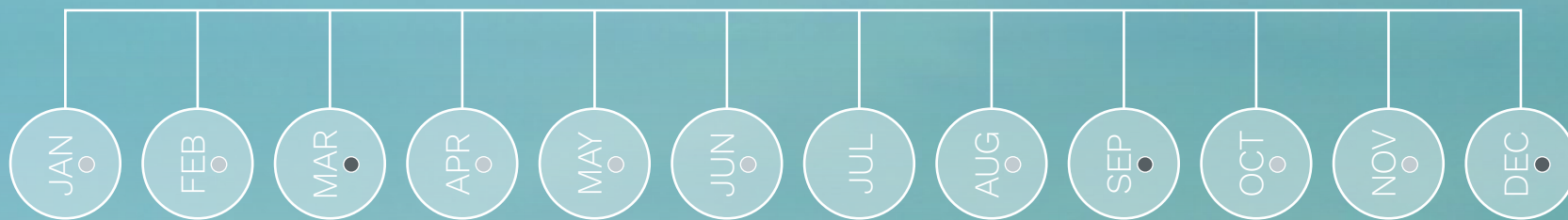
Meetings generally happen in person to facilitate robust dialogues and interactions but certain participants may attend by phone where this is more efficient due to conflicting priorities.

<sup>1</sup> Excludes Simon Glass, who joined in December 2019. Jan Ihlau was appointed as EMT member in January 2020.

<sup>2</sup> Excludes Peter Ström, who joined in December 2019.

<sup>3</sup> Resigned on 9 December 2019.

## EMT and SLT meetings - 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

All meetings took place in Amsterdam.

- Full SLT meeting
- EMT meeting



**“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 and Chairman of our Supervisory Board



## 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\$14bn of assets under management focusing on the energy, utilities, telecoms and transportation sectors in the Americas, Europe and Asia. The firm has offices in New York, Miami, 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. 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 often yield cash

## 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), Treasury and Investor Relations (TIR) and Tax teams, as well as reviewed by the external auditors

On 24 April 2020, members of the Audit Committee conducted a meeting with Ernst & Young Accountants LLP (EY), the independent external auditors, and discussed the consolidated financial statements for 2019 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 2019 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 their knowledge:

- Our financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of TIP
- 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 is being confronted with, providing appropriate information for stakeholders to assess the Group's performance, business model and strategy

Amsterdam, April 2020

Bob Fast  
Arjen Kraaij  
Hiske Damhuis

# 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 5-year period to December 2024. 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 5-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 cyclicity 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 borrowings 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 adapt 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 2024.



# Financial statements

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# Consolidated statement of profit or loss

## for the period ended 31 December

€m	Note	2019	2018 <sup>1</sup>	2017 <sup>1</sup>
Revenue	8	625.6	565.0	516.7
Cost of sales	9	(466.9)	(408.8)	(371.7)
Expected credit losses	9	(2.0)	(2.1)	(0.6)
<b>Gross profit</b>		<b>156.7</b>	<b>154.1</b>	<b>144.4</b>
Administrative and other operating expenses	10	(104.2)	(93.7)	(91.2)
Amortisation of intangible assets	10	(6.2)	(5.7)	(5.9)
Exceptional administrative items	21	(10.8)	-	(6.2)
<b>Operating profit</b>		<b>35.5</b>	<b>54.7</b>	<b>41.1</b>
Finance income	18	0.3	7.5	13.0
Exceptional gain arising on acquisition	21	27.9	-	-
Finance cost	19	(34.1)	(33.5)	(30.4)
Exceptional finance cost	21	(1.9)	(3.2)	-
<b>Profit before taxes</b>		<b>27.7</b>	<b>25.5</b>	<b>23.7</b>
Taxation	20	(3.5)	(7.4)	(7.5)
Exceptional taxation	21	0.6	3.9	5.6
<b>Taxation</b>		<b>(2.9)</b>	<b>(3.5)</b>	<b>(1.9)</b>
<b>Net profit</b>		<b>24.8</b>	<b>22.0</b>	<b>21.8</b>
<b>Attributable to:</b>				
Equity holders of the parent		24.7	22.0	21.8
Non-controlling interests	35	0.1	-	-
<b>Net profit</b>		<b>24.8</b>	<b>22.0</b>	<b>21.8</b>
<b>Underlying operating profit<sup>2</sup></b>		<b>52.5</b>	<b>60.4</b>	<b>53.2</b>

<sup>1</sup> The Group has chosen to apply the fully retrospective approach to IFRS 16 as we believe this provides users with more useful comparative information. We have adjusted prior years accordingly. See note 3 of the consolidated financial statement for impact analysis.

<sup>2</sup> Underlying operating profit excludes amortisation of intangible assets and exceptional items 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	2019	2018	2017
Net profit		24.8	22.0	21.8
Foreign currency translation		6.2	(4.1)	(2.5)
Taxation	20.2	-	-	-
<b>Foreign currency translation reserve, net of tax</b>		<b>6.2</b>	<b>(4.1)</b>	<b>(2.5)</b>
Cash flow hedge revaluation		(0.6)	0.2	0.9
Taxation	20.2	0.2	(0.1)	(0.2)
<b>Cash flow hedge, net of tax</b>		<b>(0.4)</b>	<b>0.1</b>	<b>0.7</b>
<b>OCI to be reclassified to profit or loss in subsequent periods, net of tax</b>		<b>5.8</b>	<b>(4.0)</b>	<b>(1.8)</b>
<b>OCI for the period, net of tax</b>		<b>5.8</b>	<b>(4.0)</b>	<b>(1.8)</b>
<b>Comprehensive income for the period, net of tax</b>		<b>30.6</b>	<b>18.0</b>	<b>20.0</b>
Attributable to:				
Equity holders of the parent		30.5	18.0	20.0
Non-controlling interests	35	0.1	-	-
<b>Comprehensive income for the period, net of tax</b>		<b>30.6</b>	<b>18.0</b>	<b>20.0</b>

# Consolidated balance sheet

## at period ended 31 December

€m	Note	2019	2018 <sup>1</sup>	2017 <sup>1</sup>
Fleet	22	1,847.8	1,025.9	871.4
Property, plant and equipment	23	230.7	142.6	136.9
Intangible assets	24	145.1	66.9	60.9
Financial assets	25	-	-	261.3
Deferred tax assets	26	5.1	4.9	5.6
<b>Non-current assets</b>		<b>2,228.7</b>	<b>1,240.3</b>	<b>1,336.1</b>
Inventories	27	32.8	10.6	11.2
Trade and other receivables	28	168.6	106.5	125.2
Financial assets	25	-	-	20.2
Current tax assets	26	1.7	1.0	1.2
Cash and equivalents	29	16.5	11.1	18.7
<b>Current assets</b>		<b>219.6</b>	<b>129.2</b>	<b>176.5</b>
<b>Total assets</b>		<b>2,448.3</b>	<b>1,369.5</b>	<b>1,512.6</b>
Borrowings	30	122.5	762.9	37.2
Derivatives	31	1.2	0.9	1.2
Provisions	32	0.8	1.1	2.3
Trade and other payables	33	195.6	119.1	125.9
Current tax liabilities	26	2.8	7.8	9.8
<b>Current liabilities</b>		<b>322.9</b>	<b>891.8</b>	<b>176.4</b>
Borrowings	30	1,469.7	133.4	719.5
Derivatives	31	0.1	0.1	0.4
Provisions	32	0.2	1.1	1.7
Trade and other payables	33	25.7	12.4	10.4
Deferred tax liabilities	26	88.8	26.8	30.8
<b>Non-current liabilities</b>		<b>1,584.5</b>	<b>173.8</b>	<b>762.8</b>
<b>Total liabilities</b>		<b>1,907.4</b>	<b>1,065.6</b>	<b>939.2</b>
<b>Net assets</b>		<b>540.9</b>	<b>303.9</b>	<b>573.4</b>
Share capital	35	-	-	-
Share premium	35	432.1	225.7	513.2
Retained earnings	35	115.2	90.5	68.5
Other reserves	35	(6.5)	(12.3)	(8.3)
<b>Equity attributable to parent</b>		<b>540.8</b>	<b>303.9</b>	<b>573.4</b>
Non-controlling interests	35	0.1	-	-
<b>Equity</b>		<b>540.9</b>	<b>303.9</b>	<b>573.4</b>

<sup>1</sup> The Group has chosen to apply the fully retrospective approach to IFRS 16 as we believe this provides users with more useful comparative information. We have adjusted prior years accordingly. See note 3 of the consolidated financial statement for impact analysis.

# 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
At 1 January 2017 <sup>1</sup>		-	513.2	46.7	(6.5)	553.4	0.1	553.5
Net profit		-	-	21.8	-	21.8	-	21.8
OCI for the period	35	-	-	-	(1.8)	(1.8)	(0.1)	(1.9)
<b>Total comprehensive income</b>		-	-	<b>21.8</b>	<b>(1.8)</b>	<b>20.0</b>	<b>(0.1)</b>	<b>19.9</b>
Increase		-	-	-	-	-	-	-
<b>At 31 December 2017<sup>1</sup></b>		-	<b>513.2</b>	<b>68.5</b>	<b>(8.3)</b>	<b>573.4</b>	-	<b>573.4</b>
Net profit		-	-	22.0	-	22.0	-	22.0
OCI for the period	35	-	-	-	(4.0)	(4.0)	-	(4.0)
<b>Total comprehensive income</b>		-	-	<b>22.0</b>	<b>(4.0)</b>	<b>18.0</b>	-	<b>18.0</b>
Increase		-	21.0	-	-	21.0	-	21.0
Distribution	35	-	(308.5)	-	-	(308.5)	-	(308.5)
<b>At 31 December 2018<sup>1</sup></b>		-	<b>225.7</b>	<b>90.5</b>	<b>(12.3)</b>	<b>303.9</b>	-	<b>303.9</b>
Net profit		-	-	24.7	-	24.7	0.1	24.8
OCI for the period	35	-	-	-	5.8	5.8	-	5.8
<b>Total comprehensive income</b>		-	-	<b>24.7</b>	<b>5.8</b>	<b>30.5</b>	<b>0.1</b>	<b>30.6</b>
Increase	35	-	206.4	-	-	206.4	-	206.4
Distribution	35	-	-	-	-	-	-	-
<b>At 31 December 2019</b>		-	<b>432.1</b>	<b>115.2</b>	<b>(6.5)</b>	<b>540.8</b>	<b>0.1</b>	<b>540.9</b>

<sup>1</sup> The Group has chosen to apply the fully retrospective approach to IFRS 16 as we believe this provides users with more useful comparative information. We have adjusted prior years accordingly. See note 3 of the consolidated financial statement for impact analysis.

# Consolidated statement of cash flow

## for the period ended 31 December

€m	Note	2019	2018 <sup>1</sup>	2017 <sup>1</sup>
Operating profit		35.5	54.7	41.1
Non-cash adjustments	a	193.9	157.3	140.1
Working capital movements	b	3.3	4.8	(7.8)
<b>Cash generated from operations</b>		<b>232.7</b>	<b>216.8</b>	<b>173.4</b>
Net fleet investments	c	(212.4)	(256.3)	(185.3)
Net interest and tax	d	(61.5)	(39.9)	(29.4)
<b>Net cash flow from/(used in) operations</b>		<b>(41.2)</b>	<b>(79.4)</b>	<b>(41.3)</b>
Business combinations (net of cash acquired)		(784.0)	(0.9)	(4.8)
Financial assets	25	-	2.4	(5.9)
Proceeds from PP&E sales	10	1.6	0.2	2.0
PP&E purchases		(10.9)	(6.3)	(6.1)
Intangible assets additions	28.3	(2.0)	(5.2)	(0.8)
<b>Net cash flow from/(used in) investing activities</b>		<b>(795.3)</b>	<b>(9.8)</b>	<b>(15.6)</b>
<b>Net cash flow after investing activities</b>		<b>(836.5)</b>	<b>(89.2)</b>	<b>(56.9)</b>
Borrowing drawdowns		820.7	230.0	201.5
Borrowing repayments	30	(185.4)	(149.0)	(143.4)
Share premium increase	35	206.4	-	-
<b>Net cash flow from financing activities</b>		<b>841.7</b>	<b>81.0</b>	<b>58.1</b>
<b>Net cash flow after investing and financing activities</b>		<b>5.2</b>	<b>(8.2)</b>	<b>1.2</b>
Cash and equivalents at 1 January		11.1	18.7	16.6
Net increase/(decrease) in cash and equivalents		5.2	(8.2)	1.2
Net foreign exchange difference		0.2	0.6	0.9
<b>Cash and equivalents at 31 December</b>		<b>16.5</b>	<b>11.1</b>	<b>18.7</b>

<sup>1</sup> The Group has chosen to apply the fully retrospective approach to IFRS 16 as we believe this provides users with more useful comparative information. We have adjusted prior years accordingly. See note 3 of the consolidated financial statement for impact analysis.



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

## a) Non-cash adjustments

€m	Note	2019	2018 <sup>1</sup>	2017 <sup>1</sup>
Gain on disposal of fleet	16	(3.1)	(5.7)	(6.4)
Gain on disposal of PP&E	10	(0.2)	-	(1.4)
<b>Gain on disposal of fleet</b>		<b>(3.3)</b>	<b>(5.7)</b>	<b>(7.8)</b>
Depreciation of fleet	22	169.6	139.0	121.0
Depreciation of PP&E	23	20.2	18.2	16.1
Amortisation of intangible assets	24	6.2	5.7	5.9
<b>Depreciation/amortisation</b>		<b>196.0</b>	<b>162.9</b>	<b>143.0</b>
Other non-sale disposals related to fleet	22	2.4	1.9	0.9
Movement in provisions	32	(1.2)	(1.8)	4.0
<b>Other non-cash adjustments</b>		<b>1.2</b>	<b>0.1</b>	<b>4.9</b>
<b>Non-cash adjustments</b>	<b>a</b>	<b>193.9</b>	<b>157.3</b>	<b>140.1</b>

<sup>1</sup> The Group has chosen to apply the fully retrospective approach to IFRS 16 as we believe this provides users with more useful comparative information. We have adjusted prior years accordingly. See note 3 of the consolidated financial statement for impact analysis.

## b) Working capital movement

€m	Note	Inventories	Trade and other receivables	Trade and other payables	Total
<b>At 1 January 2017</b>		<b>15.1</b>	<b>122.5</b>	<b>(149.0)</b>	<b>(11.4)</b>
Business combinations		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		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>
Business combinations		20.3	41.0	(54.5)	6.8
Increase/(decrease) in fleet held for sale	27	0.3	-	-	0.3
(Increase)/decrease in fleet payables	33.3	-	-	(10.0)	(10.0)
Increase/(decrease) in work in progress PPE	28.2	-	0.5	-	0.5
Increase/(decrease) in work in progress software	28.3	-	0.2	-	0.2
<b>Increase/(decrease) in working capital</b>	<b>b</b>	<b>1.6</b>	<b>20.4</b>	<b>(25.3)</b>	<b>(3.3)</b>
<b>At 31 December 2019</b>		<b>32.8</b>	<b>168.6</b>	<b>(221.3)</b>	<b>(19.9)</b>

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

## c) Net fleet investments

€m	Note	2019	2018 <sup>1</sup>	2017 <sup>1</sup>
Proceeds from fleet sales	16	39.9	35.0	44.6
Fleet purchases		(247.7)	(288.4)	(227.1)
Fleet customisation expenditures paid	22	(4.6)	(2.9)	(2.8)
<b>Net fleet investments</b>	<b>c</b>	<b>(212.4)</b>	<b>(256.3)</b>	<b>(185.3)</b>

<sup>1</sup> The Group has chosen to apply the fully retrospective approach to IFRS 16 as we believe this provides users with more useful comparative information. We have adjusted prior years accordingly. See note 3 of the consolidated financial statement for impact analysis.

## d) Net interest and tax

€m	Note	2019	2018 <sup>1</sup>	2017 <sup>1</sup>
Interest received	25	-	1.4	0.5
Interest paid		(28.7)	(28.9)	(25.7)
Interest rate swaps realised loss	19	(1.2)	(1.4)	(2.0)
Debt issuance fee paid		(22.1)	-	-
Income tax received	26	-	0.3	0.3
Income tax paid	26	(9.5)	(11.3)	(2.5)
<b>Net interest and tax</b>	<b>d</b>	<b>(61.5)</b>	<b>(39.9)</b>	<b>(29.4)</b>

<sup>1</sup> The Group has chosen to apply the fully retrospective approach to IFRS 16 as we believe this provides users with more useful comparative information. We have adjusted prior years accordingly. See note 3 of the consolidated financial statement for impact analysis.

# 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 2019, were authorized for issue in accordance with resolution of the Board of Directors of the Company dated 24 April 2020. 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 2019 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, USA (reg: 6370470). Its registered address is at Corporation Service Company, 251 Little Falls Drive, Wilmington, New Castle County, Delaware 19808, USA.

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, no investors owned 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 who provides investment advice to Fund II, its investors and portfolio companies. It has 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 Miami, New York, 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, including public and private pension funds, insurance companies, funds of funds, sovereign wealth funds, asset managers, banks. These investors are from North America, Europe, Middle East, Asia and Australia.

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 2019.

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 present two 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 consolidated 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 of 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 terminate 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 lifetime 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 lifetime of the contracts. The expected M&R cost is projected based on historical M&R data per asset type, age, country and contract type.

Revenue from non-contracted M&R services are recognised once the relevant service are completed.

**V) Other:** includes 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 allowance related to trade receivables and impairment on receivables.

**VI) Lease in:** represent costs incurred from leases (less than 12 months) where related assets are leased on to customers as part of the Group's core business.

**VII) Fleet customisation:** costs specific for the customer's needs. These costs are capitalised and depreciated over the lease term. If a contract is terminated early then the related costs 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 specific revenue items. 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.

The Group also charges employee benefit costs for time spent on internally developed software to software capitalised/work in progress. Refer to k) Intangible assets for further details.

Rental expense consists mainly of property rentals (less than 12 months). 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 rental income and costs are recognised in the profit or loss as they occur or on a straight-line basis over the lease/rent term.

The Group operates a policy of charging rental expense to cost of sales in relation to workshop rental expense (less than 12 months).

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

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

The Group subsidiaries initially record transactions in foreign currencies 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 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.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

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 a further understanding of the financial performance of the Group. They are material items of revenue 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 the 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 the cost, depending on the equipment type.

The Group recognises right-of-use fleet at the commencement date of the lease (i.e., the date the underlying fleet is available for use). Right-of-use fleet are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use fleet includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased fleet at the end of the lease term, the recognised right-of-use fleet is depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use fleet are subject to impairment reviews.

#### **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 reversals are 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. The Asset Management team determines asset groupings. 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 the 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
Buildings 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 ordinary 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.

The Group recognises right-of-use PP&E at the commencement date of the lease (i.e., the date the underlying PP&E is available for use). Right-of-use PP&E is measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use PP&E includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased PP&E at the end of the lease term, the recognised right-of-use PP&E is depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

#### 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. Internally generated intangible assets are capitalized if they meet the recognition criteria of IAS 38.

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 internally developed software for use by the Group. Costs of 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 can 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.

Intangible assets are amortised as follows:

Categories	Useful life (years)	Amortisation method used	Internally generated or acquired
Goodwill	Indefinite	Not applicable	Acquired
Brand name	Indefinite	Not applicable	Acquired
Customer lists	4-17	Straight line	Acquired
Software	3-5	Straight line	Acquired/internal

#### l) Trade and other receivables - note 28

Trade and other receivables are initially recognised and subsequently measured at amortised cost.

Trade and other receivables 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.

For trade and other receivables, the Group applies a simplified approach in calculating expected credit losses (ECL). Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL 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 trade and other receivables and the economic environment.

#### **m) Inventories - note 27**

##### **Fleet/Buy to sell**

Fleet and Buy to sell inventories are carried at the lower of cost or net realisable value and are intended 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 the 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 comprise of cash at banks, restricted cash at banks and on hand and short-term deposits with a maturity of three months or less. Cash is recognised and subsequently measured at amortised cost.

Cash restricted for specific purposes in escrow accounts, if material, is included in other financial assets on the balance sheet.

#### **o) Borrowings - note 30**

##### **Initial recognition and measurement**

Borrowings are recognised at fair value, net of directly attributable transaction costs.

Included in borrowings is the Group's funding lease book (FLB), measured at the present value of lease payments to be made over the lease term. The FLB comprises a book of leases used to finance Fleet and PP&E assets, including right of use assets.

##### **Subsequent measurement**

After initial recognition, the borrowings 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 a finance cost in the profit or loss.

### Derecognition

Borrowings are derecognised when the obligation under the liability is discharged, cancelled, or expired. When an existing borrowing 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.

### 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 borrowings in the SPV as asset backed securitisation debt (ABS).

### 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 hedged 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. 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.

#### **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.

#### **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

In addition to the criteria above, the following policies apply:

#### **5Q provision**

The Group has made commitments to purchase or repurchase equipment initially 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 five 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.

#### **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, Switzerland, 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 the general meeting of shareholders of the Company approves it.

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**

IFRS 16, which was the only standard which became effective during 2019, is reviewed below:

#### **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'). 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.

## Adoption approach (as customer)

The Group adopted IFRS 16 using the full retrospective method:

- with the date of initial application as per 1 January 2017
- as if it had already been effective at the commencement date of existing leases
- applying only to contracts that were previously identified as IAS 17 leases.

The Group also elected to use the recognition exemptions for leases that, at their commencement date, had:

- a lease term of 12 months or less and did not contain a purchase option ('short-term leases')
- leases for which the associated asset is of low value and the asset is not subleased ('low-value assets')

Accordingly, the comparative information in our financial statements has been restated.

## TIP's specific approach

As a supplier of equipment, there is no impact on our financial statements and related notes, and the Group continues 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 affects several related notes to the financial statements.

All leases with original equipment cost below €5,000 continue to be treated as operating leases in the same manner as before IFRS 16. This principally applies to IT equipment. For all other categories of operating lease, namely Fleet, Land and buildings and Motor vehicles, the Group determined that these should be treated as right of use assets and related right of use leases. The Group allocated these operating lease payments between depreciation, interest and maintenance components. In most cases, the Group had limited/no allocation provided by the supplier and had to make reasonable assumptions.

## Key assumptions and approach per asset type:

**Fleet** - the Group used its 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)** - the Group applied an incremental borrowing cost approach to determine the interest associated with these contracts. There are limited maintenance obligations attached to these property lease contracts. The Group does not have sufficient data to allocate right of use assets between land and buildings and structures. The Group has included all in buildings and structures.

**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** - enacted country tax rates for the year have been applied for the calculation of the tax impact of IFRS 16.

The impact of adopting IFRS 16 on the financial statements, covenants and gearing are as follows:

Profit or loss (increase/(decrease)) for the periods ended 31 December:

€m	2019	2018	2017
Cost of sales	9.8	10.9	9.9
<b>Gross profit</b>	<b>9.8</b>	<b>10.9</b>	<b>9.9</b>
Administrative and other operating expenses	(4.2)	(5.7)	(6.1)
<b>Operating profit</b>	<b>5.6</b>	<b>5.2</b>	<b>3.8</b>
Finance cost	(6.7)	(6.7)	(5.7)
<b>Profit before taxes</b>	<b>(1.1)</b>	<b>(1.5)</b>	<b>(1.9)</b>
Taxation	0.2	0.3	0.4
<b>Net profit</b>	<b>(0.9)</b>	<b>(1.2)</b>	<b>(1.5)</b>

Balance sheet (increase/(decrease)) as at 31 December:

€m	2019	2018	2017
Fleet	22.9	28.8	31.1
Property, plant and equipment	110.0	65.0	59.7
Deferred tax assets	0.4	0.4	0.1
<b>Non-current assets</b>	<b>133.3</b>	<b>94.2</b>	<b>90.9</b>
<b>Total assets</b>	<b>133.3</b>	<b>94.2</b>	<b>90.9</b>
Borrowings	26.1	19.7	17.2
<b>Current liabilities</b>	<b>26.1</b>	<b>19.7</b>	<b>17.2</b>
Borrowings	114.6	80.9	79.0
Deferred tax liabilities	(1.0)	(1.0)	(1.1)
<b>Non-current liabilities</b>	<b>113.6</b>	<b>79.9</b>	<b>77.9</b>
<b>Total liabilities</b>	<b>139.7</b>	<b>99.6</b>	<b>95.1</b>
Retained earnings	(6.3)	(5.4)	(4.2)
<b>Equity</b>	<b>(6.3)</b>	<b>(5.4)</b>	<b>(4.2)</b>

Cash flow (increase/(decrease)) for the periods ended 31 December:

€m	2019	2018	2017
Operating profit	5.6	5.2	3.8
Non-cash adjustments	22.3	20.6	17.8
<b>Cash generated from operations</b>	<b>27.9</b>	<b>25.8</b>	<b>21.6</b>
Net interest and tax	(6.7)	(6.7)	(5.7)
<b>Cash flow from/(used in) operations</b>	<b>21.2</b>	<b>19.1</b>	<b>15.9</b>
Borrowing repayments	(21.2)	(19.1)	(15.9)
<b>Cash flow from financing activities</b>	<b>(21.2)</b>	<b>(19.1)</b>	<b>(15.9)</b>

There was no material impact on other comprehensive income.

Capital management ratios (increase /(decrease)) for the periods ended 31 December:

Covenants	2019	2018	2017
Interest cover	(0.2x)	(0.3x)	(0.3x)
Solvency	(2%)	(2%)	(3%)
Loan to value	-	-	-
Gearing ratio	1%	2%	3%

In the 2018 annual report, the Group included a section “Potential impact of new lease accounting” (p218 to p234). The impacts the Group is now reporting are consistent with that assessment.

#### Prior IFRS 16 customer accounting

The Group has lease contracts for various items of fleet, land and buildings, motor vehicles and other equipment. Before the adoption of IFRS 16, the Group classified each of its leases (as customer) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise, it was classified as an operating lease.

Finance leases were capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognised as finance cost) and reduction of the lease liability. In an operating lease, the leased property was not capitalised, and the lease payments were recognised as an expense in the profit or loss on a straight-line basis over the lease term. Any related prepayments and accruals were recognised under trade and other receivables and trade and other payables, respectively.

Several other IFRS amendments and interpretations applied for the first time in 2019 but did not have an impact on the consolidated financial statements of the Group.

#### **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 the 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 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.

**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 recognises 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 principal area of judgement is the business plan.

**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 borrowings and derivatives - note 30 and 31**

When the fair values of borrowings and derivatives 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, volatility and likelihood of extension or early termination options, included in the lease agreements, to be exercised. Changes in assumptions about these factors could affect the reported fair value borrowings and derivatives.

A number of aspects of the application of IFRS 16 required the exercise of judgement. The Group has to consider whether to avail of practical expedients and recognition exemptions.

Identifying the appropriate rate to discount the lease payments may involve significant judgement.

Determining whether it is reasonably certain that an extension or termination option will be exercised for a lease contract.

#### **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 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.

As the Group does not engage in insurance activities, the new standard will have no impact on the Group's financial reporting.

Several other IFRS amendments and interpretations were issued in 2019, but are not applicable or will not impact the consolidated financial statements or disclosure notes of the Group.

#### **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):

Covenants	2019	2018	2017
Interest cover	1.5x	1.8x	1.7x
Solvency	20%	20%	21%
Loan to value	88%	89%	88%

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 and comparative periods.

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 borrowings divided by total equity plus net borrowings.

The Group expects to grow in 2020 which will lead to an increase in its gearing ratio.

€m	Note	2019	2018	2017
Gross borrowings after foreign exchange	30	1,607.2	893.7	760.3
Less: cash and equivalents	29	(16.5)	(11.1)	(18.7)
<b>Net borrowings</b>		<b>1,590.7</b>	<b>882.6</b>	<b>741.6</b>
Equity		540.9	303.9	573.4
<b>Capital and net borrowings</b>		<b>2,131.6</b>	<b>1,186.5</b>	<b>1,315.0</b>
<b>Gearing ratio</b>		<b>75%</b>	<b>74%</b>	<b>56%</b>

# Specific notes

## 7. Business combinations

### Asset acquisitions and business combinations

The following is a summary of the acquisitions completed by the Group:

€m	2019	2018	2017
Enterprise value	865.4	66.8	9.1
Purchase consideration	844.2	35.1	9.1
Acquisition related costs	12.7	0.1	0.1
Number of transactions	6	5	4
Number of countries	5	3	4

Acquisition-related costs amounting to €10.8m (2018: €0.1m, 2017: €0.1m) have been included in the exceptional administrative and other operating expenses and €1.9m (2018: nil, 2017: nil) have been included in exceptional finance costs.

### Details of the acquisitions made in 2019:

Seller/entity acquired	Country	Month closed	Treatment
Addicks & Kreye	Germany	February	Business combination
AEC	Spain	April	Business combination
Axis	UK	April	Asset acquisition
Top Truck Centrum	Poland	September	Business combination
PEMA GmbH	Germany	December	Business combination
Trailer Wizards Limited	Canada	December	Business combination

€m	Note	2019	2018	2017
Asset acquisitions not qualifying as business combinations		14.0	10.1	4.3
Business combinations	a	830.2	25.0	4.8
Purchase consideration		844.2	35.1	9.1

### a) Business combinations

#### Acquisition of PEMA

On 2 December 2019, the Group acquired 100% of the voting shares of PEMA GmbH ("PEMA") from Societe Generale. PEMA, headquartered in Germany, specialises in trailer and truck leasing and rental. As well as in Germany it operates in Denmark, Sweden, Switzerland, Belgium, the Czech Republic, and Poland. The Group acquired PEMA to strengthen its network and product offerings in a number of key northern and central European markets.

#### Assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities of PEMA as at the date of acquisition were:

€m	2-Dec-19
Fleet	527.6
PP&E	39.5
Deferred tax assets	-
Inventories	17.4
Trade and other receivables	21.1
Cash and equivalents	18.3
<b>Assets</b>	<b>623.9</b>
Current tax liabilities	1.4
Borrowings	3.0
Trade and other payables	44.3
Deferred tax liabilities	8.6
<b>Liabilities</b>	<b>57.3</b>

Total identifiable net assets acquired	566.6
Goodwill/(bargain purchase gain)	(27.9)
Net purchase consideration	538.7

Net cash flow used in business combinations	2-Dec-19
Cash consideration	538.7
Less: net cash acquired	(18.3)
<b>Total</b>	<b>520.4</b>

### Fleet

In line with the fair value requirements in IFRS 3 the fair value of the fleet has been determined using an income approach, converting the asset values and the future amounts derived from the associated lease contracts to a single present value. A team of internal experts determined that at the date of acquisition the fair value of fleet amounted to €527.6m.

### PP&E

In line with the fair value requirements in IFRS 3 the fair value of PP&E has been determined using a market approach. At the date of acquisition the fair value of PP&E amounts to €39.5m.

The right-of-use asset is measured at an amount equal to the recognised liability, adjusted to reflect the favorable or unfavorable terms of the lease, relative to market terms. Because the off-market nature of the lease is captured in the right-of-use asset, the Group does not separately recognise an intangible asset or liability for favorable or unfavorable lease terms relative to market.

The Group does not recognise any right-of-use assets and lease liabilities for leases with lease terms which end within 12 months of the acquisition date and leases for low-value assets.

### Trade and other receivables

In line with the fair value requirements in IFRS 3 the fair value of trade and other receivables at the date of acquisition amounted to €21.1m. The provision for expected credit losses of trade and other receivables is not material.

### Deferred tax

In line with the requirements of IFRS 3 the deferred taxes have been determined in accordance with the Group's policy for the recognition of deferred taxes where deferred tax assets have been assessed against the forecasted taxable earnings. These assets and liabilities reflect in full the tax impact of all other fair value adjustments. The Group determined that the value of the Group's deferred tax balance amounted to a net value of €8.6m of deferred tax liability.

€m	2-Dec-19
Deferred tax assets	-
Deferred tax liabilities	(8.6)
<b>Total</b>	<b>(8.6)</b>

The deferred changes mainly comprise the tax effect of valuation of non-current assets.

### Borrowings

In line with IFRS 3 the Group measures the acquired lease liabilities as if the lease contracts were a new lease at the acquisition date. That is, the Group applies IFRS 16's initial measurement provisions, using the present value of the remaining lease payments at the acquisition date. The Group follows the requirements for determining the lease term, lease payments and discount rate.

### Bargain purchase gain

The management of the Group measured the fair value of the separately recognisable identifiable assets acquired and the liabilities assumed as at the acquisition date. The cost of the investment was lower than the fair value of the net assets acquired. This difference, or bargain purchase gain of €27.9m, was recorded in the consolidated statement of profit or loss of the Group for the year ended 31 December 2019. PEMA was not a core business for the previous owner, selling to the Group allowed the seller to divest without having to spend significant time and cost.



### Acquisition of Trailer Wizards

On 27 December 2019, the Group acquired 100% of all the issued and outstanding shares of Trailer Wizards Ltd. from Lions Gate Trailers Ltd. Trailer Wizards, located in Canada, has operations in 21 branches throughout Canada, which are split in three geographic regions: Eastern, Central and Western Canada. Trailer Wizards operates in three business segments - rentals and leasing, maintenance service and dealership operations. The Group acquired Trailer Wizards to strengthen its network and product offerings in Canadian market.

The initial assignment of fair values to fleet acquired has been performed on a provisional basis in respect of the timing of closure of this transaction. The acquisition of Trailer Wizards Ltd. completed on 27 December 2019 and, as such, it has not yet been feasible to finalise the assignment of fair values fleet. The purchase consideration is also provisional as the final purchase price will be determined 120 days post acquisition. Any amendments to fair values or purchase consideration within the twelve month timeframe from the date of acquisition will be disclosable in the Annual Report 2020 as stipulated by IFRS 3.

### Assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities of Trailer Wizards as at the date of acquisition were:

€m	27-Dec-19
Fleet	217.8
PP&E	37.2
Intangibles	38.3
Deferred tax assets	0.4
Inventories	2.8
Trade and other receivables	19.9
Cash and equivalents	-
<b>Assets</b>	<b>316.4</b>
Borrowings	34.4
Trade and other payables	10.1
Deferred tax liabilities	52.1
<b>Liabilities</b>	<b>96.6</b>

<b>Total identifiable net assets acquired</b>	<b>219.8</b>
Goodwill/ (bargain purchase gain)	41.7
<b>Net purchase consideration</b>	<b>261.5</b>

<b>Net cash flow used in business combinations</b>	<b>27-Dec-19</b>
Cash consideration	261.5
Less: net cash acquired	-
<b>Total</b>	<b>261.5</b>

### Fleet

In line with the fair value requirements in IFRS 3 the fair value of the fleet has been determined using an income approach, converting the asset values and the future amounts derived from the associated lease contracts to a single present value. A team of internal experts determined that at the date of acquisition the fair value of fleet amounted to €217.8m.

### PP&E

In line with the fair value requirements in IFRS 3 the fair value of PP&E has been determined using a market approach. At the date of acquisition the fair value of PP&E amounts to €37.2m.

### Trade and other receivables

In line with the fair value requirements in IFRS 3 the fair value of trade and other receivables at the date of acquisition amounted to €19.9m. The provision for expected credit losses of trade and other receivables is nil.

### Deferred tax

In line with the requirements of IFRS 3 the deferred taxes have been determined in accordance with the Group's policy for the recognition of deferred taxes where deferred tax assets have been assessed against the forecasted taxable earnings. These assets and liabilities reflect in full the tax impact of all other fair value adjustments. The Group determined that the value of the Group's deferred tax balance amounted to a net value of €51.7m of deferred tax liability.

## Other acquisitions

€m	2019	2018	2017
Fleet	-	53.4	3.2
PP&E	2.6	5.7	2.7
Intangible assets	1.6	6.5	0.4
Deferred tax assets	-	0.4	-
Inventories	0.2	1.2	0.5
Trade and other receivables	-	5.3	-
Cash and equivalents	-	3.1	-
<b>Assets</b>	<b>4.4</b>	<b>75.6</b>	<b>6.8</b>
Borrowings	2.2	42.1	2.2
Deferred tax liabilities	-	3.6	-
Trade and other payables	-	4.5	-
Current tax liabilities	-	0.4	-
<b>Liabilities</b>	<b>2.2</b>	<b>50.6</b>	<b>2.2</b>
<b>Total identifiable net assets acquired</b>	<b>2.2</b>	<b>25.0</b>	<b>4.6</b>
Goodwill	-	-	0.2
Non-controlling interest	-	-	-
<b>Total consideration</b>	<b>2.2</b>	<b>25.0</b>	<b>4.8</b>
Share premium issued	-	(21.0)	-
<b>Total cash consideration</b>	<b>2.2</b>	<b>4.0</b>	<b>4.8</b>

Net cash flow used in business combinations	2019	2018	2017
Cash consideration	2.2	4.0	4.8
Less: net cash acquired	-	(3.1)	-
<b>Total</b>	<b>2.2</b>	<b>0.9</b>	<b>4.8</b>

The consideration and fair values of the identifiable assets and liabilities of all other business combinations, at their date of acquisition, are included above.

Other business combinations completed during the period 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 (2018: nil, 2017: €0.2m) 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	2019	2018	2017
Revenue	23.6	18.6	2.6
Operating profit	3.3	1.7	-

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		
	2019 acquisitions	2019 acquisitions	2019	2018	2017
Revenue	346.8	602.0	948.8	580.3	521.4
Operating profit	17.4	32.2	49.6	51.2	37.5

## 8. Revenue

€m	Note	2019	2018	2017
Leasing		297.1	248.2	217.5
Rental		133.7	129.5	117.8
Damage protection		22.4	22.2	20.2
<b>Leasing and rental</b>	<b>16</b>	<b>453.2</b>	<b>399.9</b>	<b>355.5</b>
M&R 3rd party	16	116.8	113.7	94.1
Fleet sales	16	39.9	35.0	44.6
Other	16	15.7	16.4	22.5
<b>Total</b>	<b>16</b>	<b>625.6</b>	<b>565.0</b>	<b>516.7</b>

Included in leasing and rental is revenue attributable to maintaining the equipment as follows:

€m	2019	2018	2017
Embedded maintenance revenue	170.8	143.4	132.0

## 9. Cost of sales

€m	Note	2019	2018	2017
M&R own fleet	a	148.3	126.2	114.8
Damage protection		12.0	11.9	10.7
<b>Leasing and rental variable</b>	<b>16</b>	<b>160.3</b>	<b>138.1</b>	<b>125.5</b>
M&R 3rd party	16	88.2	90.8	72.9
Fleet sales	16	36.8	29.3	38.2
Other	16	10.7	10.6	11.0
<b>Variable</b>	<b>16</b>	<b>296.0</b>	<b>268.8</b>	<b>247.6</b>
Expected credit losses	16	2.0	2.1	0.6
<b>Total variable</b>		<b>298.0</b>	<b>270.9</b>	<b>248.2</b>
Depreciation of fleet (including fleet customisation)	22	169.6	139.0	121.0
Lease in		1.3	1.0	3.1
<b>Total fixed</b>	<b>17</b>	<b>170.9</b>	<b>140.0</b>	<b>124.1</b>
<b>Total</b>		<b>468.9</b>	<b>410.9</b>	<b>372.3</b>

### a) M&R own fleet is made up of:

€m	2019	2018	2017
Direct M&R own fleet	124.1	103.1	92.0
Other variable cost	24.2	23.1	22.8
<b>Total</b>	<b>148.3</b>	<b>126.2</b>	<b>114.8</b>

## 10. Administrative, other operating expenses and amortisation of intangible assets

€m	Note	2019	2018	2017
<b>Employee benefit expenses</b>	<b>11</b>	<b>45.7</b>	<b>40.7</b>	<b>40.8</b>
Outside service fees	12	20.0	18.8	16.4
Travel and living	14	5.8	4.8	5.4
Rental expense	15	1.4	1.8	3.9
Other facilities		5.2	4.4	4.5
Office expenses		2.3	2.0	2.2
Sales promotion		1.8	1.7	1.6
Other expenses		2.0	1.3	1.7
<b>Other operating expenses</b>	<b>17</b>	<b>38.5</b>	<b>34.8</b>	<b>35.7</b>
Depreciation of PP&E	23	20.2	18.2	16.1
(Gain)/loss on disposal of PP&E	a	(0.2)	-	(1.4)
<b>Total excluding exceptional</b>		<b>104.2</b>	<b>93.7</b>	<b>91.2</b>
Exceptional items	21	10.8	-	6.2
<b>Total</b>		<b>115.0</b>	<b>93.7</b>	<b>97.4</b>
<b>Amortisation of intangible assets</b>	<b>24</b>	<b>6.2</b>	<b>5.7</b>	<b>5.9</b>

### a) (Gain)/loss on disposal of PP&E is made up of:

€m	2019	2018	2017
Proceeds from PP&E sales	(1.6)	(0.2)	(2.0)
NBV of PP&E sales	1.4	0.2	0.6
<b>Total</b>	<b>(0.2)</b>	<b>-</b>	<b>(1.4)</b>

## 11. Employee benefit expenses

€m	Note	2019	2018	2017
Wages and salaries		89.9	78.4	71.3
Social security		13.7	12.1	12.5
Pension		6.8	5.9	5.7
Other		1.0	1.2	0.2
<b>Compensation and benefits</b>		<b>111.4</b>	<b>97.6</b>	<b>89.7</b>
Wages and salaries		(52.7)	(45.1)	(38.4)
Social security		(8.1)	(6.7)	(6.8)
Pension		(3.8)	(3.0)	(2.7)
Other		(0.6)	(0.7)	(0.1)
<b>Included in contribution/cost of sales</b>		<b>(65.2)</b>	<b>(55.5)</b>	<b>(48.0)</b>
Wages and salaries		(0.5)	(1.4)	(0.9)
Social security		-	-	-
Pension		-	-	-
Other		-	-	-
<b>Included in software (capitalised/work in progress)</b>		<b>(0.5)</b>	<b>(1.4)</b>	<b>(0.9)</b>
Wages and salaries		36.7	31.9	32.0
Social security		5.6	5.4	5.7
Pension		3.0	2.9	3.0
Other		0.3	0.5	0.1
<b>Total</b>	<b>10</b>	<b>45.7</b>	<b>40.7</b>	<b>40.8</b>
<b>Average headcount</b>				
The Netherlands		336	342	346
Other countries		2,454	1,439	1,355
<b>Total<sup>1</sup></b>		<b>2,790</b>	<b>1,781</b>	<b>1,701</b>
Contribution/cost of sales		1,914	1,261	1,176
Administrative and other operating expenses		876	520	525
<b>Total<sup>1</sup></b>		<b>2,790</b>	<b>1,781</b>	<b>1,701</b>

<sup>1</sup> The headcount is a monthly average throughout the period. Including 854 employees of the entities acquired during 2019.

## 12. Outside service fees

€m	Note	2019	2018	2017
IT services		10.4	9.4	7.8
Audit and accounting advisor fees	13	2.1	1.2	1.3
Temporary staff		1.9	1.6	1.5
Legal		1.1	1.6	1.4
Business process outsourcing		1.0	0.5	0.2
Recruitment		0.6	0.3	0.3
Payroll processing		0.6	0.6	0.6
Consultancy		0.5	0.5	0.6
Banking services		0.4	0.5	0.6
Training		0.2	0.4	0.4
Accounts payable services		-	0.8	0.7
Other		1.2	1.4	1.0
<b>Total</b>	<b>10</b>	<b>20.0</b>	<b>18.8</b>	<b>16.4</b>

## 13. Audit and accounting advisor fees

€m	Note	2019	2018	2017
Fees to Group auditor for audit of Group's annual financial statements		0.3	0.2	0.2
Fees to auditors for audit of subsidiaries pursuant to legislation		1.3	0.7	0.8
<b>Audit fees<sup>1</sup></b>		<b>1.6</b>	<b>0.9</b>	<b>1.0</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		0.3	0.1	0.1
<b>Non-audit fees paid to other accounting firms</b>		<b>0.3</b>	<b>0.1</b>	<b>0.1</b>
<b>Total</b>	<b>12</b>	<b>2.1</b>	<b>1.2</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	2019	2018	2017
Travel and subsistence		3.7	3.5	3.6
Car expenses		2.1	1.3	1.8
<b>Total</b>	<b>10</b>	<b>5.8</b>	<b>4.8</b>	<b>5.4</b>

## 15. Rental expenses

Rental expenses can be further analysed as follows:

€m	Note	2019	2018	2017
Rental expense		2.1	2.3	4.1
Other rentals		0.1	0.1	0.2
Overflow parking		0.4	0.4	0.4
<b>Gross rental expense</b>		<b>2.6</b>	<b>2.8</b>	<b>4.7</b>
Rental income		(1.2)	(1.0)	(0.8)
<b>Total</b>	<b>10</b>	<b>1.4</b>	<b>1.8</b>	<b>3.9</b>

## 16. Contribution analysis

€m	Note	2019	2018	2017
<b>Leasing and rental</b>				
Revenue	8	453.2	399.9	355.5
Variable costs	9	(160.3)	(138.1)	(125.5)
<b>Contribution</b>		<b>292.9</b>	<b>261.8</b>	<b>230.0</b>
Contribution %		65%	65%	65%
<b>M&amp;R 3rd party</b>				
Revenue	8	116.8	113.7	94.1
Variable costs	9	(88.2)	(90.8)	(72.9)
<b>Contribution</b>		<b>28.6</b>	<b>22.9</b>	<b>21.2</b>
Contribution %		24%	20%	23%
<b>Fleet sales</b>				
Revenue	8	39.9	35.0	44.6
Variable costs	a	(36.8)	(29.3)	(38.2)
<b>Contribution</b>		<b>3.1</b>	<b>5.7</b>	<b>6.4</b>
Contribution %		8%	16%	14%
<b>Other</b>				
Revenue	8	15.7	16.4	22.5
Variable costs	9	(10.7)	(10.6)	(11.0)
<b>Contribution</b>		<b>5.0</b>	<b>5.8</b>	<b>11.5</b>
Contribution %		32%	35%	51%
<b>Total</b>				
Revenue	8	625.6	565.0	516.7
Variable costs	9	(296.0)	(268.8)	(247.6)
<b>Contribution (excl: expected credit losses)</b>		<b>329.6</b>	<b>296.2</b>	<b>269.1</b>
Contribution (excl: expected credit losses) %		53%	52%	52%
Expected credit losses	9	(2.0)	(2.1)	(0.6)
<b>Contribution</b>		<b>327.6</b>	<b>294.1</b>	<b>268.5</b>
Contribution %		52%	52%	52%
<b>a) Variable cost of fleet sales consist of:</b>				
NBV of fleet sales		(36.5)	(29.0)	(37.7)
Selling costs		(0.3)	(0.3)	(0.5)
<b>Total</b>	<b>9</b>	<b>(36.8)</b>	<b>(29.3)</b>	<b>(38.2)</b>



## 17. Earnings before interest, taxes, depreciation and amortisation (EBITDA)

€m	Note	2019	2018	2017
<b>Contribution</b>	16	<b>327.6</b>	<b>294.1</b>	<b>268.5</b>
Employee benefit expenses	11	(45.7)	(40.7)	(40.8)
Other operating expenses	10	(38.5)	(34.8)	(35.7)
<b>EBITDA</b>		<b>243.4</b>	<b>218.6</b>	<b>192.0</b>
EBITDA %		39%	39%	37%

### Reconciliation of EBITDA to operating profit

€m	Note	2019	2018	2017
<b>EBITDA</b>		<b>243.4</b>	<b>218.6</b>	<b>192.0</b>
Fixed cost	9	(170.9)	(140.0)	(124.1)
Depreciation of PP&E	10	(20.2)	(18.2)	(16.1)
Gain/(loss) on disposal of PP&E	10	0.2	-	1.4
<b>Underlying operating profit</b>		<b>52.5</b>	<b>60.4</b>	<b>53.2</b>
Amortisation of intangible assets	10	(6.2)	(5.7)	(5.9)
Exceptional administrative items	21	(10.8)	-	(6.2)
<b>Operating profit</b>		<b>35.5</b>	<b>54.7</b>	<b>41.1</b>

## 18. Finance income

€m	Note	2019	2018	2017
Interest	25	-	7.0	11.7
Foreign exchange gains		-	-	-
<b>Finance income before derivatives</b>	37	<b>-</b>	<b>7.0</b>	<b>11.7</b>
Interest rate swap realised gain		-	-	-
Interest rate swaps fair market value gain		0.3	0.5	1.3
<b>Derivatives</b>		<b>0.3</b>	<b>0.5</b>	<b>1.3</b>
<b>Total</b>		<b>0.3</b>	<b>7.5</b>	<b>13.0</b>

## 19. Finance cost

€m	Note	2019	2018	2017
Interest	30.1	27.4	28.6	24.4
Commitment fees	30.1	1.8	0.8	1.3
Amortisation of deferred fees	30.2	2.1	2.7	2.7
<b>Funding related</b>		<b>31.3</b>	<b>32.1</b>	<b>28.4</b>
Foreign exchange losses		1.6	-	-
<b>Finance cost before derivatives</b>		<b>32.9</b>	<b>32.1</b>	<b>28.4</b>
Interest rate swap realised loss		1.2	1.4	2.0
Interest rate swaps fair market value loss		-	-	-
<b>Derivatives</b>		<b>1.2</b>	<b>1.4</b>	<b>2.0</b>
<b>Total excluding exceptional</b>		<b>34.1</b>	<b>33.5</b>	<b>30.4</b>
Exceptional items	21	1.9	3.2	-
<b>Total</b>		<b>36.0</b>	<b>36.7</b>	<b>30.4</b>

Funding related costs occur on borrowings as set out in note 30.

In 2015 the Group entered into floating to fixed swaps to hedge interest rates on its 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 periods and are reflected in note 18.

## 20. Taxation

### 20.1 Taxation for the period

The major components are as follows:

€m	Note	2019	2018	2017
Current taxation for the period		2.7	10.1	5.2
Adjustment to prior periods	26.2	(0.4)	(0.6)	3.3
<b>Current tax</b>		<b>2.3</b>	<b>9.5</b>	<b>8.5</b>
Changes in tax rates	26.5	0.2	(1.9)	(2.0)
Deferred taxation for the period	26.6	0.1	(4.5)	(1.0)
Adjustment to prior periods	26.7	0.3	0.4	(3.6)
<b>Deferred taxes</b>		<b>0.6</b>	<b>(6.0)</b>	<b>(6.6)</b>
<b>Taxation</b>		<b>2.9</b>	<b>3.5</b>	<b>1.9</b>
Non-exceptional taxation		3.5	7.4	7.5
Exceptional taxation	21	(0.6)	(3.9)	(5.6)
<b>Taxation</b>		<b>2.9</b>	<b>3.5</b>	<b>1.9</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:

	Non-exceptional		Exceptional	Total	
2019	€m	%	€m	€m	%
Profit before taxes	12.5		15.2	27.7	
Dutch statutory tax	(3.1)	25%	(3.8)	(6.9)	25%
Effect of tax rates in foreign jurisdictions	0.1	(1%)	(1.3)	(1.2)	4%
Non-deductible expenses	(0.5)	4%	(2.9)	(3.4)	12%
Non-taxable income	0.1	(1%)	8.6	8.7	(31%)
Change in tax rates	-	-	(0.2)	(0.2)	1%
Deferred taxation for the period	(0.3)	2%	0.2	(0.1)	0%
Adjustment to prior periods	0.2	(2%)	-	0.2	(1%)
<b>Taxation and ETR</b>	<b>(3.5)</b>	<b>27%</b>	<b>0.6</b>	<b>(2.9)</b>	<b>10%</b>

	Non-exceptional		Exceptional	Total	
2018	€m	%	€m	€m	%
Profit before taxes	28.7		(3.2)	25.5	
Dutch statutory tax	(7.3)	25%	0.8	(6.5)	25%
Effect of tax rates in foreign jurisdictions	0.1	(0%)	-	0.1	(0%)
Non-deductible expenses	(0.2)	1%	-	(0.2)	1%
Non-taxable income	(0.1)	0%	-	(0.1)	0%
Change in tax rates	-	-	1.9	1.9	(7%)
Deferred taxation for the period	(0.1)	0%	1.2	1.1	(4%)
Adjustment to prior periods	0.2	(1%)	-	0.2	(1%)
<b>Taxation and ETR</b>	<b>(7.4)</b>	<b>26%</b>	<b>3.9</b>	<b>(3.5)</b>	<b>14%</b>

	Non-exceptional		Exceptional	Total	
2017	€m	%	€m	€m	%
Profit before taxes	29.9		(6.2)	23.7	
Dutch statutory tax	(7.5)	25%	1.6	(5.9)	25%
Effect of tax rates in foreign jurisdictions	(0.2)	1%	-	(0.2)	1%
Non-deductible expenses	(0.4)	1%	-	(0.4)	2%
Non-taxable income	(0.1)	0%	-	(0.1)	0%
Change in tax rates	-	-	2.0	2.0	(8%)
Deferred taxation for the period	0.4	(1%)	2.0	2.4	(10%)
Adjustment to prior periods	0.3	(1%)	-	0.3	(1%)
<b>Taxation and ETR</b>	<b>(7.5)</b>	<b>25%</b>	<b>5.6</b>	<b>(1.9)</b>	<b>8%</b>

The Group considers the impacts of the following items to be exceptional:

- a) updated business plan
- b) changes in tax rates affecting deferred taxation

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 31.2%.

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 results from the adjustment of tax positions, the enacted and substantially enacted reduction in tax rates in Austria, Belgium, France, Sweden and United Kingdom for current and future years and the impact of deferred tax using updated business plans.

## 20.2 Deferred tax recognised in OCI during the period

€m	Note	2019	2018	2017
Foreign currency translation		-	-	-
Cash flow hedge	35.4	0.2	(0.1)	(0.2)
<b>Deferred tax effect charge in OCI</b>		<b>0.2</b>	<b>(0.1)</b>	<b>(0.2)</b>

Generally no capital gains or income tax is applied to foreign subsidiaries or investments of the Dutch holding company. 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	2019	2018	2017
Restructuring costs	a	-	-	(3.5)
Other operational items	b	(10.8)	-	(2.7)
<b>Administrative items</b>	<b>10,17</b>	<b>(10.8)</b>	<b>-</b>	<b>(6.2)</b>
Finance items	c	(1.9)	(3.2)	-
Gain arising on acquisition	d	27.9	-	-
<b>Total pre-tax</b>		<b>15.2</b>	<b>(3.2)</b>	<b>(6.2)</b>
Taxation on profit before tax		0.6	0.8	1.6
Other tax benefits		-	-	-
Change in tax rates		(0.2)	2.0	2.0
Impact on deferred tax from using updated business plan		0.2	1.2	2.0
<b>Total tax</b>	<b>e</b>	<b>0.6</b>	<b>4.0</b>	<b>5.6</b>
<b>Total post tax</b>		<b>15.8</b>	<b>0.8</b>	<b>(0.6)</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	2019	2018	2017
Onerous IT contract costs	-	-	(2.7)
Acquisition costs	(10.8)	-	-
<b>Total</b>	<b>(10.8)</b>	<b>-</b>	<b>(2.7)</b>

In 2019 the Group had €10.8m exceptional expense related to the acquisitions of PEMA and Trailer Wizards. In 2017 the Group established a provision for an onerous IT contract in relation to project Matrix, the increased digitisation of core operational and workshop processes, refer to note 32.

### c) Finance items:

Finance expense related to the acquisition of Trailer Wizards in the amount €1.9m of non-deferrable bank fees. 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 borrowings providers for non-exercise of their right to borrowings repayment in relation to change of control as a result of the acquisition of the Group by I Squared Capital.

### d) Gain arising on acquisition:

The cost of the investment in PEMA was lower than the fair value of the net assets acquired. This difference, or bargain purchase gain of €27.9m, was recorded in the consolidated statement of profit or loss of the Group for the year ended 31 December 2019 as exceptional gain arising on acquisition.

## e) Tax:

€m	Note	2019	2018	2017
Current tax liability	26.2	0.1	0.1	1.4
Deferred taxes	26.6	0.7	1.9	2.2
Change in tax rates	26.5	(0.2)	2.0	2.0
<b>Total</b>	<b>20.2</b>	<b>0.6</b>	<b>4.0</b>	<b>5.6</b>

## 22. Fleet

€m	Note	Cost	Depreciation	Total
<b>At 1 January 2017</b>		<b>1,017.0</b>	<b>(169.3)</b>	<b>847.7</b>
Additions		190.3	-	190.3
Fleet customisation		2.8	-	2.8
Business combinations		3.2	-	3.2
Depreciation	9	-	(121.0)	(121.0)
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		(13.5)	1.9	(11.6)
<b>At 31 December 2017</b>		<b>1,133.3</b>	<b>(261.9)</b>	<b>871.4</b>
Additions		279.3	-	279.3
Fleet customisation		2.9	-	2.9
Business combinations		52.3	-	52.3
Depreciation	9	-	(139.0)	(139.0)
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		(14.3)	3.2	(11.1)
<b>At 31 December 2018</b>		<b>1,398.0</b>	<b>(372.1)</b>	<b>1,025.9</b>
Additions		260.4	-	260.4
Fleet customisation		4.6	-	4.6
Business combinations		745.4	-	745.4
Depreciation	9	-	(169.6)	(169.6)
Disposals		(54.2)	23.0	(31.2)
Non-sale disposals <sup>1</sup>		(4.4)	2.0	(2.4)
Transferred to inventories	27	(15.2)	9.9	(5.3)
Foreign exchange movements		26.9	(6.9)	20.0
<b>At 31 December 2019</b>		<b>2,361.5</b>	<b>(513.7)</b>	<b>1,847.8</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 Group's Fleet is pledged as collateral with respect to 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:

	2019	2018	2017
<b>At 1 January</b>	<b>60,760</b>	<b>56,147</b>	<b>56,049</b>
Additions	9,917	11,754	8,301
Business combinations	40,975	-	-
Disposals	(6,008)	(5,515)	(5,282)
Transferred to inventories	(2,095)	(1,626)	(2,921)
<b>Total At 31 December</b>	<b>103,549</b>	<b>60,760</b>	<b>56,147</b>
Annual average <sup>1</sup>	64,612	59,557	55,697

<sup>1</sup> Calculated on a 12 months average.

## 22.2 Fleet purchases paid

€m	Note	2019	2018	2017
Additions	22	260.4	279.3	190.3
(Increase)/decrease in fleet payables	33	(10.0)	14.7	3.8
<b>Total</b>		<b>250.4</b>	<b>294.0</b>	<b>194.1</b>

## 22.3 Right of use fleet

Included in fleet are right of use assets:

€m	Cost	Depreciation	Total
<b>At 1 January 2017</b>	<b>100.8</b>	<b>(16.0)</b>	<b>84.8</b>
Additions	27.3	-	27.3
Business combinations	-	-	-
Depreciation	-	(18.3)	(18.3)
Disposals	-	-	-
Transferred to fleet	(1.4)	0.8	(0.6)
Foreign exchange movements	(1.1)	0.2	(0.9)
<b>At 31 December 2017</b>	<b>125.6</b>	<b>(33.3)</b>	<b>92.3</b>
Additions	20.6	-	20.6
Business combinations	41.2	-	41.2
Depreciation	-	(21.2)	(21.2)
Disposals	-	-	-
Transferred to fleet	(16.2)	5.4	(10.8)
Foreign exchange movements	(1.5)	0.2	(1.3)
<b>At 31 December 2018</b>	<b>169.7</b>	<b>(48.9)</b>	<b>120.8</b>
Additions	12.6	-	12.6
Business combinations	-	-	-
Depreciation	-	(22.6)	(22.6)
Disposals	(0.6)	0.2	(0.4)
Transferred to fleet	(11.7)	4.6	(7.1)
Foreign exchange movements	4.2	(0.7)	3.5
<b>At 31 December 2019</b>	<b>174.2</b>	<b>(67.4)</b>	<b>106.8</b>

€m	2019	2018	2017
Net book value at 31 December	106.8	120.8	92.3
Units	7,802	8,397	7,465

## Fleet risks

The Group manages fleet risks in three main categories:

**1. Residual value risk:** is the risk of losses from a decline of the 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 Remarketing Officer, the Asset Management Director and the Portfolio Manager. The annual residual value review tests residual value by asset type based on historical performance, the 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 Chief Financial Officer, the Director, Financial Planning, Analysis and Control (fPAC), the Asset Management Director 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 required to be recognised 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 the 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.

## 23. Property, plant and equipment (PP&E)

Cost €m		Land	Buildings and structures	Leasehold improvements	Other <sup>1</sup>	Total
<b>At 1 January 2017</b>		<b>35.7</b>	<b>108.0</b>	<b>5.0</b>	<b>12.9</b>	<b>161.6</b>
Additions		-	14.5	0.4	1.6	16.5
Business combinations		-	2.7	-	-	2.7
Disposals		(0.6)	(0.2)	-	(0.2)	(1.0)
Foreign exchange movements		(0.3)	(1.1)	-	(0.2)	(1.6)
<b>At 31 December 2017</b>		<b>34.8</b>	<b>123.9</b>	<b>5.4</b>	<b>14.1</b>	<b>178.2</b>
Additions		-	16.9	0.2	2.2	19.3
Business combinations		-	5.9	-	-	5.9
Disposals		-	(0.5)	-	(0.2)	(0.7)
Foreign exchange movements		(0.3)	(0.8)	-	(0.2)	(1.3)
<b>At 31 December 2018</b>		<b>34.5</b>	<b>145.4</b>	<b>5.6</b>	<b>15.9</b>	<b>201.4</b>
Additions		1.1	25.2	0.6	2.3	29.2
Business combinations		11.1	63.3	0.9	4.0	79.3
Disposals		(0.5)	(2.6)	-	(0.2)	(3.3)
Foreign exchange movements		0.5	1.9	0.1	0.3	2.8
<b>At 31 December 2019</b>		<b>46.7</b>	<b>233.2</b>	<b>7.2</b>	<b>22.3</b>	<b>309.4</b>

Depreciation €m	Note	Land	Buildings and structures	Leasehold improvements	Other <sup>1</sup>	Total
<b>At 1 January 2017</b>		-	(21.0)	(1.6)	(3.0)	(25.6)
Charge for the period	10	-	(12.1)	(0.6)	(3.4)	(16.1)
Disposals		-	0.1	-	0.1	0.2
Foreign exchange movements		-	0.2	-	-	0.2
<b>At 31 December 2017</b>		-	(32.8)	(2.2)	(6.3)	(41.3)
Charge for the period	10	-	(14.9)	(0.6)	(2.7)	(18.2)
Disposals		-	0.2	-	0.1	0.3
Foreign exchange movements		-	0.1	0.1	0.2	0.4
<b>At 31 December 2018</b>		-	(47.4)	(2.7)	(8.7)	(58.8)
Charge for the period	10	-	(16.4)	(0.6)	(3.2)	(20.2)
Disposals		-	0.4	-	0.3	0.7
Foreign exchange movements		-	(0.1)	(0.1)	(0.2)	(0.4)
<b>At 31 December 2019</b>		-	(63.5)	(3.4)	(11.8)	(78.7)

<sup>1</sup> Other includes motor vehicles and IT equipment.



Net book value at 31 December €m	Land	Buildings and structures	Leasehold improvements	Other <sup>1</sup>	Total
2017	34.8	91.1	3.2	7.8	136.9
2018	34.5	98.0	2.9	7.2	142.6
2019	46.7	169.7	3.8	10.5	230.7

### 23.1 Right of use PP&E

Included in PP&E are right of use assets:

Cost €m	Land	Buildings and structures	Leasehold improvements	Other <sup>1</sup>	Total
<b>At 1 January 2017</b>	-	66.6	-	5.1	71.7
Additions	-	9.7	-	1.3	11.0
Business combinations	-	2.2	-	-	2.2
Disposals	-	-	-	-	-
Foreign exchange movements	-	(1.0)	-	-	(1.0)
<b>At 31 December 2017</b>	-	77.5	-	6.4	83.9
Additions	-	11.9	-	0.8	12.7
Business combinations	-	4.8	-	-	4.8
Disposals	-	-	-	(0.2)	(0.2)
Foreign exchange movements	-	(0.6)	-	-	(0.6)
<b>At 31 December 2018</b>	-	93.6	-	7.0	100.6
Additions	-	18.0	-	0.8	18.8
Business combinations	-	38.5	-	0.8	39.3
Disposals	-	(1.6)	-	(0.2)	(1.8)
Foreign exchange movements	-	1.5	-	-	1.5
<b>At 31 December 2019</b>	-	150.0	-	8.4	158.4

<sup>1</sup> Other includes motor vehicles and IT equipment.

Depreciation €m	Land	Buildings and structures	Leasehold improvements	Other <sup>1</sup>	Total
At 1 January 2017	-	(12.4)	-	(1.8)	(14.2)
Charge for the period	-	(8.6)	-	(1.4)	(10.0)
Disposals	-	-	-	-	-
Foreign exchange movements	-	0.2	-	-	0.2
At 31 December 2017	-	(20.8)	-	(3.2)	(24.0)
Charge for the period	-	(10.0)	-	(1.5)	(11.5)
Disposals	-	-	-	-	-
Foreign exchange movements	-	0.1	-	-	0.1
At 31 December 2018	-	(30.7)	-	(4.7)	(35.4)
Charge for the period	-	(11.8)	-	(1.4)	(13.2)
Disposals	-	0.2	-	0.1	0.3
Foreign exchange movements	-	(0.1)	-	-	(0.1)
At 31 December 2019	-	(42.4)	-	(6.0)	(48.4)

<sup>1</sup> Other includes motor vehicles and IT equipment.

Net book value at 31 December €m	Land	Buildings and structures	Leasehold improvements	Other <sup>1</sup>	Total
2017	-	56.7	-	3.2	59.9
2018	-	62.9	-	2.3	65.2
2019	-	107.6	-	2.4	110.0

Number of assets at 31 December €m	Land	Buildings and structures	Leasehold improvements	Other <sup>1</sup>	Total
Disposals	-	210	-	273	483
Foreign exchange movements	-	210	-	271	481
At 31 December 2019	-	271	-	287	558

We do not have sufficient data to allocate right of use assets between land and buildings and structures. We have included all in buildings and structures.

## 24. Intangible assets

Cost €m		Goodwill	Brand name	Customer lists	Software	Total
<b>At 1 January 2017</b>		19.5	29.5	15.9	9.1	74.0
Additions		-	-	-	2.8	2.8
Business combinations		0.2	-	0.4	-	0.6
Foreign exchange movements		(0.5)	-	-	0.1	(0.4)
<b>At 31 December 2017</b>		19.2	29.5	16.3	12.0	77.0
Additions		-	-	-	5.7	5.7
Business combinations		-	-	6.5	-	6.5
Foreign exchange movements		(0.4)	-	(0.2)	-	(0.6)
<b>At 31 December 2018</b>		18.8	29.5	22.6	17.7	88.6
Additions		-	-	-	1.8	1.8
Business combinations		41.7	-	39.9	-	81.6
Foreign exchange movements		0.7	-	0.5	-	1.2
<b>At 31 December 2019</b>		61.2	29.5	63.0	19.5	173.2

Amortisation €m	Note	Goodwill	Brand name	Customer lists	Software	Total
<b>At 1 January 2017</b>		-	-	(6.7)	(3.5)	(10.2)
Charge for the period	17	-	-	(3.4)	(2.5)	(5.9)
Foreign exchange movements		-	-	-	-	-
<b>At 31 December 2017</b>		-	-	(10.1)	(6.0)	(16.1)
Charge for the period	17	-	-	(2.5)	(3.2)	(5.7)
Foreign exchange movements		-	-	0.1	-	0.1
<b>At 31 December 2018</b>		-	-	(12.5)	(9.2)	(21.7)
Charge for the period	17	-	-	(3.0)	(3.2)	(6.2)
Foreign exchange movements		-	-	(0.2)	-	(0.2)
<b>At 31 December 2019</b>		-	-	(15.7)	(12.4)	(28.1)

Net book value at 31 December €m		Goodwill	Brand name	Customer lists	Software	Total
<b>2017</b>		19.2	29.5	6.2	6.0	60.9
<b>2018</b>		18.8	29.5	10.1	8.5	66.9
<b>2019</b>		61.2	29.5	47.3	7.1	145.1

The TIP brand was acquired by the Company together with the 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 customer list was acquired by the Company together with the 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 digitisation 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 higher 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 a normalised terminal value calculation. Projected cash flows beyond the initial evaluation period have been extrapolated using a growth rate of 1.9% (2018: 1.9%, 2017: 1.9%). Such growth rate does 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 2019 annual goodwill impairment testing process has resulted in no impairment (2018: nil, 2017: nil).

The additional disclosures are as follows:

€m	2019	2018	2017
Carrying amount	2,227.1	1,137.9	982.9
Discount rate applied to cash flow projections	4.6%	4.8%	5.0%
Fair value	3,922.3	2,016.0	1,623.0
Headroom	1,695.2	878.1	639.9
Coverage	176%	177%	165%

The significant increase in 2019 in both carrying amount and fair value results from the inclusion of PEMA and Trailer Wizards in the computation of carrying amount and consolidated financial forecasts.

## 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 underperformance 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 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	7.2%
Net cash flow	Reduction	46.2%
Discount rate	Increase	7.2%
Long term growth rate	Reduction	3.1%

## 25. Financial assets

€m	Note	2019	2018	2017
Loan receivables				
At 1 January		-	261.3	255.4
Additions		-	3.6	5.9
Repayment		-	(11.6)	-
Share premium distribution	35	-	(253.3)	-
At 31 December		-	-	261.3
Interest receivables				
At 1 January		-	20.2	9.0
Income	18	-	7.0	11.7
Received		-	(1.4)	(0.5)
Share premium distribution	35	-	(25.8)	-
At 31 December		-	-	20.2
Loan and interest receivables	37	-	-	281.5
Current		-	-	20.2
Non-current		-	-	261.3

The Group provided a loan to a 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 +4.5%, and the interest period was three 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 three months. The related party was the Head of the Dutch tax group, including the Group and used the loan account to settle amounts due to the tax authorities. Interest was also accrued and capitalised 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 +4.5%, and the interest period was three months (refer to note 37). During 2016 the related party repaid €35.0m 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 (Global 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 the end of December 2017. The interest rate was set out as Euribor +1.9% and interest period was one 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 Head of the Dutch tax group for all of our Dutch resident entities and immediate parent(s) of the Group. During previous years the Dutch Holding was paying taxes on behalf of all Dutch entities (2018: €2.0m, 2017: €2.6m). This was funded by a short term borrowing from the Group. The interest rate was set as Euribor +1.9%, and interest period is one 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

€m	Note	2019	2018	2017
Current tax assets	26.1	1.7	1.0	1.2
Current tax liabilities	26.2	(2.8)	(7.8)	(9.8)
<b>Net current tax</b>		<b>(1.1)</b>	<b>(6.8)</b>	<b>(8.6)</b>
Deferred tax assets	26.3	5.1	4.9	5.6
Deferred tax liabilities	26.4	(88.8)	(26.8)	(30.8)
<b>Net deferred tax</b>	<b>26.5</b>	<b>(83.7)</b>	<b>(21.9)</b>	<b>(25.2)</b>
<b>Total</b>		<b>(84.8)</b>	<b>(28.7)</b>	<b>(33.8)</b>

### 26.1 Current tax assets

Tax periods that remain subject to examination range from 2012 up to and including 2019, across the various countries in which the Group operates.

Movements are as follows:

€m	2019	2018	2017
<b>At 1 January</b>	<b>1.0</b>	<b>1.2</b>	<b>1.0</b>
Payments	0.7	-	0.2
Receipts	-	(0.2)	-
<b>At 31 December</b>	<b>1.7</b>	<b>1.0</b>	<b>1.2</b>

### 26.2 Current tax liabilities

Movements are as follows:

€m	Note	2019	2018	2017
<b>At 1 January</b>		<b>7.8</b>	<b>9.8</b>	<b>3.2</b>
Current period charge	a	2.7	10.1	5.2
Payments		(8.8)	(11.3)	(2.5)
Receipts		-	0.1	0.3
Other tax benefits		-	(0.6)	-
Adjustment to prior periods	20.1	(0.4)	(0.6)	3.3
Business combinations		1.3	0.4	-
Foreign exchange movements		0.2	(0.1)	0.3
<b>At 31 December</b>		<b>2.8</b>	<b>7.8</b>	<b>9.8</b>



Cube Transportation Europe Coöperatief U.A. ("Dutch Holding") is the Head of the Dutch tax group and parent of the Group.

#### a) Current period charge

€m	2019	2018	2017
Non-exceptional	2.8	10.2	6.6
Exceptional	(0.1)	(0.1)	(1.4)
<b>Total</b>	<b>2.7</b>	<b>10.1</b>	<b>5.2</b>

### 26.3 Deferred tax assets

Deferred tax assets consist of:

€m	Note	2019	2018	2017
Fleet		30.0	29.1	29.6
Intangibles		1.6	0.5	0.4
PP&E		1.0	-	-
Trade and other receivables		0.9	0.6	0.6
Borrowings		33.7	24.9	27.1
Provisions		2.3	0.1	0.1
Trade and other payables		1.4	1.8	2.1
Net operating losses	26.8	20.4	20.7	20.0
<b>Deferred tax assets before provisions</b>	<b>26.8</b>	<b>91.3</b>	<b>77.7</b>	<b>79.9</b>
Provisions on net operating losses and tax credits	26.8	(13.5)	(14.2)	(16.4)
Provisions on other temporary differences	26.8	(29.9)	(28.6)	(29.3)
<b>Provisions on deferred tax assets</b>		<b>(43.4)</b>	<b>(42.8)</b>	<b>(45.7)</b>
<b>Deferred tax assets after provisions</b>	<b>26.8</b>	<b>47.9</b>	<b>34.9</b>	<b>34.2</b>
Allowable offset against deferred tax liabilities	26.4	(42.8)	(30.0)	(28.6)
<b>Net deferred tax assets after provisions and allowance offset</b>		<b>5.1</b>	<b>4.9</b>	<b>5.6</b>

### 26.4 Deferred tax liabilities

Deferred tax liabilities consist of:

€m	Note	2019	2018	2017
Fleet		(84.7)	(33.8)	(34.7)
PP&E		(28.1)	(14.6)	(14.7)
Intangible assets		(17.5)	(7.6)	(8.6)
Trade and other payables		(1.3)	(0.8)	(1.4)
<b>Deferred tax liabilities</b>	<b>26.8</b>	<b>(131.6)</b>	<b>(56.8)</b>	<b>(59.4)</b>
Allowable offset against deferred tax assets	26.3	42.8	30.0	28.6
<b>Net deferred tax liabilities after allowable offset</b>		<b>(88.8)</b>	<b>(26.8)</b>	<b>(30.8)</b>

### 26.5 Net deferred tax

Movements are as follows:

€m	Note	2019	2018	2017
<b>At 1 January</b>		<b>(21.9)</b>	<b>(25.2)</b>	<b>(33.4)</b>
Tax rate changes	20.1	(0.2)	1.9	2.0
Deferred taxation for the period	20.1	(0.1)	4.5	0.9
Adjustment to prior periods	26.7	(0.3)	(0.4)	3.6
Business combinations		(60.4)	(3.2)	-
Change in accounting policy		-	-	0.9
Foreign exchange movement		(0.8)	0.5	0.8
<b>At 31 December</b>		<b>(83.7)</b>	<b>(21.9)</b>	<b>(25.2)</b>

## 26.6 Deferred taxation for the period

2019 €m	Note	Non-exceptional	Exceptional	Total
Fleet		0.6	-	0.6
Borrowings		(5.7)	-	(5.7)
Trade and other payables		(0.6)	-	(0.6)
Net operating losses		(2.2)	0.5	(1.7)
<b>Deferred tax assets before provisions</b>		<b>(7.9)</b>	<b>0.5</b>	<b>(7.4)</b>
Provisions on net operating losses and tax credits		0.4	0.4	0.8
Provisions on other temporary differences		(0.7)	(0.2)	(0.9)
<b>Provisions on deferred tax assets</b>		<b>(0.3)</b>	<b>0.2</b>	<b>(0.1)</b>
<b>Deferred tax assets after provisions</b>		<b>(8.2)</b>	<b>0.7</b>	<b>(7.5)</b>
Fleet		5.6	-	5.6
Intangible assets		0.4	-	0.4
Trade and other payables		1.4	-	1.4
<b>Deferred tax liabilities</b>		<b>7.4</b>	<b>-</b>	<b>7.4</b>
<b>Deferred taxation for the period</b>	<b>26.5</b>	<b>(0.8)</b>	<b>0.7</b>	<b>(0.1)</b>

2018 €m	Note	Non-exceptional	Exceptional	Total
Fleet		(0.1)	-	(0.1)
Borrowings		(2.2)	0.7	(1.5)
Trade and other payables		0.4	-	0.4
Net operating losses		2.5	-	2.5
<b>Deferred tax assets before provisions</b>		<b>0.6</b>	<b>0.7</b>	<b>1.3</b>
Provisions on net operating losses and tax credits		(0.3)	1.0	0.6
Provisions on other temporary differences		0.3	0.2	0.5
<b>Provisions on deferred tax assets</b>		<b>-</b>	<b>1.2</b>	<b>1.2</b>
<b>Deferred tax assets after provisions</b>		<b>0.6</b>	<b>1.9</b>	<b>2.5</b>
Fleet		1.6	-	1.6
PP&E		(0.2)	-	(0.2)
Intangible assets		0.3	-	0.3
Trade and other payables		0.3	-	0.3
<b>Deferred tax liabilities</b>		<b>2.0</b>	<b>-</b>	<b>2.0</b>
<b>Deferred taxation for the period</b>	<b>26.5</b>	<b>2.6</b>	<b>1.9</b>	<b>4.5</b>

2017 €m	Note	Non-exceptional	Exceptional	Total
Fleet		(1.1)	-	(1.1)
Borrowings		1.1	-	1.1
Trade and other payables		(0.2)	0.2	-
Net operating losses		(0.4)	-	(0.4)
<b>Deferred tax assets before provisions</b>		<b>(0.6)</b>	<b>0.2</b>	<b>(0.4)</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>(0.2)</b>	<b>2.2</b>	<b>2.0</b>
Fleet		0.8	-	0.8
PP&E		(0.4)	-	(0.4)
Intangible assets		0.5	-	0.5
Trade and other payables		(1.9)	-	(1.9)
<b>Deferred tax liabilities</b>		<b>(1.0)</b>	<b>-</b>	<b>(1.0)</b>
<b>Deferred taxation for the period</b>	<b>26.5</b>	<b>(1.2)</b>	<b>2.2</b>	<b>1.0</b>

## 26.7 Adjustments to prior periods

€m	Note	2019	2018	2017
Fleet		(0.5)	0.2	1.7
PP&E		0.1	(0.4)	0.1
Intangibles		0.4	0.4	0.3
Trade and other receivables		-	-	0.2
Provisions		-	-	(0.1)
Trade and other payables		(0.9)	(0.4)	2.9
Net operating losses		0.6	(1.1)	(1.4)
<b>Deferred taxes before provisions</b>		<b>(0.3)</b>	<b>(1.3)</b>	<b>3.7</b>
Provision on net operating losses and tax credits		0.3	0.9	0.6
Provision on other temporary differences		(0.3)	-	(0.7)
<b>Provisions on deferred taxes</b>		<b>-</b>	<b>0.9</b>	<b>(0.1)</b>
<b>Total</b>	<b>26.5</b>	<b>(0.3)</b>	<b>(0.4)</b>	<b>3.6</b>
Non-exceptional		(0.3)	(0.4)	3.6
Exceptional		-	-	-
<b>Total</b>		<b>(0.3)</b>	<b>(0.4)</b>	<b>3.6</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	2019 PBT	Tax	2018 PBT	Tax	2017 PBT	Tax
One year		0.6	0.1	-	-	-	-
Two and five years		2.8	0.6	-	-	1.7	0.3
Five and ten years		1.2	0.2	0.4	0.1	1.4	0.3
Longer than ten years		(1.2)	(0.3)	2.2	0.5	1.1	0.3
Unlimited		88.2	19.8	90.6	20.1	77.6	19.1
<b>Net operating losses</b>	<b>26.3</b>	<b>91.6</b>	<b>20.4</b>	<b>93.2</b>	<b>20.7</b>	<b>81.8</b>	<b>20.0</b>
One year		72.2	16.5	62.2	14.4	77.0	18.3
Two and five years		214.1	49.2	161.9	37.1	166.2	38.4
Five and ten years		15.5	4.3	16.4	4.1	12.8	3.2
Longer than ten years		1.3	0.3	5.1	1.4	-	-
Unlimited		2.3	0.6	-	-	-	-
<b>Deductible temporary differences</b>		<b>305.4</b>	<b>70.9</b>	<b>245.6</b>	<b>57.0</b>	<b>256.0</b>	<b>59.9</b>
<b>Gross deferred tax assets</b>	<b>26.3</b>	<b>397.0</b>	<b>91.3</b>	<b>338.8</b>	<b>77.7</b>	<b>337.8</b>	<b>79.9</b>
One year		0.6	0.1	-	-	-	-
Two and five years		0.7	0.1	-	-	1.5	0.3
Five and ten years		0.5	0.1	0.4	0.1	1.4	0.3
Longer than ten years		-	-	1.1	0.2	-	-
Unlimited		55.8	13.2	58.6	13.9	65.6	15.8
<b>Provisions on net operating losses</b>	<b>26.3</b>	<b>57.6</b>	<b>13.5</b>	<b>60.1</b>	<b>14.2</b>	<b>68.5</b>	<b>16.4</b>
One year		32.5	6.8	28.8	6.3	30.3	6.7
Two and five years		107.3	22.9	102.1	22.3	102.1	22.6
Five and ten years		2.4	0.2	-	-	-	-
Longer than ten years		1.0	-	-	-	-	-
Unlimited		-	-	-	-	-	-
<b>Provisions on other temporary differences</b>	<b>26.3</b>	<b>143.2</b>	<b>29.9</b>	<b>130.9</b>	<b>28.6</b>	<b>132.4</b>	<b>29.3</b>
One year		39.7	9.7	33.4	8.1	46.7	11.6
Two and five years		108.8	26.7	59.8	14.8	64.3	15.8
Five and ten years		13.9	4.2	16.4	4.1	12.8	3.2
Longer than ten years		(0.9)	-	6.2	1.7	1.1	0.3
Unlimited		34.7	7.3	32.0	6.2	12.0	3.3
<b>Deferred tax assets after provisions</b>	<b>26.3</b>	<b>196.2</b>	<b>47.9</b>	<b>147.8</b>	<b>34.9</b>	<b>136.9</b>	<b>34.2</b>
One year		75.3	17.9	44.7	10.2	47.2	11.6
Two and five years		274.4	65.1	140.3	33.5	151.4	37.4
Five and ten years		71.3	18.8	15.2	3.8	12.0	3.0
Longer than ten years		87.9	22.8	12.7	3.3	-	-
Permanent		32.1	7.0	29.5	6.0	29.5	7.4
<b>Deferred tax liabilities</b>	<b>26.4</b>	<b>541.0</b>	<b>131.6</b>	<b>242.4</b>	<b>56.8</b>	<b>240.1</b>	<b>59.4</b>

The shown 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 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 and due to the forecasted profit before tax in some countries.

## 27. Inventories

€m	Note	2019	2018	2017
<b>At 1 January</b>		<b>1.3</b>	<b>1.6</b>	<b>2.4</b>
Additions	22	5.3	4.9	12.7
Business combinations		1.5	-	-
Disposals		(5.0)	(5.2)	(13.5)
<b>Fleet held for sale</b>		<b>3.1</b>	<b>1.3</b>	<b>1.6</b>
<b>At 1 January</b>		<b>0.9</b>	<b>1.8</b>	<b>7.8</b>
Additions		17.0	13.0	12.4
Business combinations		1.3	-	-
Disposals		(15.4)	(13.9)	(18.4)
<b>Buy to sell</b>		<b>3.8</b>	<b>0.9</b>	<b>1.8</b>
<b>At 1 January</b>		<b>8.4</b>	<b>7.8</b>	<b>4.9</b>
Additions		20.1	18.8	11.6
Business combinations		5.5	1.2	0.5
Used		(20.7)	(19.4)	(9.2)
<b>Parts</b>		<b>13.3</b>	<b>8.4</b>	<b>7.8</b>
<b>At 1 January</b>		<b>-</b>	<b>-</b>	<b>-</b>
Additions		0.6	-	-
Business combinations		12.0	-	-
Provision		-	-	-
<b>Fleet work in progress</b>		<b>12.6</b>	<b>-</b>	<b>-</b>
<b>Total</b>		<b>32.8</b>	<b>10.6</b>	<b>11.2</b>

Fleet held for sale is fleet reclassified after the EMT decided to dispose of this equipment. Buy to sell are trailers, tankers and trucks purchased to resell. Fleet work in progress are new assets under construction, which are considered not be available yet for leasing or rental to customers.

## 28. Trade and other receivables

€m	Note	2019	2018	2017
Trade receivables		129.0	86.3	70.4
Allowance for expected credit losses	28.1	(4.3)	(4.5)	(2.8)
<b>Non-impaired trade receivables</b>		<b>124.7</b>	<b>81.8</b>	<b>67.6</b>
HNA receivables	37	-	-	20.2
Global TIP Holdings One B.V. receivables	37	-	-	5.1
VAT receivables		27.2	12.0	16.4
Unbilled lease revenue		6.2	5.9	7.6
Prepayments - property		2.1	2.1	1.9
Prepayments - other		5.3	4.2	3.8
PP&E work in progress	28.2	0.9	0.4	0.7
Software work in progress	28.3	0.2	-	0.5
Other		4.2	1.0	1.4
Unallocated cash		(2.2)	(0.9)	-
<b>Total</b>		<b>168.6</b>	<b>106.5</b>	<b>125.2</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 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 2017</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>
Charge for the period	9	1.9	0.1	2.0
Trade receivables written off		(2.2)	-	(2.2)
<b>At 31 December 2019</b>		<b>3.6</b>	<b>0.7</b>	<b>4.3</b>

These expenses arise due to the recognition of impairment charges of 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	1-30 days	31-60 days	Past due but not impaired		
					61-90 days	91-120 days	>120 days
2019	124.7	78.0	30.9	9.1	3.4	1.7	1.6
2018	81.8	59.2	11.5	6.2	2.2	2.2	0.5
2017	67.6	54.1	7.1	3.8	0.9	0.6	1.1

## 28.2 PP&E work in progress

€m	Note	2019	2018	2017
At 1 January		0.4	0.7	0.1
Additions		29.7	19.0	17.1
Capitalised	23	(29.2)	(19.3)	(16.5)
At 31 December	28	0.9	0.4	0.7

## 28.3 Software work in progress

€m	Note	2019	2018	2017
At 1 January		-	0.5	2.5
Additions		2.0	5.2	0.8
Capitalised	24	(1.8)	(5.7)	(2.8)
At 31 December	28	0.2	-	0.5

## 29. Cash and equivalents

€m	2019	2018	2017
Cash at banks and on hand	16.5	11.1	18.7
Total	16.5	11.1	18.7

## 30. Borrowings

2019						
€m	Note	RCF	ABS	FLB	TL	Total
At 1 January		644.0	73.0	172.3	4.4	893.7
Drawdowns		536.9	-	31.0	274.7	842.6
Business combinations		-	-	39.5	-	39.5
Repayments		(135.2)	(3.3)	(45.3)	(1.6)	(185.4)
Gross face value at period end		1,045.7	69.7	197.5	277.5	1,590.4
Foreign exchange movements		10.3	1.4	4.9	0.2	16.8
Gross at period end after foreign exchange		1,056.0	71.1	202.4	277.7	1,607.2
Accrued interest/commitment fees	30.1	2.6	-	-	0.5	3.1
Deferred fees	30.2	(18.1)	-	-	-	(18.1)
Total		1,040.5	71.1	202.4	278.2	1,592.2
Current		2.6	71.1	46.8	2.0	122.5
Non-current		1,037.9	-	155.6	276.2	1,469.7



<b>2018</b>						
€m	Note	RCF	ABS	FLB	TL	Total
<b>At 1 January</b>		<b>537.0</b>	<b>77.4</b>	<b>136.9</b>	<b>9.0</b>	<b>760.3</b>
Drawdowns		207.0	6.5	34.6	0.2	248.3
Business combinations		-	-	41.2	-	41.2
Repayments		(95.0)	(10.4)	(39.1)	(4.5)	(149.0)
<b>Gross face value at period end</b>		<b>649.0</b>	<b>73.5</b>	<b>173.6</b>	<b>4.7</b>	<b>900.8</b>
Foreign exchange movements		(5.0)	(0.5)	(1.3)	(0.3)	(7.1)
<b>Gross at period end after foreign exchange</b>		<b>644.0</b>	<b>73.0</b>	<b>172.3</b>	<b>4.4</b>	<b>893.7</b>
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>172.3</b>	<b>4.4</b>	<b>896.3</b>
Current		646.6	73.0	43.3	-	762.9
Non-current		-	-	129.0	4.4	133.4

<b>2017</b>						
€m	Note	RCF	ABS	FLB	TL	Total
<b>At 1 January</b>		<b>479.3</b>	<b>69.4</b>	<b>131.1</b>	<b>4.1</b>	<b>683.9</b>
Drawdowns		173.3	9.6	38.3	6.0	227.2
Business combinations		-	-	2.2	-	2.2
Repayments		(109.5)	-	(33.0)	(0.9)	(143.4)
<b>Gross face value at period end</b>		<b>543.1</b>	<b>79.0</b>	<b>138.6</b>	<b>9.2</b>	<b>769.9</b>
Foreign exchange movements		(6.1)	(1.6)	(1.7)	(0.2)	(9.6)
<b>Gross at period end after foreign exchange</b>		<b>537.0</b>	<b>77.4</b>	<b>136.9</b>	<b>9.0</b>	<b>760.3</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>136.9</b>	<b>9.0</b>	<b>756.9</b>
Current		2.1	-	31.0	4.1	37.2
Non-current		531.5	77.4	105.7	4.9	719.5

**30.1 The movement on the accrued interest and commitment fees was as follows:**

€m	Note	RCF	ABS	FLB	TL	Total
<b>At 1 January 2017</b>	30	(2.1)	-	-	-	(2.1)
Commitment fees	19	(1.2)	(0.1)	-	-	(1.3)
Interest cost	19	(15.5)	(1.5)	(7.0)	(0.4)	(24.4)
Payments		16.7	1.6	7.0	0.4	25.7
<b>At 31 December 2017</b>	30	(2.1)	-	-	-	(2.1)
Commitment fees	19	(0.8)	-	-	-	(0.8)
Interest cost	19	(18.5)	(1.4)	(8.4)	(0.3)	(28.6)
Payments		18.8	1.4	8.4	0.3	28.9
<b>At 31 December 2018</b>	30	(2.6)	-	-	-	(2.6)
Commitment fees	19	(1.8)	-	-	-	(1.8)
Interest cost	19	(16.1)	(2.1)	(8.6)	(0.6)	(27.4)
Payments		17.9	2.1	8.6	0.1	28.7
<b>At 31 December 2019</b>	30	(2.6)	-	-	(0.5)	(3.1)

**30.2 The movement of deferred fees was as follows:**

€m	Note	RCF	ABS	FLB	TL	Total
<b>At 1 January 2017</b>	30	8.2	-	-	-	8.2
Amortisation	19	(2.7)	-	-	-	(2.7)
Exceptional amortisation	21	-	-	-	-	-
<b>At 31 December 2017</b>	30	5.5	-	-	-	5.5
Amortisation	19	(2.7)	-	-	-	(2.7)
Exceptional amortisation	21	(2.8)	-	-	-	(2.8)
<b>At 31 December 2018</b>	30	-	-	-	-	-
Debt issuance fees		20.2	-	-	-	20.2
Amortisation	19	(2.1)	-	-	-	(2.1)
Exceptional amortisation	21	-	-	-	-	-
<b>At 31 December 2019</b>	30	18.1	-	-	-	18.1

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 €300.0m 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 €75.0m to €375.0m 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 €225.0m to €600.0m. On 31 May 2017, the Group increased the facility by a further €100.0m under an accordion clause to the agreement. These changes were accounted for as modifications, all material terms remaining the same.

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 €967.0m multicurrency revolving credit facility. This facility matures on 31 December 2023 and can be extended up to an additional two years post 31 December 2023. The facility also includes an accordion of €400.0m.

On 22 November 2019 RCF facility was increased by €183.5m via the accordion clause in the agreement, with a combination of existing and new banks. The total RCF facility is €1,150.5m.

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 usually is to pay on a three-month basis.

The interest rate spread varies quarterly based on the ratio of loan outstanding compared with certain loan collateral ("loan to value") between 1.5% and 2.1%. There is a 0% Ibor floor applicable to the facility. During 2019, the Group paid an average spread of 1.8% (2018: 2.7%, 2017: 2.7%).

The Group is required to comply with the following financial covenants:

- 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 five years.

The Group fully complied with these covenants in all periods.

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.

On 22 November 2019 TIP entered the institutional private placement term loan market for the first time via the accordion clause in the agreement, raising €274.5m in term loans from five funders, as part of the acquisition of PEMA. The new accordion is €242m and can be used to raise funds both via the RCF and Term loan institutions. The institutional term loans rank pari-passu with the RCF facility in relation to security.

#### 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 typical under Dutch law for operating lease securitisations. The countries where the Group can use this facility are the Netherlands, Belgium, France, Germany, the United Kingdom, Ireland, Denmark, Norway, Sweden and Finland.

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 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 €100.0m with a margin of 1.70% which was due to expire in March 2019. This committed senior facility was extended with a margin of 1.65% until March 2020. In March 2020 it was extended for a year till March 2021. This facility has no interest rate floor, and expansion to €300.0m 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. €30.4m of the ABS facilities were undrawn at the end of 2019 (2018: €26.5 and 2017: €22.5m).

#### Funding lease book (FLB)

The Group has entered into, or acquired via business combinations, a number of lease contracts as customer (lessee), as below:

€m	Note	2019	2018	2017
At 1 January		172.3	136.9	131.1
Drawdowns		31.0	34.6	38.3
Business combinations		39.5	41.2	2.2
<b>Total drawdowns</b>		<b>242.8</b>	<b>212.7</b>	<b>171.6</b>
Repayments		(45.3)	(39.1)	(33.0)
<b>Gross face value at period end</b>		<b>197.5</b>	<b>173.6</b>	<b>138.6</b>
Foreign exchange movements		4.9	(1.3)	(1.7)
<b>At 31 December</b>		<b>202.4</b>	<b>172.3</b>	<b>136.9</b>

The average interest rate on these leases is 5.1% (2018: 5.5%, 2017: 5.3%).

The Group's obligations under leases are secured by the supplier's (lessor) legal title to the leased assets. Future minimum payments, together with the present value of the net minimum lease payments, are as follows:

2019 €m	Total future minimum lease payments	Outstanding interest	PV of min. payments (principal amount)
Less than 1 year	55.1	8.3	46.8
Between 1 and 5 years	148.3	18.6	129.7
More than 5 years	29.0	3.1	25.9
<b>Total</b>	<b>232.4</b>	<b>30.0</b>	<b>202.4</b>

2018 €m	Total future minimum lease payments	Outstanding interest	PV of min. payments (principal amount)
Less than 1 year	50.9	7.6	43.3
Between 1 and 5 years	125.1	17.1	108.0
More than 5 years	23.9	2.9	21.0
<b>Total</b>	<b>199.9</b>	<b>27.6</b>	<b>172.3</b>

2017 €m	Total future minimum lease payments	Outstanding interest	PV of min. payments (principal amount)
Less than 1 year	37.7	6.7	31.0
Between 1 and 5 years	102.2	16.1	86.1
More than 5 years	22.5	2.7	19.8
<b>Total</b>	<b>162.4</b>	<b>25.5</b>	<b>136.9</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	0.4m	Euribor +3.5%	v	Dec 2018	5 years	€	Quarterly	Groupe Simon
TL8	Netherlands	75.0m	2.4%	f	Nov 2019	7 years	€	Bullet	Barings
TL9	Netherlands	73.5m	2.4%	f	Nov 2019	7 years	€	Bullet	National Nederlanden
TL10	Netherlands	56.0m	2.4%	f	Nov 2019	7 years	€	Bullet	Rivage
TL11	Netherlands	50.0m	2.4%	f	Nov 2019	7 years	€	Bullet	Neuberger Berman
TL12	Netherlands	20.0m	2.4%	f	Nov 2019	7 years	€	Bullet	A.S.R.

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 uses 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 recognised in the profit or loss, or OCI:

€m	Note	2019	2018	2017
Recognised in profit or loss	31.1	0.7	1.0	1.4
Recognised in the OCI	31.2	0.6	-	0.2
<b>Total</b>		<b>1.3</b>	<b>1.0</b>	<b>1.6</b>
Current		1.2	0.9	1.2
Non-current		0.1	0.1	0.4

### 31.1 Derivatives with changes in fair value recognised in the profit or loss

€m	Note	2019	2018	2017
Interest rate swap	a	0.7	1.0	1.4
<b>Total</b>		<b>0.7</b>	<b>1.0</b>	<b>1.4</b>
Current		0.7	0.7	0.9
Non-current		-	0.3	0.5

a) 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 2019 was €312.1m (2018: €252.5m and 2017: €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 2019 was €71.2m (2018: €57.0m and 2017: €65.7m).

The movement of the interest rate swaps was as follows:

€m	2019	2018	2017
At 1 January	1.0	1.4	2.5
Reclass to derivatives at fair value through the profit or loss from OCI	-	-	(0.4)
Movement in fair value through profit or loss	(0.3)	(0.4)	(0.7)
At 31 December	0.7	1.0	1.4

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 the period ended:

2019 €m	Less than 3 months	3 to 12 months	1 to 5 years	over 5 years	Total
Inflows	(0.3)	(0.3)	(0.3)	-	(0.9)
Outflows	-	(0.1)	0.3	-	0.2
Net	(0.3)	(0.4)	-	-	(0.7)

2018 €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	-	-
Net	0.2	0.5	0.3	-	1.0

2017 €m	Less than 3 months	3 to 12 months	1 to 5 years	over 5 years	Total
Inflows	0.2	0.5	0.2	-	0.9
Outflows	0.1	0.1	0.3	-	0.5
Net	0.3	0.6	0.5	-	1.4

### 31.2 Derivatives with changes in fair value recognised in OCI

€m	Note	2019	2018	2017
At 1 January		-	0.2	1.1
Fair value during period		0.6	(0.2)	(0.9)
Reclass to derivatives at fair value through the profit or loss	31.1	-	-	-
At 31 December		0.6	-	0.2
Current		0.6	0.2	0.3
Non-current		-	(0.2)	(0.1)

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 2019 was €803.5m (2018: €218.4m and 2017: €162.0m).

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:

2019 €m	Less than 3 months	3 to 12 months	1 to 5 years	over 5 years	Total
Inflows	0.6	3.6	15.1	-	19.3
Outflows	(0.7)	(4.1)	(15.1)	-	(19.9)
Net	(0.1)	(0.5)	-	-	(0.6)



2018 €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
Net	0.1	0.1	(0.2)	-	-

2017 €m	Less than 3 months	3 to 12 months	1 to 5 years	over 5 years	Total
Inflows	(0.3)	(0.7)	(1.7)	-	(2.7)
Outflows	0.4	0.9	1.6	-	2.9
Net	0.1	0.2	(0.1)	-	0.2

### 31.3 Use of derivatives

The Group has relationships only with financial institutions with high credit ratings in respect of derivatives to minimise credit risk exposure.

## 32. Provisions

€m	Note	Restructuring	Other	Total
<b>At 1 January 2017</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>
Charge for the period	21	-	-	-
Utilised		(0.4)	(0.8)	(1.2)
<b>At 31 December 2019</b>		<b>-</b>	<b>1.0</b>	<b>1.0</b>
Current		-	0.8	0.8
Non-current		-	0.2	0.2

Restructuring provisions related to various reorganisations to improve efficiency, principally relating to headcount, deemed necessary over the

periods. Restructuring provisions are expected to result in cash outflows when implementing the plans (usually over the following two to three years). Other provisions established in 2017 relate to a provision for an onerous IT contract in relation to project Matrix, the increased digitisation of the core operational, maintenance and workshop process.

## 33. Trade and other payables

€m	Note	2019	2018	2017
Accruals	33.1	73.5	44.5	36.8
Trade payables	33.2	33.3	24.1	22.9
Fleet payables	33.3	27.8	17.8	32.5
Other creditors	33.4	44.3	20.9	25.7
Deferred revenue	33.5	31.3	17.9	14.7
Security deposits		11.1	6.3	3.7
<b>Total</b>		<b>221.3</b>	<b>131.5</b>	<b>136.3</b>
Current		195.6	119.1	125.9
Non-current		25.7	12.4	10.4

Trade and fleet 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	2019	2018	2017
Administrative and other operating expenses	20.9	14.2	10.5
M&R own fleet	18.5	11.0	10.0
Compensation and benefits	17.0	11.5	10.9
Property dilapidations	2.2	2.1	2.0
Insurance	2.1	0.9	1.2
Deferred fleet sales proceeds	0.6	0.3	0.2
Other	12.2	4.5	2.0
<b>Total</b>	<b>73.5</b>	<b>44.5</b>	<b>36.8</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	2019	2018	2017
Maintenance	11.9	23.2	16.1
Operating expenses	13.0	5.9	12.4
Payables to Cube Transportation			
Coöperatief U.A.	10.8	-	-
Payments made not matched <sup>1</sup>	(2.4)	(5.0)	(5.6)
<b>Total</b>	<b>33.3</b>	<b>24.1</b>	<b>22.9</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

Movements are as follows:

€m	Note	2019	2018	2017
<b>At 1 January</b>		<b>17.8</b>	<b>32.5</b>	<b>36.3</b>
Additions		270.4	259.0	186.5
Capitalised	22	(260.4)	(273.7)	(190.3)
<b>At 31 December</b>		<b>27.8</b>	<b>17.8</b>	<b>32.5</b>

### 33.4 Other creditors

€m	2019	2018	2017
VAT payable	32.8	13.7	19.3
Wages tax and social security	2.4	1.9	1.8
Net payroll liability	4.4	1.7	1.7
Prepaid fleet sales	3.7	2.5	1.8
Credit note provision	0.9	0.9	0.8
Other payables	0.1	0.2	0.3
<b>Total</b>	<b>44.3</b>	<b>20.9</b>	<b>25.7</b>

### 33.5 Deferred revenue

Deferred revenue is comprised as follows:

€m	Note	2019	2018	2017
Maintenance leasing	a	26.8	14.9	12.3
M&R 3rd party		0.3	0.4	0.4
Leasing and rental advance billing		4.2	2.6	2.0
<b>Total</b>		<b>31.3</b>	<b>17.9</b>	<b>14.7</b>
Current		5.6	5.5	4.3
Non-current		25.7	12.4	10.4

**a) Maintenance leasing deferred revenue movement:**

€m	2019	2018	2017
At 1 January	14.9	12.3	6.9
Additions	5.5	5.4	6.4
Business combinations	10.6	-	-
Release	(4.2)	(2.8)	(1.0)
At 31 December	26.8	14.9	12.3

**34. Pension obligations**

The Group only operates defined contribution plans.

**35. Equity****35.1 Share capital**

€	2019	2018	2017
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	2019	2018	2017
At 1 January	225.7	513.2	513.2
Increase	206.4	21.0	-
Distribution	-	(308.5)	-
At 31 December	432.1	225.7	513.2

On 10 July 2018, the Group acquired Grayrentals Ltd. Its net assets of €21.0m were contributed in exchange for share premium issued by 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.

In 2019, the Group received additional equity from its shareholder in the form of a share premium amounting to €206.4m in relation to the acquisitions of PEMA and Trailer Wizards.

**35.3 Retained earnings**

€m	2019	2018	2017
At 1 January	90.5	68.5	46.7
Net profit for the period	24.7	22.0	21.8
At 31 December	115.2	90.5	68.5

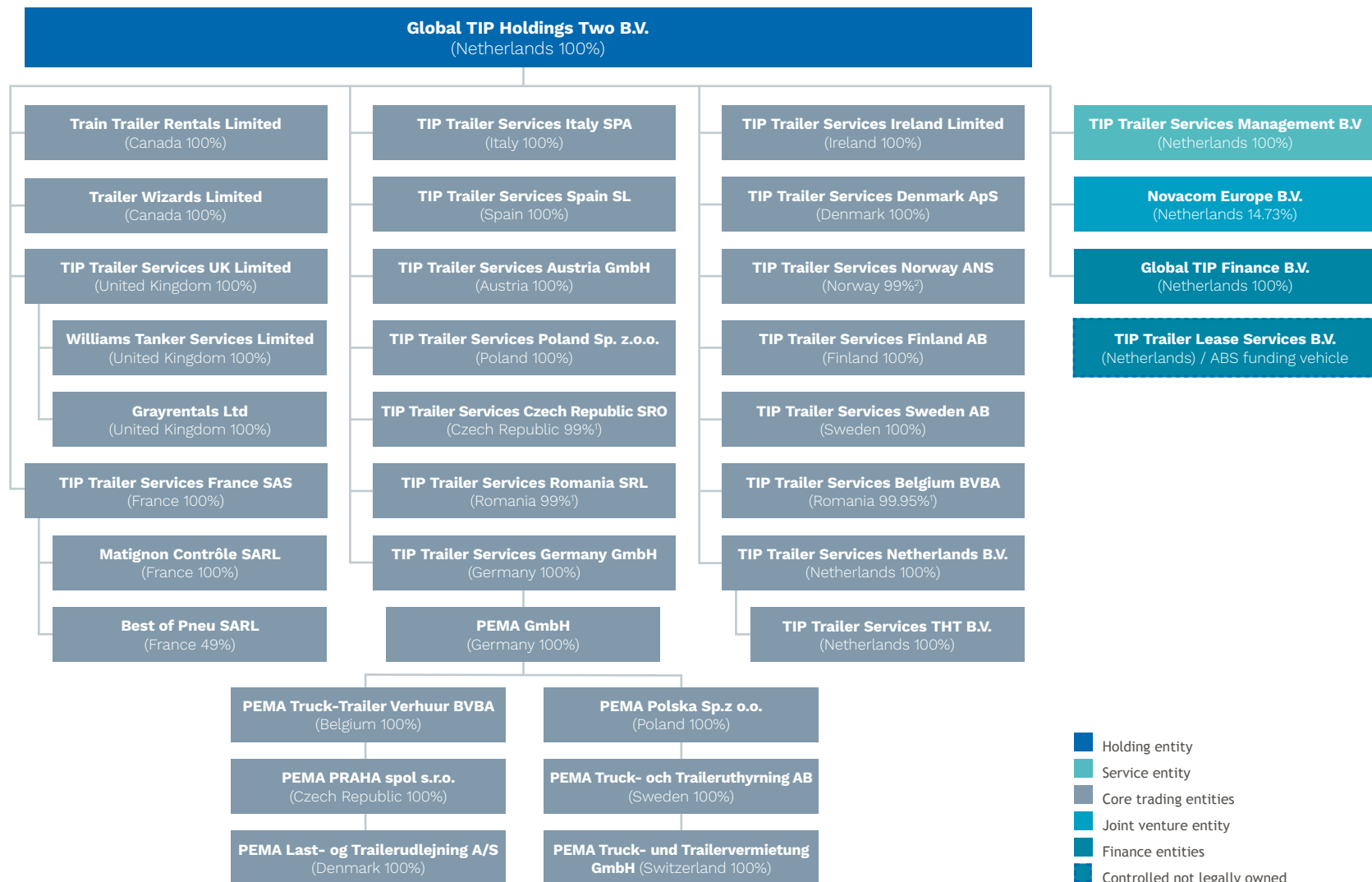
**35.4 Other reserves**

€m	Note	Foreign currency translation	Cash flow hedge	Total
At 1 January 2017		(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)
Movement for the period		6.2	(0.6)	5.6
Tax impact	20.2	-	0.2	0.2
At 31 December 2019		(6.1)	(0.4)	(6.5)

**35.5 Non-controlling interests**

Non-controlling interests at 31 December 2019 is €0.1m (2018: nil and 2017: nil). The Group owns 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



¹ Balance of shares held by TIP Trailer Services Netherlands B.V.

### 37. Related party disclosures

a) The following table summarises current period transactions and outstanding balances with the related parties:

€m					
Lender/supplier	Borrower/debtor	Note	2019	2018	2017
<b>Current period transactions</b>					
TIP Trailer Services Management B.V.	HNA Group (International) Company Limited		-	1.1	3.1
TIP Trailer Services Management B.V.	HNA Group Co. Ltd.		-	2.6	5.0
TIP Trailer Services Management B.V.	Global TIP Holdings One B.V.		-	0.4	1.4
<b>Other revenue<sup>1</sup></b>			-	4.1	9.5
Cube Transportation Europe Coöperatief U.A.	The Group companies		(2.6)	-	-
<b>Employee benefit expenses<sup>2</sup></b>			(2.6)	-	-
Global TIP Finance B.V.	HNA Group (International) Company Limited		-	6.3	10.6
Global TIP Holdings Two B.V.	Global TIP Holdings One B.V.		-	0.7	1.1
<b>Finance income</b>		18	-	7.0	11.7
<b>Total</b>			(2.6)	11.1	21.2
<b>Outstanding balances</b>					
Global TIP Finance B.V.	HNA Group (International) Company Limited		-	-	250.4
Global TIP Finance B.V.	Global TIP Holdings One B.V.		-	-	6.8
Global TIP Holdings Two B.V.	Global TIP Holdings One B.V.		-	-	21.0
Global TIP Finance B.V.	Global TIP Holdings Five B.V.		-	-	3.3
<b>Loan and interest receivables</b>		25	-	-	281.5
TIP Trailer Services Management B.V.	HNA Group (International) Company Limited	28	-	-	12.5
TIP Trailer Services Management B.V.	HNA Group Co. Ltd.	28	-	-	7.7
Global TIP Finance B.V.	Global TIP Holdings One B.V.	28	-	-	3.7
TIP Trailer Services Management B.V.	Global TIP Holdings One B.V.	28	-	-	1.4
<b>Trade and other receivables</b>			-	-	25.3
Cube Transportation Europe Coöperatief U.A.	Global TIP Finance B.V.		(2.3)	-	-
Cube Transportation Europe Coöperatief U.A.	TIP Trailer Services Germany GmbH		(5.7)	-	-
Cube Transportation Europe Coöperatief U.A.	Trailer Wizards Ltd.		(2.8)	-	-
<b>Trade and other payables</b>		33.2	(10.8)	-	-
Groupe Simon	Best Of Pneu SARL	30.3	(0.4)	(0.2)	-
<b>Borrowings</b>			(0.4)	(0.2)	-
<b>Total</b>			(11.2)	(0.2)	306.8

<sup>1</sup> These related party transactions are included in other revenue in note 8.

<sup>2</sup> These related party transactions are included in other expenses in note 11.

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 advice on global expansion and acquisitions. As HNA-I grew its own expertise and resources, this support declined from 2017. The agreement was cancelled on 30 June 2018.

On 1 January 2016, the Group entered into a five-year contract with HNA Group Co., LTD for TIP to advertise HNA on its trailers up to maximum €5.0m per annum depending on the number of trailers where HNA advertising was placed. This agreement was cancelled 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, advice, acquisition and integration support for its unsuccessful acquisition of the leading New Zealand asset finance company, UDC. This agreement was cancelled 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.

Payables to Cube Transportation Europe Coöperatief U.A. relates to the acquisitions of PEMA and Trailer Wizards, as part of the payments were done by Cube Transportation Europe Coöperatief U.A. and must be repaid by the Group.

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	2019	2018	2017
Short-term employee	4.7	4.9	4.9
Post-employment pension and medical	0.4	0.3	0.4
Restructuring	-	-	0.5
<b>Total</b>	<b>5.1</b>	<b>5.2</b>	<b>5.8</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	2019	2018	2017
Fleet	1,647.1	806.1	682.5
PP&E	115.0	67.5	66.8
<b>Non-current assets</b>	<b>1,762.1</b>	<b>873.6</b>	<b>749.3</b>
Inventories	32.8	10.6	11.2
Unbilled revenue	5.7	5.9	7.4
Trade receivables	118.1	77.3	60.5
Cash and equivalents	14.3	6.9	16.4
<b>Current assets</b>	<b>170.9</b>	<b>100.7</b>	<b>95.5</b>
<b>Total</b>	<b>1,933.0</b>	<b>974.3</b>	<b>844.8</b>

The Group has also pledged shares of some of 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 facility (ABS)

The Group has pledged the assets below as security for this facility through an SPV:

€m	2019	2018	2017
Fleet	90.1	94.6	92.3
<b>Non-current assets</b>	<b>90.1</b>	<b>94.6</b>	<b>92.3</b>
Trade receivables	3.1	3.4	3.2
Cash and equivalents	2.2	4.2	2.3
<b>Current assets</b>	<b>5.3</b>	<b>7.6</b>	<b>5.5</b>
<b>Total</b>	<b>95.4</b>	<b>102.2</b>	<b>97.8</b>

#### Funding lease book (FLB)

The Group's obligations under leases are secured by the lessor's legal title to the leased assets below:

€m	2019	2018	2017
Fleet	106.4	120.9	92.3
PP&E	110.2	62.9	56.7
<b>Non-current assets</b>	<b>216.6</b>	<b>183.8</b>	<b>149.0</b>
Trade receivables	7.8	5.6	4.1
<b>Current assets</b>	<b>7.8</b>	<b>5.6</b>	<b>4.1</b>
<b>Total</b>	<b>224.4</b>	<b>189.4</b>	<b>153.1</b>

#### Term loan facilities (TL)

The Group has pledged the assets below as security for these facilities:

€m	2019	2018	2017
Fleet	4.2	4.3	4.3
PP&E	-	1.5	1.0
<b>Non-current assets</b>	<b>4.2</b>	<b>5.8</b>	<b>5.3</b>
Trade receivables	-	-	-
<b>Current assets</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>4.2</b>	<b>5.8</b>	<b>5.3</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 months, six month or one-year contracts.

Lease commitments can be analysed as follows:

€m	Fleet	Land and buildings	Motor vehicles	IT equipment	Total
Within one year	-	-	-	-	-
<b>At 31 December 2019</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Within one year	-	0.1	-	0.3	0.4
<b>At 31 December 2018</b>	<b>-</b>	<b>0.1</b>	<b>-</b>	<b>0.3</b>	<b>0.4</b>
Within one year	0.3	0.9	-	0.2	1.4
<b>At 31 December 2017</b>	<b>0.3</b>	<b>0.9</b>	<b>-</b>	<b>0.2</b>	<b>1.4</b>

### c) Capital commitments

€m	2019	2018	2017
Fleet	99.1	80.8	101.5
PP&E	2.8	7.0	3.3
<b>Total</b>	<b>101.9</b>	<b>87.8</b>	<b>104.8</b>
Number of fleet units	1,958	2,535	3,507

### d) Guarantees

The Group has the following outstanding guarantees that have not been provided for in the financial statements:

€m	2019	2018	2017
Tax authorities	-	-	5.0
FLB	36.0	33.1	13.1
<b>Total</b>	<b>36.0</b>	<b>33.1</b>	<b>18.1</b>

All guarantees issued are in the ordinary course of business.

The expiration period of these guarantees are as follows:

€m	2019	2018	2017
2018	-	-	4.0
2019	-	0.2	0.2
2020	1.8	1.8	-
2021	1.0	1.0	0.2
2022	1.3	1.1	-
2023	8.5	8.5	8.5
2024+	23.4	20.5	5.2
<b>Total</b>	<b>36.0</b>	<b>33.1</b>	<b>18.1</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 before 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 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
2020	336.7	26.4	363.1
2021	244.5	21.6	266.1
2022	168.5	17.3	185.8
2023	107.3	14.0	121.3
2024	60.9	10.2	71.1
2025+	69.0	9.6	78.6
<b>As of 31 December 2019</b>	<b>986.9</b>	<b>99.1</b>	<b>1,086.0</b>
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>As of 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>

In addition, the Group has substantial operational committed cash flows from customers. This is driven by the customers' 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 borrowings. However, access to sources of funding is sufficiently available, and the majority of the borrowing arrangements mature 1 to 5 years after the reporting date (refer to note 30). The Group plans to continue to diversify the maturity of its borrowings in the coming years.

The table below summarises the maturity profile of the Group's financial liabilities based on undiscounted contractual payments:

2019 €m	Note	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Interest		8.4	23.7	115.3	16.4	163.8
Borrowings repayment	30	11.1	108.3	1,187.2	300.6	1,607.2
Derivatives	31	0.4	0.9	-	-	1.3
Trade and fleet payables	33	60.8	0.3	-	-	61.1
<b>Total</b>		<b>80.7</b>	<b>133.2</b>	<b>1,302.5</b>	<b>317.0</b>	<b>1,833.4</b>

2018 €m	Note	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Interest		6.3	18.6	2.3	0.2	27.4
Borrowings repayment	30	6.2	763.1	121.5	2.9	893.7
Derivatives	31	0.1	0.8	0.1	-	1.0
Trade and fleet payables	33	41.9	-	-	-	41.9
<b>Total</b>		<b>54.5</b>	<b>782.5</b>	<b>123.9</b>	<b>3.1</b>	<b>964.0</b>

2017 €m	Note	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Interest		4.6	13.2	35.8	0.2	53.8
Borrowings repayment	30	8.8	31.1	718.8	1.6	760.3
Derivatives	31	0.4	0.8	0.4	-	1.6
Trade and fleet payables	33	55.4	-	-	-	55.4
<b>Total</b>		<b>69.2</b>	<b>45.1</b>	<b>755.0</b>	<b>1.8</b>	<b>871.1</b>

## 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:

2019				Quoted prices in active markets	Fair value measurement using	
					Significant observable inputs	Significant unobservable inputs
€m	Note	Carrying amount	Fair value	(level 1)	(level 2)	(level 3)
<b>Financial assets</b>	25	-	-	-	-	-
Borrowings	30	1,592.2	1,592.2	-	1,592.2	-
Derivatives	31	1.3	1.3	-	1.3	-
<b>Total borrowings and derivatives</b>		<b>1,593.5</b>	<b>1,593.5</b>	<b>-</b>	<b>1,593.5</b>	<b>-</b>
<b>2018</b>						
<b>Financial assets</b>	25	-	-	-	-	-
Borrowings	30	896.3	896.3	-	896.3	-
Derivatives	31	1.0	1.0	-	1.0	-
<b>Total borrowings and derivatives</b>		<b>897.3</b>	<b>897.3</b>	<b>-</b>	<b>897.3</b>	<b>-</b>
<b>2017</b>						
<b>Financial assets</b>	25	281.5	281.5	-	281.5	-
Borrowings	30	756.9	756.9	-	756.9	-
Derivatives	31	1.6	1.6	-	1.6	-
<b>Total borrowings and derivatives</b>		<b>758.5</b>	<b>758.5</b>	<b>-</b>	<b>758.5</b>	<b>-</b>

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 mostly due to the short 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 observable market 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 2019 and 31 December 2018 and 2017, 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 the 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 recognised 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 team who advises 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 on 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 mainly to the Group's long-term borrowing 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 borrowing obligations. Please refer to note 31. The Group's strategy is to hedge a minimum of 66% of its long-term external borrowings for a minimum of three years from the 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 after the impact of hedge accounting where applicable. With all other variables held constant, the Group's profit before tax and other comprehensive income are affected, as follows:

2019 €m		Change in rate	Effect on profit before tax	Effect on OCI
RCF	Interest rate swaps	-0.25%	(0.7)	(3.5)
		0.25%	0.7	3.9
	Interest rate floor	-0.25%	(0.7)	-
		0.25%	0.7	-
ABS	Interest rate	-0.25%	0.2	-
		0.25%	(0.2)	-

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)	-

2017 €m		Change in rate	Effect on profit before tax	Effect on OCI
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	Interest rate	-0.25%	0.6	-
		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 borrowings 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 demonstrates 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		
		2019	2018	2017
£	+5%	(0.2)	0.1	0.2
CA\$	+5%	(0.3)	-	0.1

The following table shows the Group's net assets after borrowings by currency:

Net assets after borrowings by currency	2019	2018	2017
€	41%	44%	59%
£	10%	15%	7%
CA\$	26%	11%	9%
DKK	8%	19%	14%
Others	15%	11%	11%
	100%	100%	100%

The Group does not hedge its intergroup net assets/investments after borrowings in non-reporting currency. In 2019 62% (2018: 63% and 2017: 73%) 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 to substantially reduce its exposure to fluctuations in these currencies against the €. The Group assess the residual risk of 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

The Risk team manages customer credit risk in each regional business unit subject to the Group's established policy, procedures and controls relating to customer's credit risk management. The credit quality of a customer is assessed 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 delegate credit authorities to regional Finance Directors and Risk teams. Each regional Finance Director ensures that they consistently and adequately 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 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 data 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 a monthly basis.

A customer is moved to the status of the doubtful account when there is doubt of the future capacity of that customer or customer group to fulfil its payment obligations. For customers placed on the status of the doubtful account with an exposure exceeding a threshold (€0.5m), regional Finance Directors review all relevant risks and take appropriate actions to ensure any potential loss is mitigated. The evaluation may include but is not limited to, a summary of updated company financial information and projections, current contractual arrangements, analysis of the gap between net book value and fair value of an asset, site visits and review of an 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 review and approve 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
2019	96	59%	13	24%
2018	53	51%	10	26%
2017	47	44%	8	21%

The Finance and Risk team manages customer credit risk:

Standardised credit rating	Lease portfolio		Trade receivables <sup>1</sup>		Other receivables	
2019	€m	%	€m	%	€m	%
AAA to AA-	74.6	4%	2.3	2%	0.9	7%
A+ to A-	275.8	15%	20.6	16%	2.4	18%
BBB+ to BBB-	533.6	29%	31.9	25%	3.1	23%
BB+ to BB-	535.8	29%	30.9	24%	2.2	16%
B+ to B-	153.9	8%	10.5	8%	1.0	7%
CCC+ to C	39.7	2%	7.1	6%	0.2	1%
D	6.4	0%	1.0	1%	0.1	1%
Trailer Wizards	217.8	12%	17.1	13%	3.7	27%
Unrated	10.2	1%	6.9	5%	-	-
<b>Total</b>	<b>1,847.8</b>	<b>100%</b>	<b>128.3</b>	<b>100%</b>	<b>13.6</b>	<b>100%</b>

Standardised credit rating	Lease portfolio		Trade receivables <sup>1</sup>		Other receivables	
2018	€m	%	€m	%	€m	%
AAA to AA-	27.8	3%	4.9	6%	0.4	6%
A+ to A-	173.5	17%	24.3	29%	1.1	18%
BBB+ to BBB-	361.8	35%	22.8	28%	1.8	29%
BB+ to BB-	312.5	31%	18.7	23%	2.3	37%
B+ to B-	117.2	11%	8.2	10%	0.4	6%
CCC+ to C	22.9	2%	2.1	3%	0.1	2%
D	3.8	0%	0.4	0%	0.1	2%
Unrated	6.4	1%	1.0	1%	-	-
<b>Total</b>	<b>1,025.9</b>	<b>100%</b>	<b>82.4</b>	<b>100%</b>	<b>6.2</b>	<b>100%</b>

Standardised credit rating	Lease portfolio		Trade receivables <sup>1</sup>		Other receivables	
2017	€m	%	€m	%	€m	%
AAA to AA-	22.4	3%	2.2	3%	-	-
A+ to A-	131.0	15%	17.5	26%	1.1	15%
BBB+ to BBB-	298.3	34%	21.6	32%	2.4	32%
BB+ to BB-	268.1	31%	16.2	23%	2.8	38%
B+ to B-	104.3	12%	5.9	9%	0.8	11%
CCC+ to C	36.9	4%	2.1	3%	0.3	4%
D	6.1	1%	1.4	2%	-	-
Unrated	4.3	0%	1.1	2%	-	-
<b>Total</b>	<b>871.4</b>	<b>100%</b>	<b>68.0</b>	<b>100%</b>	<b>7.4</b>	<b>100%</b>

<sup>1</sup> Trade receivables do not include individually impaired.

The exposure of the lease portfolio comprises the net book value of the leased assets for leases and rentals. 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.

Trailer Wizards' acquisition was finalised close to the reporting date and the Group was not able to compile the customer credit risk split of Trailer Wizards, thus the balances of Trailer Wizards are shown as a separate line in the table above. The Group intends to compile the split during 2020.

#### **41. Events after the reporting period**

On 6 March 2020, the Group refinanced its ABS committed senior facility of €100.0m until March 2021.

On 11 March 2020, the world health organisation declared the COVID-19 outbreak a world pandemic. As a result, many economic sectors are currently seeing a substantial negative impact. The effect of this pandemic is still being determined but may include impacts on TIP such as decreased sales. The Group feels confident that the TIP business priorities and plans will address the prevailing consumer and customer needs and trends, including how TIP's markets are expected to be affected by general economic activity and consumer sentiment.

Although the Group is resilient up till now, we cannot, at this time, fully assess how the COVID-19 will affect the global economy and companies in 2020. The Group's Management monitors the situation closely and takes appropriate action where required to protect the Group's operations. As we have noted above, we do not believe that for the TIP Group COVID-19 is an adjusting event, and accordingly the financial statements as at the reporting date have not been adjusted.

On 17 March 2020, it was announced that the earlier communicated reduction in tax rate for United Kingdom as per 1 April 2020 would not be enacted, with an estimated tax cost to the Group of €0.4m.



# Company financial statements

**Global TIP Holdings Two B.V.**  
**Financial statements for the period ended 31 December 2019**

(company registration no-58146369)

# Statement of profit or loss

## for the period ended 31 December

€m	Note	2019	2018 <sup>1</sup>	2017 <sup>1</sup>
Revenue	I	-	0.3	0.2
Cost of sales		-	-	-
<b>Gross profit</b>		<b>-</b>	<b>0.3</b>	<b>0.2</b>
Administrative and other operating expenses	II	(2.5)	(1.7)	(1.3)
<b>Operating profit</b>		<b>(2.5)</b>	<b>(1.4)</b>	<b>(1.1)</b>
Finance income	III	-	0.8	0.9
Finance cost	IV	(10.4)	(8.0)	(8.5)
<b>Profit before taxes</b>		<b>(12.9)</b>	<b>(8.7)</b>	<b>(8.7)</b>
Taxation	V	3.3	2.2	2.2
Net profit from subsidiaries	VI	34.3	28.5	28.2
<b>Net profit</b>		<b>24.7</b>	<b>22.0</b>	<b>21.7</b>

<sup>1</sup> The Group has chosen to apply the fully retrospective approach to IFRS 16 as we believe this provides users with more useful comparative information. We have adjusted prior years accordingly. See note 3 of the consolidated financial statement for impact analysis.



# Balance sheet

## at the period ended 31 December

€m	Note	2019	2018 <sup>1</sup>	2017 <sup>1</sup>
Financial assets	VI	839.5	580.7	724.3
Deferred tax assets	VII	-	0.3	0.5
<b>Non-current assets</b>		<b>839.5</b>	<b>581.0</b>	<b>724.8</b>
Trade and other receivables	VIII	-	-	4.8
Current tax assets	VII	3.5	-	2.5
Cash and equivalents		-	-	-
<b>Current assets</b>		<b>3.5</b>	<b>-</b>	<b>7.3</b>
<b>Total assets</b>		<b>843.0</b>	<b>581.0</b>	<b>732.1</b>
Borrowings	IX	293.7	113.6	149.4
<b>Non-current liabilities</b>		<b>293.7</b>	<b>113.6</b>	<b>149.4</b>
Borrowings	IX	8.2	162.7	8.4
Trade and other payables	X	0.3	0.8	0.9
Current tax liabilities	VII	-	-	-
<b>Current liabilities</b>		<b>8.5</b>	<b>163.5</b>	<b>9.3</b>
<b>Total liabilities</b>		<b>302.2</b>	<b>277.1</b>	<b>158.7</b>
<b>Net assets</b>		<b>540.8</b>	<b>303.9</b>	<b>573.4</b>
Share capital	XI	-	-	-
Share premium	XI	432.1	225.7	513.2
Retained earnings	XI	108.0	82.0	62.5
Other reserves	XI	0.7	(3.8)	(2.3)
<b>Equity</b>		<b>540.8</b>	<b>303.9</b>	<b>573.4</b>

<sup>1</sup> The Group has chosen to apply the fully retrospective approach to IFRS 16 as we believe this provides users with more useful comparative information. We have adjusted prior years accordingly. See note 3 of the consolidated financial statement for impact analysis.

# Statement of changes in equity

## for the period ended 31 December

€m	Note	Share capital	Share premium	Retained earnings	Other reserves	Equity
<b>At 1 January 2017<sup>1</sup></b>		-	513.2	41.1	(0.9)	553.4
Net profit		-	-	21.8	-	21.8
Movement for the period		-	-	-	(1.8)	(1.8)
<b>Total comprehensive income</b>		-	-	21.8	(1.8)	20.0
Reclass		-	-	(0.4)	0.4	-
<b>At 31 December 2017<sup>1</sup></b>		-	513.2	62.5	(2.3)	573.4
Net profit		-	-	22.0	-	22.0
Movement for the period		-	-	-	(4.0)	(4.0)
<b>Total comprehensive income</b>		-	-	22.0	(4.0)	18.0
Reclass		-	-	(2.5)	2.5	-
Increase		-	21.0	-	-	21.0
Distribution		-	(308.5)	-	-	(308.5)
<b>At 31 December 2018<sup>1</sup></b>		-	225.7	82.0	(3.8)	303.9
Net profit		-	-	24.7	-	24.7
Movement for the period		-	-	-	5.8	5.8
<b>Total comprehensive income</b>		-	-	24.7	5.8	30.5
Reclass	XI	-	-	1.3	(1.3)	-
Increase		-	206.4	-	-	206.4
<b>At 31 December 2019</b>		-	432.1	108.0	0.7	540.8

<sup>1</sup> The Group has chosen to apply the fully retrospective approach to IFRS 16 as we believe this provides users with more useful comparative information. We have adjusted prior years accordingly. See note 3 of the consolidated financial statement for impact analysis.

# Notes to the company financial statements

## Basis of preparation

The company financial statements are prepared according 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 according 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, except for 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	2019	2018	2017
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
<b>Total</b>	<b>-</b>	<b>0.3</b>	<b>0.2</b>

## II. Administrative and other operating expenses

€m	2019	2018	2017
<b>Employee benefit expenses</b>	<b>-</b>	<b>1.7</b>	<b>1.3</b>
Audit and accounting advisor fees	0.4	-	0.1
Other expenses	2.1	-	(0.1)
<b>Total</b>	<b>2.5</b>	<b>1.7</b>	<b>1.3</b>

### Employees

During the period, the average number of staff employed by the Company converted into full-time equivalents, amounted to nil (2018: 3 and 2017: 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	2019	2018	2017
Interest	-	0.5	0.9
Foreign exchange movement	-	0.3	-
<b>Total</b>	<b>-</b>	<b>0.8</b>	<b>0.9</b>

## IV. Finance cost

€m	2019	2018	2017
Interest	10.4	8.0	8.5
<b>Total</b>	<b>10.4</b>	<b>8.0</b>	<b>8.5</b>

## V. Taxation

€m	2019	2018	2017
Current taxation for the period	3.5	2.5	2.5
Deferred taxation for the period	(0.2)	(0.3)	(0.3)
Adjustment to prior periods	-	-	-
<b>Deferred tax assets</b>	<b>(0.2)</b>	<b>(0.3)</b>	<b>(0.3)</b>
<b>Taxation</b>	<b>3.3</b>	<b>2.2</b>	<b>2.2</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 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 2019 is €3.5m (2018: €2.5m and 2017: €2.5). Current taxes are determined at each individual entity of the Dutch tax group based on 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	2019	2018	2017
<b>Loan receivables</b>			
<b>At 1 January</b>	<b>-</b>	<b>24.5</b>	<b>23.6</b>
Additions	-	-	-
Interest capitalised	-	0.4	0.9
Distribution	-	(24.9)	-
<b>At 31 December</b>	<b>-</b>	<b>-</b>	<b>24.5</b>
<b>Interest receivables</b>			
<b>At 1 January</b>	<b>-</b>	<b>(2.7)</b>	<b>(2.5)</b>
Income	-	0.7	0.9
Capitalised	-	(0.4)	(0.9)
Received	-	(1.3)	(0.2)
Distribution	-	3.7	-
<b>At 31 December</b>	<b>-</b>	<b>-</b>	<b>(2.7)</b>
<b>Loan and interest receivables</b>	<b>-</b>	<b>-</b>	<b>21.8</b>
<b>Investments in subsidiaries</b>			
<b>At 1 January</b>	<b>580.7</b>	<b>702.5</b>	<b>672.7</b>
Capital increase in subsidiaries	20.9	136.1	3.4
Acquisitions	197.8	-	-
Cash flow hedge (net of taxation)	(0.4)	0.2	0.7
Foreign exchange movements	6.2	(4.1)	(2.6)
Net profit from subsidiaries	34.3	28.5	28.3
Distribution	-	(282.5)	-
<b>At 31 December</b>	<b>839.5</b>	<b>580.7</b>	<b>702.5</b>
<b>Total</b>	<b>839.5</b>	<b>580.7</b>	<b>724.3</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 +4.5%, and the interest period is three 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

Current tax assets movements are as follow:

€m	2019	2018	2017
At 1 January	0.3	0.5	0.8
Deferred taxes charged to the profit or loss	(0.3)	(0.2)	(0.3)
At 31 December	-	0.3	0.5

Current tax assets represent tax receivable as part of the Dutch tax group.

Deferred tax assets movements are as follow:

€m	2019	2018	2017
At 1 January	-	2.5	4.8
Current tax charge for the period	3.5	2.4	2.5
Settlement of tax losses with tax group	-	(4.9)	(4.8)
At 31 December	3.5	-	2.5

## VIII. Trade and other receivables

€m	2019	2018	2017
GE receivables	-	-	1.0
Global TIP Finance B.V. receivables	-	-	3.8
Total	-	-	4.8

## IX. Borrowings

The Company has the following borrowings with Global TIP Finance B.V., Amsterdam, the Netherlands.

€m	2019	2018	2017
Borrowing 1	-	113.6	81.7
Borrowing 2	293.7	128.2	21.2
Borrowing 3	8.2	33.5	46.5
Borrowing 4	-	1.0	8.4
Total	301.9	276.3	157.8
Current	-	162.7	8.4
Non-current	301.9	113.6	149.4

**Borrowings 1:** Effective since 23 October 2013, maturity seven years until 23 October 2020. The interest rate is set out as Euribor (floor 0%) +1.89% (excluding administration expenses), and the interest period is three months. The borrowing was fully repaid in December 2019.

**Borrowings 2:** Effective since 23 October 2013, maturity until 31 December 2023. The interest rate is set out as Euribor +1.89% (excluding administration expenses), and the interest period is three months.

**Borrowings 3:** Effective since 1 April 2015, maturity 8.75 years until 31 December 2023. The interest rate is set out as Euribor +0.98% (excluding administration expenses), and the interest period is three months.

## X. Trade and other payables

€m	2019	2018	2017
Payroll, payroll tax and social security	-	0.8	0.9
Other	0.3	-	-
Total	0.3	0.8	0.9
Current	0.3	0.8	0.9
Non-current	-	-	-

## XI. Equity

### a) Issued capital

€	2019	2018	2017
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

### b) Share premium

€m	2019	2018	2017
At 1 January	225.7	513.2	513.2
Increase	206.4	21.0	-
Distribution	-	(308.5)	-
At 31 December	432.1	225.7	513.2

On 10 July 2018, the Company acquired Grayrentals Ltd. Its net assets of €21.0m 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.

In 2019, the Company received additional equity from its shareholder in the form of a share premium amounting to €206.4m in relation to the acquisitions of PEMA and Trailer Wizards.

### c) Retained earnings

€m	2019	2018	2017
At 1 January	82.0	62.5	41.2
Net profit for the period	24.7	22.0	21.7
Reclass	1.3	(2.5)	(0.4)
At 31 December	108.0	82.0	62.5

### d) Other reserves

€m	Note	Foreign currency translation	Cash flow hedge	Internal software reserve	Total
At 1 January 2017		(5.7)	(0.8)	5.6	(0.9)
Movement for the period		(2.5)	0.9	-	(1.6)
Taxation	20.2	-	(0.2)	-	(0.2)
Reclass from/(to) retained earnings		-	-	0.4	0.4
At 31 December 2017		(8.2)	(0.1)	6.0	(2.3)
Movement for the period		(4.1)	0.2	-	(3.9)
Taxation	20.2	-	(0.1)	-	(0.1)
Reclass from/(to) retained earnings		-	-	2.5	2.5
At 31 December 2018		(12.3)	-	8.5	(3.8)
Movement for the period		6.2	(0.6)	-	5.6
Taxation	20.2	-	0.2	-	0.2
Reclass from/(to) retained earnings		-	-	(1.3)	(1.3)
At 31 December 2019		(6.1)	(0.4)	7.2	0.7

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 2019 net profit, amounting to €24.7m, will be added to the retained earnings. The 2018 and 2017 net profits 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**

The Company had no employees during 2019 and paid neither salaries nor directors' emoluments.

**Financial risk management**

Management's approach is covered in the consolidated financial statements (refer to note 40).

**Events after the reporting period**

In addition to the events covered in the consolidated financial statements (refer to note 41), the following events happened after the reporting date:

On 1 January 2020, the Company performed the following reorganisations:

- TIP Trailer Services THT B.V. was merged with TIP Trailer Services Netherlands B.V.
- PEMA Truck-Trailer Verhuur BVBA, PEMA PRAHA spol. s.r.o., PEMA Last-og Trailerudlejning A/S, PEMA POLSKA Sp. z.o.o., PEMA Truck - och Traileruthyrning AB and PEMA Truck - und Trailervermietung GmbH were transferred from PEMA to Global TIP Holdings Two B.V.

The Company intends to perform the following reorganisations during 2020:

- On 1 June 2020, the Company plans to merge PEMA Last-og Trailerudlejning A/S into TIP Trailer Services Denmark ApS and PEMA Truck - och Traileruthyrning AB into TIP Trailer Services Sweden AB,
- On 1 July 2020, the Company plans to merge PEMA POLSKA Sp. z.o.o. into TIP Trailer Services Poland Sp. z.o.o. and PEMA PRAHA spol. s.r.o. into TIP Trailer Services Czech Republic s.r.o.

# Board of directors of Global TIP Holdings Two B.V.

Amsterdam, 24 April 2020

Represented by

**Bob Fast**

*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 2019**

included in the annual report

### **Our opinion**

We have audited the financial statements 2019 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 2019, and of its result and its cash flows for 2019 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 2019
- The following statements for 2019: the consolidated and company statement of profit and loss, and changes in equity, 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.

### **Emphasis of Matter- Relating to Coronavirus developments**

The developments surrounding the Coronavirus (COVID-19) virus have a profound impact on people's health and on our society as a whole, as well as on the operational and financial performance of organizations and the assessment of the ability to continue as a going concern. The financial statements and our auditor's report thereon reflect the conditions at the time of the report. The situation changes on a daily basis giving rise to inherent uncertainty.

The impact of these developments on Global TIP Holdings Two B.V is disclosed in the Management report- section - Risk management and the disclosure about events after the reporting period- note no. 41 to the financial statements. We draw attention to these disclosures.

Our opinion is not modified in respect of this matter.

### 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.
- 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, 24 April 2020

Ernst & Young Accountants LLP

signed by R. Koekkoek







# Additional information

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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 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****Main term loan financing partners****Key banking and financing 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 Boards. TIP, its Boards, directors and senior leadership team give no assurances that these expectations will prove to be correct. Except as required by law or regulation, TIP, its Boards, 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.



# Thirteen-year financial summary

€m	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016 <sup>1</sup>	2017	2018	2019
<b>Profit or loss</b>													
Revenue	503	502	401	398	375	351	323	326	372	441	517	565	626
Contribution	305	320	238	222	219	194	159	160	175	216	268	294	327
Operating expenses	(85)	(80)	(66)	(57)	(55)	(53)	(48)	(61)	(65)	(72)	(76)	(75)	(84)
EBITDA	220	240	172	165	164	141	111	99	110	144	192	219	243
Operating profit/(loss)	29	36	(24)	1	22	20	16	57	40	41	53	60	53
<b>Balance sheet</b>													
Net operating assets	1,338	1,333	1,104	861	686	563	359	464	649	889	971	1,123	1,973
Net borrowings	-	-	-	-	-	-	232	258	449	667	742	883	1,591
Equity	-	-	-	-	-	-	208	519	544	552	573	304	541
<b>Cash flow</b>													
Fleet investment	396	285	38	21	14	19	37	137	195	276	237	272	251
Acquisitions	-	-	-	-	-	-	-	17	44	149	9	67	865
Other investment	5	5	7	9	5	6	6	28	38	29	18	24	31
Fleet sales	(77)	(57)	(47)	(61)	(43)	(35)	(28)	(27)	(28)	(36)	(45)	(35)	(40)
Net investment	324	233	(2)	(31)	(24)	(10)	15	155	249	418	219	328	1,107
Free cash flow	(113)	(7)	185	201	187	140	98	(45)	(88)	(78)	(19)	(53)	24
<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	18.3
UTE	91%	87%	74%	82%	91%	86%	84%	82%	84%	86%	89%	91%	91%
Opex % of revenue	17%	16%	16%	14%	15%	15%	15%	19%	18%	16%	15%	13%	13%
<b>Profitability %</b>													
Contribution	61%	64%	59%	56%	59%	55%	49%	49%	47%	49%	52%	52%	52%
EBITDA	44%	48%	43%	41%	44%	40%	34%	30%	30%	33%	37%	39%	39%
Operating profit	6%	7%	(6%)	-	6%	6%	5%	18%	11%	9%	10%	11%	8%
<b>Asset returns</b>													
RoIC	2.1%	2.7%	(1.9%)	0.1%	2.9%	3.3%	3.6%	13.9%	7.2%	5.3%	5.6%	5.8%	3.4% <sup>2</sup>
Capital efficiency	16%	18%	14%	17%	21%	23%	24%	24%	20%	19%	21%	21%	16% <sup>3</sup>
<b>Financing</b>													
Net leverage ratio	-	-	-	-	-	-	64%	56%	69%	75%	76%	79%	81%
Gearing ratio	-	-	-	-	-	-	53%	33%	45%	55%	56%	74%	75%
Net borrowings/EBITDA	-	-	-	-	-	-	2.1x	2.6x	4.1x	4.6x	3.9x	4.0x	6.5x <sup>4</sup>

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

<sup>2</sup> 4.2% after normalising the timing impact of the PEMA and Trailer Wizards acquisitions.

<sup>3</sup> 20% after normalising the timing impact of the PEMA and Trailer Wizards acquisitions.

<sup>4</sup> Increase driven by the timing of the PEMA and Trailer Wizards acquisitions in December 2019.

## Profit or loss without HNA-related revenue streams and financing ratios without equity impact of HNA loan

€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	160	175	216	268	294	155	170	208	258	290
Operating expenses	(61)	(65)	(72)	(76)	(75)	(61)	(65)	(72)	(76)	(75)
EBITDA	99	110	144	192	219	94	105	136	182	215
Operating profit/(loss)	57	40	41	53	60	52	35	33	43	56
<b>Profitability %</b>										
Contribution	49%	47%	49%	52%	52%	48%	46%	48%	51%	52%
EBITDA	30%	30%	33%	37%	39%	29%	29%	31%	36%	38%
Operating profit	18%	11%	9%	10%	11%	16%	10%	7%	9%	10%
<b>Asset returns</b>										
RoIC	13.9%	7.2%	5.3%	5.6%	5.8%	12.7%	6.3%	4.3%	4.8%	5.4%
Capital efficiency	24%	20%	19%	21%	21%	23%	19%	18%	20%	21%
<b>Financing</b>										
Net leverage ratio	56%	69%	75%	76%	79%	58%	72%	83%	86%	79%
Gearing ratio	33%	45%	55%	56%	74%	54%	65%	72%	74%	74%
Net borrowings/EBITDA	2.6x	4.1x	4.6x	3.9x	4.0x	2.8x	4.4x	5.4x	4.5x	4.1x
<b>Equity</b>										
Equity reported						519	544	552	573	304
HNA loan						291	292	268	285	-
Equity adjusted						228	252	284	288	304
HNA revenue streams impact										
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>

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.

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.

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



# Glossary and references

## Definitions and key alternative financial measures that supplement generally accepted accounting principles and terms

The glossary of terms below sets out definitions of terms used throughout the MD&A section, including 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 combinations under IFRS, principally where we acquire existing/new customer contracts together with the fleet they are leasing or renting

### 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 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.

### Cube Transportation Board

Refers to the Cube Transportation Supervisory Board and Management Board

### 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 is it 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

## Fleet usage and composition

The table below provides an overview of the principal usages of our fleet by type and related definitions:

Asset		Description	Definition
Van		General transport of goods requiring high security and for parcels	Van, bulker
Curtainsider		General transport goods not requiring high security	Curtainsider, flat, tilt, other trailer
Reefer		Temperature-controlled goods - food, electronics and flowers	Reefer and temperature-controlled trailer
Chassis		Transport of swapbodies and containers	All chassis
Swapbody		Intermodal transport	Swapbody, excluding tanker swapbody
Truck		Power units	All power driven units, truck, tractor, rigid, shunt truck, commercial vehicle, EV, excluding waste tanker and any truck with tanker attached
Tanker		Transport of liquids, powers and waste	Tanker, waste tanker, tanker swapbody, any truck with tanker attached

## Gearing ratio

Net borrowings divided by equity plus net borrowings. This measure enables investors to assess the level of risk in the financial structure of our business

## HNA

Refers to HNA Group, former shareholder of TIP from October 2013 to August 2018

## I Squared Capital

An independent global infrastructure investment manager with over US\$14bn 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 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 borrowings

Net borrowings is gross borrowings less cash and equivalents and other financial assets

## Net leverage ratio

Net borrowings divided by net operating assets. This measure enables investors to assess the level of risk in the financial structure of our business

## Net operating assets

Total assets after deducting cash, financial assets, intangibles and non-borrowings liabilities

## Non-borrowings liabilities

Total liabilities after deducting borrowings and derivatives

## 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**

In the MD&A section, it 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 listed 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

**Workshop**

A physical location where maintenance and repair work is performed by mechanics, supported by a workshop manager and back office support. 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 thirteen-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, trucks and a number of sub-categories of other asset types, principally vans (e.g. vans with walking floors). This KPI is measured in unit terms

## Other terms and abbreviations

ABS	Asset-backed securitisation
ADR	Average daily rate
AM	Asset management
AMLAT	Anti-money laundering anti-terrorism
CAGR	Compound annual growth rate
EAuM	Equivalent asset under management
EHS	Environmental health and safety
EMT	Executive management team
ETB	European Transport Board
ETR	Effective tax rate
EU	European Union
Euribor	Euro interbank offered rate
EY	Ernst & Young Accountants LLP
FAR	Frequency accident rating
G&O	Goals and objectives
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
SLT	Senior leadership team
TIP	Trading name of Global TIP Holdings Two B.V. and subsidiaries
T&L	Travel and living
UTE	Utilisation

## References

In our market section, the following sources have been used:

### End user market growth:

eCommerce:	Statista, December 2019
Consumer electronics:	Statista, December 2019
Retail:	Statista, December 2019
Food:	Statista, December 2019
Pharmaceuticals:	Statista, December 2019
Automotive:	Statista, December 2019

### 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, April 2020, for the 17 European countries in which TIP operates

### North American trailer production:

- CLEAR International Consulting, April 2020

### Trailer leasing penetration rate:

- Management estimate

### Operating leasing penetration rate by geography:

- Management estimate

### Trailer maintenance segments:

- Management estimate for the 17 European countries in which TIP operates

# IFRS 16 impact

IFRS 16 became effective in January 2019. This new standard 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'). The new standard replaces IAS 17 and related interpretations.

Please refer to note 3 of the financial statements for further explanation and analysis. We have chosen to apply across this annual report the fully retrospective approach to IFRS 16 as we believe this provides users with more useful comparative information. We have adjusted prior years accordingly.

In this section we present the impact of adopting IFRS 16 on our profit or loss, balance sheet and cash flow for 2017 and 2018, the 2 comparative years presented in the financial statements.

## Consolidated statement of profit or loss for the period ended 31 December 2018

€m	2018 as originally published	IFRS16 impact	2018 - Restated
Revenue	565.0	-	565.0
Cost of sales	(418.5)	9.7	(408.8)
Expected credit losses	(2.1)	-	(2.1)
<b>Gross profit</b>	<b>144.4</b>	<b>9.7</b>	<b>154.1</b>
Administrative and other operating expenses	(89.2)	(4.5)	(93.7)
Amortisation of intangible assets	(5.7)	-	(5.7)
Exceptional administrative items	-	-	-
<b>Operating profit</b>	<b>49.5</b>	<b>5.2</b>	<b>54.7</b>
Finance income	7.5	-	7.5
Finance cost	(26.8)	(6.7)	(33.5)
Exceptional finance cost	(3.2)	-	(3.2)
<b>Profit before taxes</b>	<b>27.0</b>	<b>(1.5)</b>	<b>25.5</b>
Taxation	(7.7)	0.3	(7.4)
Exceptional taxation	4.0	(0.1)	3.9
<b>Taxation</b>	<b>(3.7)</b>	<b>0.2</b>	<b>(3.5)</b>
<b>Net profit</b>	<b>23.3</b>	<b>(1.3)</b>	<b>22.0</b>
Attributable to:			
Equity holders of the parent	23.3	(1.3)	22.0
Non-controlling interests	-	-	-
<b>Net profit</b>	<b>23.3</b>	<b>(1.3)</b>	<b>22.0</b>
<b>Underlying operating profit</b>	<b>55.2</b>	<b>5.2</b>	<b>60.4</b>

## Consolidated statement of profit or loss for the period ended 31 December 2017

€m	2017 as originally published	IFRS16 impact	2017 - Restated
Revenue	516.7	-	516.7
Cost of sales	(380.1)	8.4	(371.7)
Expected credit losses	(0.6)	-	(0.6)
<b>Gross profit</b>	<b>136.0</b>	<b>8.4</b>	<b>144.4</b>
Administrative and other operating expenses	(86.6)	(4.6)	(91.2)
Amortisation of intangible assets	(5.9)	-	(5.9)
Exceptional administrative items	(6.2)	-	(6.2)
<b>Operating profit</b>	<b>37.3</b>	<b>3.8</b>	<b>41.1</b>
Finance income	13.0	-	13.0
Finance cost	(24.7)	(5.7)	(30.4)
Exceptional finance cost	-	-	-
<b>Profit before taxes</b>	<b>25.6</b>	<b>(1.9)</b>	<b>23.7</b>
Taxation	(7.9)	0.4	(7.5)
Exceptional taxation	5.6	-	5.6
<b>Taxation</b>	<b>(2.3)</b>	<b>0.4</b>	<b>(1.9)</b>
<b>Net profit</b>	<b>23.3</b>	<b>(1.5)</b>	<b>21.8</b>
Attributable to:			
Equity holders of the parent	23.3	(1.5)	21.8
Non-controlling interests	-	-	-
<b>Net profit</b>	<b>23.3</b>	<b>(1.5)</b>	<b>21.8</b>
<b>Underlying operating profit</b>	<b>49.4</b>	<b>3.8</b>	<b>53.2</b>

### Consolidated balance sheet at the period ended 31 December 2018

€m	2018 as originally published	IFRS16 impact	2018 - Restated
Fleet	997.1	28.8	1,025.9
Property, plant and equipment	77.6	65.0	142.6
Intangible assets	66.9	-	66.9
Financial assets	-	-	-
Deferred tax assets	4.5	0.4	4.9
<b>Non-current assets</b>	<b>1,146.1</b>	<b>94.2</b>	<b>1,240.3</b>
Inventories	10.6	-	10.6
Trade and other receivables	106.5	-	106.5
Financial assets	-	-	-
Current tax assets	1.0	-	1.0
Cash and equivalents	11.1	-	11.1
<b>Current assets</b>	<b>129.2</b>	<b>-</b>	<b>129.2</b>
<b>Total assets</b>	<b>1,275.3</b>	<b>94.2</b>	<b>1,369.5</b>
Borrowings	743.2	19.7	762.9
Derivatives	0.9	-	0.9
Provisions	1.1	-	1.1
Trade and other payables	119.1	-	119.1
Current tax liabilities	7.8	-	7.8
<b>Current liabilities</b>	<b>872.1</b>	<b>19.7</b>	<b>891.8</b>
Borrowings	52.4	81.0	133.4
Derivatives	0.1	-	0.1
Provisions	1.1	-	1.1
Trade and other payables	12.4	-	12.4
Deferred tax liabilities	27.8	(1.0)	26.8
<b>Non-current liabilities</b>	<b>93.8</b>	<b>80.0</b>	<b>173.8</b>
<b>Total liabilities</b>	<b>965.9</b>	<b>99.7</b>	<b>1,065.6</b>
<b>Net assets</b>	<b>309.4</b>	<b>(5.5)</b>	<b>303.9</b>
Share capital	-	-	-
Share premium	225.7	-	225.7
Retained earnings	96.0	(5.5)	90.5
Other reserves	(12.3)	-	(12.3)
<b>Equity attributable to parent</b>	<b>309.4</b>	<b>(5.5)</b>	<b>303.9</b>
Non-controlling interests	-	-	-
<b>Equity</b>	<b>309.4</b>	<b>(5.5)</b>	<b>303.9</b>

### Consolidated balance sheet at the period ended 31 December 2017

€m	2017 as originally published	IFRS16 impact	2017 - Restated
Fleet	840.3	31.1	871.4
Property, plant and equipment	77.2	59.7	136.9
Intangible assets	60.9	-	60.9
Financial assets	261.3	-	261.3
Deferred tax assets	5.5	0.1	5.6
<b>Non-current assets</b>	<b>1,245.2</b>	<b>90.9</b>	<b>1,336.1</b>
Inventories	11.2	-	11.2
Trade and other receivables	125.2	-	125.2
Financial assets	20.2	-	20.2
Current tax assets	1.2	-	1.2
Cash and equivalents	18.7	-	18.7
<b>Current assets</b>	<b>176.5</b>	<b>-</b>	<b>176.5</b>
<b>Total assets</b>	<b>1,421.7</b>	<b>90.9</b>	<b>1,512.6</b>
Borrowings	20.0	17.2	37.2
Derivatives	1.2	-	1.2
Provisions	2.3	-	2.3
Trade and other payables	125.9	-	125.9
Current tax liabilities	9.8	-	9.8
<b>Current liabilities</b>	<b>159.2</b>	<b>17.2</b>	<b>176.4</b>
Borrowings	640.5	79.0	719.5
Derivatives	0.4	-	0.4
Provisions	1.7	-	1.7
Trade and other payables	10.4	-	10.4
Deferred tax liabilities	31.9	(1.1)	30.8
<b>Non-current liabilities</b>	<b>684.9</b>	<b>77.9</b>	<b>762.8</b>
<b>Total liabilities</b>	<b>844.1</b>	<b>95.1</b>	<b>939.2</b>
<b>Net assets</b>	<b>577.6</b>	<b>(4.2)</b>	<b>573.4</b>
Share capital	-	-	-
Share premium	513.2	-	513.2
Retained earnings	72.7	(4.2)	68.5
Other reserves	(8.3)	-	(8.3)
<b>Equity attributable to parent</b>	<b>577.6</b>	<b>(4.2)</b>	<b>573.4</b>
Non-controlling interests	-	-	-
<b>Equity</b>	<b>577.6</b>	<b>(4.2)</b>	<b>573.4</b>



## Statement of cash flow for the period ended 31 December 2018

€m	2018 as originally published	IFRS16 impact	- Restated
Operating profit	49.5	5.2	54.7
Non-cash adjustments	136.7	20.6	157.3
Working capital movements	4.8	-	4.8
<b>Cash generated from operations</b>	<b>191.0</b>	<b>25.8</b>	<b>216.8</b>
Net fleet investments	(256.3)	-	(256.3)
Net interest and tax	(33.2)	(6.7)	(39.9)
<b>Net cash flow from/(used in) operations</b>	<b>(98.5)</b>	<b>19.1</b>	<b>(79.4)</b>
Business combinations (net of cash acquired)	(0.9)	-	(0.9)
Financial assets	2.4	-	2.4
Proceeds from PP&E sales	0.2	-	0.2
PP&E purchases	(6.3)	-	(6.3)
Intangible assets additions	(5.2)	-	(5.2)
<b>Net cash flow from/(used in) investing activities</b>	<b>(9.8)</b>	<b>-</b>	<b>(9.8)</b>
<b>Net cash flow after investing activities</b>	<b>(108.3)</b>	<b>19.1</b>	<b>(89.2)</b>
Borrowing drawdowns	230.0	-	230.0
Borrowing repayments	(129.9)	(19.1)	(149.0)
<b>Net cash flow from financing activities</b>	<b>100.1</b>	<b>(19.1)</b>	<b>81.0</b>
<b>Net cash flow after investing and financing activities</b>	<b>(8.2)</b>	<b>-</b>	<b>(8.2)</b>
Cash and equivalents at 1 January	18.7	-	18.7
Net increase/(decrease) in cash and equivalents	(8.2)	-	(8.2)
Net foreign exchange difference	0.6	-	0.6
<b>Cash and equivalents at 31 December</b>	<b>11.1</b>	<b>-</b>	<b>11.1</b>

## Statement of cash flow for the period ended 31 December 2017

€m	2017 as originally published	IFRS16 impact	- Restated
Operating profit	37.3	3.8	41.1
Non-cash adjustments	122.3	17.8	140.1
Working capital movements	(7.8)	-	(7.8)
<b>Cash generated from operations</b>	<b>151.8</b>	<b>21.6</b>	<b>173.4</b>
Net fleet investments	(185.3)	-	(185.3)
Net interest and tax	(23.7)	(5.7)	(29.4)
<b>Net cash flow from/(used in) operations</b>	<b>(57.2)</b>	<b>15.9</b>	<b>(41.3)</b>
Business combinations (net of cash acquired)	(4.8)	-	(4.8)
Financial assets	(5.9)	-	(5.9)
Proceeds from PP&E sales	2.0	-	2.0
PP&E purchases	(6.1)	-	(6.1)
Intangible assets additions	(0.8)	-	(0.8)
<b>Net cash flow from/(used in) investing activities</b>	<b>(15.6)</b>	<b>-</b>	<b>(15.6)</b>
<b>Net cash flow after investing activities</b>	<b>(72.8)</b>	<b>15.9</b>	<b>(56.9)</b>
Borrowing drawdowns	201.5	-	201.5
Borrowing repayments	(127.4)	(16.0)	(143.4)
<b>Net cash flow from financing activities</b>	<b>74.1</b>	<b>(16.0)</b>	<b>58.1</b>
<b>Net cash flow after investing and financing activities</b>	<b>1.3</b>	<b>(0.1)</b>	<b>1.2</b>
Cash and equivalents at 1 January	16.6	-	16.6
Net increase/(decrease) in cash and equivalents	1.3	(0.1)	1.2
Net foreign exchange difference	0.8	0.1	0.9
<b>Cash and equivalents at 31 December</b>	<b>18.7</b>	<b>(0.0)</b>	<b>18.7</b>



# Acknowledgements

## **Published by**

Global TIP Holdings Two B.V.  
Alpha Tower  
De Entree 33  
1101 BH Amsterdam Zuidoost  
The Netherlands

## **Concept & layout**

DartGroup, Amsterdam

## **Photography & images**

Rene van der Hulst  
TIP

## **Illustration**

DartGroup, Amsterdam

## **Printing**

Zwaan Printmedia, Wormerveer

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