

## Results for the twelve months ended 31 December 2016

### Chris Weston, Chief Executive Officer, commented:

"Whilst the trading environment over the last twelve months has been challenging I am pleased with the progress that we are making across the Group implementing our transformation programme to return the business to growth. We are investing in the right technologies to reduce costs to our customers; improving our customer focus and delivering the efficiencies we set out in August 2015. These improvements, taken with our market leadership, technical capability and the need for our products being as relevant as ever mean I am confident we are well on track to create a stronger business for the future."

### Financial highlights

- Full year profit before tax in line with market expectations
- Strong Power Solutions order intake of over 1.3GW (Eurasia Industrial: 299MW (2015: 125MW))
- Low oil price impacted a number of our markets, particularly North America
- Full year dividend maintained reflecting confidence in the strength and prospects of the Group

### Business Priorities Highlights

- Customer: New Customer Relationship Management (CRM) system introduced as part of broader digitisation
- Technology: New HFO in production; increasing the proportion of market leading diesel and gas engines in the fleet
- Efficiency: On track to deliver cash savings across the Group in excess of £100 million

### Group Performance

£m unless otherwise stated	2016 pre-exceptional items <sup>1</sup>	2015 pre-exceptional items <sup>1</sup>	Change	Change excl. pass-through fuel <sup>2</sup> & currency <sup>3</sup>
Group revenue	1,515	1,561	(3)%	(10)%
Operating profit <sup>4</sup>	248	275	(10)%	(11)%
Operating profit margin	16%	18%		
Profit before tax	221	252	(12)%	
Diluted earnings per share (p)	61.95	71.68	(14)%	
Dividend per share (p)	27.12	27.12	-%	
Return on capital employed <sup>5</sup>	13%	16%		
£m unless otherwise stated	2016 post-exceptional items <sup>1</sup>	2015 post-exceptional items <sup>1</sup>	Change	Change excl. pass-through fuel <sup>2</sup> & currency <sup>3</sup>
Group revenue	1,515	1,561	(3)%	(10)%
Operating profit	199	249	(20)%	(21)%
Operating profit margin	13%	16%		
Profit before tax	172	226	(24)%	
Diluted earnings per share (p)	48.86	63.45	(23)%	
Dividend per share (p)	27.12	27.12	-%	
Return on capital employed	10%	15%		

<sup>1</sup> 2016 exceptional items relate to costs in respect of the Group's business priorities implementation (£19m) and an impairment charge relating to small gas generators used specifically in the oil & gas sector in North America (£30m). 2015 exceptional items relate to costs in respect of the Group's business priorities implementation (£26m). Further details are contained in the Financial Review.

<sup>2</sup> Pass-through fuel relates to Power Solutions Utility contracts in Brazil and Mozambique where we provide fuel on a pass-through basis. Pass-through fuel revenue in 2016 was £60m (2015: £60m) and nil operating profit (2015: loss of £1m).

<sup>3</sup> A reconciliation between reported change and change excluding currency and pass-through fuel is detailed on page 13.

<sup>4</sup> Operating profit represents trading profit of £239 million (2015: £270 million) plus gain on sale of property, plant and equipment of £9 million (2015: £5 million)

<sup>5</sup> ROCE is calculated by taking the operating profit for the year and expressing it as a percentage of the average net operating assets at 1 January, 30 June and 31 December.

**Commenting on current trading and outlook, Chris Weston, CEO said:**

“We expect to see growth across the group in 2017, augmented by incremental annualised cost savings of £25 million from the second half. However, this will be more than offset by the significant impact of Argentina and as a result we expect full year profit before tax and pre-exceptional items to be lower than last year.”

**Business unit performance**

Pre-exceptional items £m	Revenue				Operating Profit			
	2016	2015	Change	Change excl. pass-through fuel and currency	2016	2015	Change	Change excl. pass-through fuel and currency
Rental Solutions	629	618	2%	(8)%	52	102	(50)%	(55)%
Power Solutions								
Industrial	262	267	(2)%	(9)%	32	41	(21)%	(28)%
Utility incl. pass-through fuel	624	676	(8)%	(13)%	164	132	24%	37%
Total Power Solutions	886	943	(6)%	(12)%	196	173	14%	20%
Group	1,515	1,561	(3)%	(10)%	248	275	(10)%	(11)%

Post-exceptional items £m	Revenue				Operating Profit			
	2016	2015	Change	Change excl. pass-through fuel and currency	2016	2015	Change	Change excl. pass-through fuel and currency
Rental Solutions	629	618	2%	(8)%	12	92	(88)%	(89)%
Power Solutions								
Industrial	262	267	(2)%	(9)%	29	36	(21)%	(28)%
Utility incl. pass-through fuel	624	676	(8)%	(13)%	158	121	33%	49%
Total Power Solutions	886	943	(6)%	(12)%	187	157	20%	28%
Group	1,515	1,561	(3)%	(10)%	199	249	(20)%	(21)%

## Business unit highlights

### Rental Solutions

- North American revenue down 18% driven by low oil price
  - Oil and gas and petrochemical and refining sectors significantly down in volume and price impacting both revenues and margins
    - Impairment charge of £30m relating to small gas generators
  - Offsets solid growth in construction and shipping sector
- Solid growth in Continental and Northern Europe, revenues up 5% and 9% respectively
- Temperature control grew by 7%, supported by two bolt-on acquisitions

### Power Solutions

#### Industrial

- Revenue in line with the prior year excluding the European Games
- Strong performances in Eurasia and Africa and stable performance in Middle East
  - Eurasia: 28% growth in revenue excluding currency; 299MW of order intake (2015: 125MW)
- Challenging market conditions across much of Latin America and parts of Asia

#### Utility

- Revenue decrease driven by off-hiring of Mozambique
- Strong order-intake of 1,057MW (2015: 640MW); pricing consistent with medium term return targets
- Progress made with Venezuelan overdue debt
- Reduced volumes and material discount to original Argentina contracts, majority of impact in 2017
  - Awaiting result of 200MW standby volume tender; very competitive process

### Future Reporting

20 April 2017	Ex-dividend date
21 April 2017	Record date to be eligible for the final dividend
27 April 2017	Annual General Meeting and Q1 Trading Update
24 May 2017	Final dividend payment
2 August 2017	Half year results for the period to 30 June 2017
Q4 2017	Capital Markets Day – Customer

### Enquiries

#### Investors & Analysts

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### Analyst Presentation

A presentation will be held for analysts and investors today at 9am (GMT) at the London Stock Exchange, 10 Paternoster Square, EC4M 7LS. A live web-cast and a copy of the slides will be available on our website and investor relations app at [www.aggreko.com/investors](http://www.aggreko.com/investors).

For a video of Chris Weston and Carole Cran discussing the 2016 results, please visit [www.aggreko.com/investors](http://www.aggreko.com/investors).

## OPERATING & FINANCIAL REVIEW

### Group Trading Performance

Reported Group revenue was down 3% on prior year with Rental Solutions up 2% and Power Solutions Industrial and Utility down 2% and 8% respectively.

Reported revenue and operating profit include the translational impact of currency as Aggreko's revenues and profits are earned in a number of different currencies (most notably the US Dollar) which are then translated and reported in sterling. The movement in exchange rates in the period had the translational impact of increasing revenue by £122 million and operating profit by £1 million. This was driven by the strength of the US Dollar against Sterling partially offset by the weakness of the Argentinian Peso against Sterling.

In addition, the Group reports separately fuel revenue from contracts in our Power Solutions Utility business in Brazil and Mozambique where we manage fuel on a pass-through basis on behalf of our customers. The reason for the separate reporting is that fuel revenue on these contracts is entirely dependent on fuel prices and volumes of fuel consumed, and these can be volatile and may distort the view of the performance of the underlying business. In 2016, fuel revenue from these contracts was £60 million (2015: £60 million) with nil operating profit (2015: loss of £1 million).

Group revenue excluding the impact of currency movements and pass-through fuel decreased 10% on the prior year. Rental Solutions revenue excluding the impact of currency was down 8% driven by the continued decline in North America in upstream oil and gas and softness in the petrochemical and refining sector from the start of 2016, following a strong 2015. In Europe and Australia Pacific Rental Solutions grew year on year. Power Solutions revenue excluding the impact of currency and pass-through fuel was down 12%. Within this, our Industrial business revenue decreased 9% primarily due to the comparatives including revenue from the European Games, excluding this, revenue was in line with prior year. Power Solutions Utility revenue was down 13% driven by the off-hire of 173MW of our gas-fuelled plants in Mozambique at the beginning of the year where permanent power came on line and a reduction in Argentina, reflecting pricing on contract extensions.

During the year the Group incurred exceptional costs of £49 million (2015: £26 million) which are split: Rental Solutions £40 million (2015: £10 million), Power Solutions Utility £6 million (2015: £11 million) and Power Solutions Industrial £3 million (2015: £5 million). £30 million of the charge in Rental Solutions relates to the impairment of assets used in the oil and gas sector in North America, with the remaining costs across the Group relating to the focus on our business priorities and are explained on page 14.

Pre-exceptional items the Group operating margin was 16% (2015: 18%). Group operating margin post exceptional items was 13% (2015: 16%). Rental Solutions margin pre-exceptional items was down eight percentage points (down thirteen percentage points on a post-exceptional basis) reflecting the decline in North America referred to above. Power Solutions Industrial margin on a pre and post-exceptional item basis was down three percentage points reflecting the incremental benefit from the European Games in the prior year numbers. Power Solutions Utility margin was up seven percentage points on a pre-exceptional items basis (up eight percentage points post exceptional items) driven by: higher utilisation; lower indirect tax costs; lower service material costs and a lower depreciation charge. This lower depreciation charge related to transformers and switchgear, the useful lives of which were adjusted as a result of our annual fleet review (refer to page 16 for more details). Of this margin increase there were some one-off benefits, notably in indirect tax and service material costs, with an underlying increase in the margin of three percentage points.

The lower Group margin as well as an increase in net operating assets, driven by an increased level of Power Solutions Utility overdue debt, impacted the Group return on capital employed (ROCE), which on a pre-exceptional items basis was 13% (2015: 16%). Group ROCE post exceptional items was 10% (2015: 15%).

The Group delivered profit before tax and exceptional items of £221 million (2015: £252 million). Diluted earnings per share (DEPS) pre-exceptional items was 61.95 pence, 14% lower than the prior year. Profit before

tax and post exceptional items was £172 million (2015: £226 million) and diluted earnings per share post exceptional items was 48.86p (2015: 63.45p).

## **Dividends**

Reflecting our continued confidence in the strength and prospects of the business, the Group is proposing to maintain the final dividend at 17.74 pence per share. Subject to shareholder approval this will result in a full year dividend of 27.12 pence (2015: 27.12 pence) per ordinary share; this equates to dividend cover pre-exceptional items of 2.3 times (2015: 2.6 times). Dividend cover post-exceptional items is 1.8 times (2015: 2.3 times).

## **Cashflow and Balance Sheet**

During the year, we generated an operating cash inflow of £388 million (2015: £461 million). The reduction in operating cash inflow is mainly driven by working capital outflows of £119 million. The majority of the working capital outflow is due to an increase in trade debtors in our Power Solutions Utility business and inventory relating to the production of our medium speed HFO and gas products (this movement is explained in more detail in the Financial Review on page 15). Fleet capital expenditure was £241 million (2015: £237 million), of which £46 million was invested in our next generation gas fleet, £15 million in our new HFO product and £51 million to continue the refurbishment programme of our diesel fleet to the more fuel efficient, higher output G3+ engine, which now makes up around 25% of the Power Solutions Utility diesel fleet.

Net debt was £649 million at 31 December 2016, £160 million higher than the prior year. £114 million of this movement relates to currency movements, notably the weakening of sterling against the US dollar. The increase excluding currency of £46 million (2015: £23 million decrease) was driven by cashflow from operating activities in the year of £388 million (2015: £461 million), capital expenditure of £263 million (2015: £254 million), the acquisition of DRYCO of £22 million (2015: acquisition of ICS £18 million), ordinary dividend payments of £69 million (2015: £69 million) as well as proceeds from sale of property, plant and equipment, purchase of shares, interest and tax payments. This resulted in net debt to EBITDA of 1.2 times compared to 0.9 times at December 2015, with the majority of the year on year movement relating to foreign exchange translation.

## **Outlook**

In Rental Solutions, our North American business is showing signs of stabilisation after a difficult 2016. Most sectors are up on the prior year to date and the higher oil price is giving ground for cautious optimism. We expect our Europe and Australia Pacific businesses to continue to perform well throughout 2017.

In Power Solutions, the Industrial business is expected to perform well, driven by two of our largest businesses, the Middle East and Eurasia.

In Power Solutions Utility, the pipeline remains healthy and is well spread geographically, although at this early stage in the year the order intake has been lower than in the prior year. Results in this division will also reflect the material impact of pricing renegotiations in Argentina, our last legacy contract.

Fleet capital expenditure is expected to be £300 million, with investments in HFO and in our more fuel efficient diesel engines. As usual, this spend will be flexed as required depending on market conditions.

We expect to see growth across the group, augmented by incremental annualised cost savings of £25 million from the second half (with a similar one off charge). However, this will be more than offset by the significant impact of Argentina and as a result we expect full year profit before tax and pre-exceptional items to be lower than last year.

## BUSINESS UNIT PERFORMANCE REVIEW

### Rental Solutions

	Revenue				Operating Profit			
	2016	2015	Change	Change excluding currency	2016	2015	Change	Change excluding currency
<b>Pre-exceptional items £m</b>	629	618	2%	(8)%	52	102	(50)%	(55)%
Operating Margin pre-exceptional items					8%	16%		
<b>Post-exceptional items £m</b>	629	618	2%	(8)%	12	92	(88)%	(89)%
Operating Margin post-exceptional items					2%	15%		

Our Rental Solutions business had a challenging year with revenue excluding the impact of currency down 8% on the prior year and operating profit (excluding exceptional items) declining by 55%.

The decline in operating profit relative to the decline in revenue is primarily due to rate pressure in the North American oil and gas and petrochemical and refining sectors driven by the lower oil price. Pricing in these sectors was down by around 30% and 8% respectively, which despite us taking action to reduce our cost base had a significant impact on the margins of this business.

Rental revenue excluding the impact of currency decreased by 9% and services revenue decreased by 5%. Within rental revenue, power decreased by 16% and oil free air was down 12%. Offsetting this, we saw good growth in temperature control with revenue up 7% including the acquisitions of ICS in 2015 and DRYCO in 2016, as well as good base business growth of 4%.

Revenue in our North American business excluding currency was down 18%. The decline that affected us from quarter two 2015 in upstream oil and gas continued through 2016 in the shale basins, offshore Gulf of Mexico and the Canadian Oil Sands. We continue to service all these markets and see an ongoing market opportunity especially if the oil price stabilises at current relatively higher levels. The team continue to identify opportunities to balance utilisation and pricing in this changing environment, however the utilisation of the specialist equipment that we use in the shale basins remains at sub-optimal levels. As a result we have reviewed the carrying value of these small gas generators and have taken an impairment charge of £30 million (more details are included in the Financial Review on page 14). In addition, we have taken the recent decision to close three depots and further reduce headcount to right size our oil and gas cost base which will generate savings of £2.5 million. Our petrochemical and refining sector also had a weak year with revenues declining 18%, following a strong year of 25% growth in 2015.

In our Australia Pacific business, revenue excluding currency increased 11% driven by a four-month 108MW emergency response contract in Tasmania. The business also secured a 20MW contract for two years in South Australia and deployed 21MW of gas engines to the Granny Smith goldmine in April 2016, for a ten-year contract.

Across Europe, nearly all countries grew year on year despite the lower oil price having an impact on our businesses in Scotland and the Nordics. Our Continental European business saw revenue excluding currency increasing 5% aided by good growth in France and the Netherlands. The Northern European business also saw growth with revenue excluding currency increasing 9%, driven by the construction and telecoms sectors.

## Power Solutions

Pre-exceptional items £m	Revenue				Operating Profit			
	2016	2015	Change	Change excl. pass-through fuel and currency	2016	2015	Change	Change excl. pass-through fuel and currency
Industrial	262	267	(2)%	(9)%	32	41	(21)%	(28)%
Utility excl. pass-through fuel	564	616	(9)%	(13)%	164	133	23%	37%
Pass-through fuel	60	60	-%	(10)%	-	(1)	100%	100%
<b>Total Power Solutions</b>	<b>886</b>	<b>943</b>	<b>(6)%</b>	<b>(12)%</b>	<b>196</b>	<b>173</b>	<b>14%</b>	<b>20%</b>
<b>Operating Margin</b>								
Industrial					12%	15%		
Utility excl. pass-through fuel					29%	22%		
Total Power Solutions excl. pass-through fuel					24%	20%		

Post-exceptional items £m	Revenue				Operating Profit			
	2016	2015	Change	Change excl. pass-through fuel and currency	2016	2015	Change	Change excl. pass-through fuel and currency
Industrial	262	267	(2)%	(9)%	29	36	(21)%	(28)%
Utility excl. pass-through fuel	564	616	(9)%	(13)%	158	122	31%	49%
Pass-through fuel	60	60	-%	(10)%	-	(1)	100%	100%
<b>Total Power Solutions</b>	<b>886</b>	<b>943</b>	<b>(6)%</b>	<b>(12)%</b>	<b>187</b>	<b>157</b>	<b>20%</b>	<b>28%</b>
<b>Operating Margin</b>								
Industrial					11%	14%		
Utility excl. pass-through fuel					28%	20%		
Total Power Solutions excl. pass-through fuel					23%	18%		

Overall, our Power Solutions business saw revenue excluding pass-through fuel and currency decline by 12% and on the same basis operating profit pre-exceptional items increase by 20%. Revenue in our Industrial business excluding currency decreased by 9% and operating profit pre-exceptional items by 28%. Operating margin pre-exceptional items was 12% (2015: 15%) with 2015 benefitting from the European Games. Our Utility business saw revenue excluding the impact of currency and pass-through fuel decreasing 13% and operating profit on the same basis and excluding exceptional items up 37%. Operating margin pre-exceptional items was seven percentage points higher at 29% (2015: 22%).

Revenue excluding the impact of currency in our Industrial business unit decreased 9% with rental revenue down 7% and services revenue down 15%. The comparatives included revenue from the European Games,

excluding this, revenue was in line with the prior year. On a geographic basis we continued to see growth in Eurasia and Africa and a steady performance in the Middle East. In Eurasia we saw growth across both the diesel and gas markets, with strong order intake in gas. Order intake across Eurasia in 2016 was 299MW (2015: 125MW). Our revenues in the Middle East were down in Qatar, Saudi Arabia and the UAE largely offset by good growth in Bahrain and Oman. These performances were offset by more difficult trading conditions in Asia and Latin America, in particular Singapore, Brazil and Chile. Since we began implementing our business priorities we have closed five depots in Latin America, with a further six locations downsized. In addition, we have reduced headcount and the fleet size. Despite the action we have already taken excluding the European Games margins have remained static since 2014 and we are continuing to look at the infrastructure to support this business as we explain in the update of our business priorities on pages 8 to 11.

Our Utility business saw revenue excluding currency and pass-through fuel decrease by 13% driven by the off-hire of 173MW of our gas-fuelled plants in Mozambique at the beginning of the year and a reduction in pricing in Argentina following contract extensions. Operating margin pre-exceptional items increased to 29% (2015: 22%) driven by higher utilisation, lower indirect tax costs, lower service material costs and a lower depreciation charge, related to transformers and switchgear, the useful lives of which were adjusted as a result of our annual fleet review (refer to page 16 for more details). Operating margin post-exceptional items was 28% (2015: 20%).

Order intake for the year was 1,057MW (2015: 640MW) with contracts signed at terms consistent with our Group medium-term return targets of around 20%. New business included 200MW in Zimbabwe, 357MW in Brazil, 100MW in Benin, 40MW in the Bahamas and 30MW in Mali. At the year end, our order book was over 67,000MW months, the equivalent of 22 months' revenue at the current run-rate (2015: 14 months). The increase reflects the 15-year duration of 143MW of the Brazilian contract wins. The off-hire rate for the year was 30% (2015: 24%) driven by the Mozambique off hire.

Our largest utility contracts are in Argentina where we have been operating since 2008. These are the last significant legacy contracts, signed at a time when the industry dynamics were different and the risk of operating in Argentina was higher including strict foreign exchange controls and bond defaults.

There are two types of contracts in our market: fixed sites and standby sites. 174MW of fixed site contracts have recently been extended to the end of 2017. The price for extensions is a material reduction against the original contract prices. We currently have 214MW of standby contracts that have been extended until February and March 2017 and in due course we would expect these to off hire.

In addition, the customer has recently run a tender for 200MW of standby volume, which we understand will replace all standby volumes currently in the market. This tender replaces an abandoned process in November 2016 at which point all competitors pricing was disclosed making the current process very competitive.

The overall Utility debtor book is discussed on page 15, however the most challenging payment situation in 2016 has been in Venezuela given its dependency on oil export revenues. However, discussions with both our customers (PDVSA and Corpoelec) are regular and constructive and latterly we have received significant payments from both customers in December and January and converted \$19 million of the PDVSA overdue balance into a debt instrument (more details are contained in Note 8 to the Accounts).

## **Business Priorities**

In August 2015 we laid out our business priorities, launching a multi-year programme of initiatives focussed on delivering sustainable growth around three priority areas of: customer, technology and efficiency. Some of these initiatives are group wide whilst others are specific to each business unit.

Under the efficiency priority, our commitment was to deliver £80 million of cash savings across the Group. These savings focussed on two main areas that between them are generating most of the saving. The first of these was a reduction in headcount, with 700 roles removed from the business through a combination of reduced overhead and improved efficiency, generating a saving of around £35 million in 2016. We have consciously not reduced revenue generating roles and have invested in new skills to deliver on our business priorities, particularly in the area of technology.



The second part of these savings is being generated from our supply chain. Since launching the priorities, we have established a procurement function, which is fully resourced and gaining good traction. While there is still much to do in this area, we have renegotiated a number of contracts with key suppliers, put in place multi-year master supply agreements with our engine OEMs, progressed the rationalisation of our supply chain and introduced a number of new processes and tools. We have generated savings of around £20 million in 2016 and expect this to increase to £40 million in 2017, and beyond which we would expect to generate 2-3% of incremental savings year on year on a supplier spend of around £800 million.

Additionally, we are targeting a reduction in our planned and unplanned maintenance, in both Power Solutions and Rental Solutions.

### **Rental Solutions**

The first priority in the Rental Solutions suite of initiatives is our customer, where in the first half of 2016, we spoke to over a thousand customers in key sectors to better understand their requirements to determine what changes we had to make to provide them with an improved service. All the improvements we are working on are directed at making us easier to do business with and making it easier for our sales people to sell. At the heart of this is a new Customer Relationship Management (CRM) system and an online presence which will not only allow us to serve our customers better but will also reduce the cost to serve.

The new CRM has been built in conjunction with one of the leading service providers in this area, structured to meet the needs of Aggreko and our customers. The CRM is part of a wider digitisation of our sales and service chain, all of which is designed to bring improvements across the business, from customer interaction and retention, to fleet management, invoicing and other back office processes. The first release of the CRM went live across our Northern European business during the last quarter of 2016, with the rollout moving into North America, Continental Europe and Australia during the first half of 2017. We have also geographically expanded our remote monitoring offering in 2016, from North America across the remainder of Rental Solutions. The information available to us (and our customers) from this service and the CRM will support further improvements planned for 2017 in field operations and asset management.

Temperature control continues to be a key part of our growth strategy and while organic growth and internal product development are critical, we also remain committed to expanding this area and other adjacent product opportunities through acquisitions. As we noted in August the integration of ICS, a specialist heating company based in Canada, was completed this year and the purchase of Dryco, a leader in drying and moisture control in North America, during the second half of 2016 further enhances our product lines.

### **Power Solutions**

One of the priorities in the Power Solutions Utility suite of initiatives is technology. The primary objective of this is reducing the cost of energy for our customers, which will make our solution more affordable and maintain our position as the global leader in our industry. Whilst reducing our own cost base makes us more competitive, and we have made good progress with this, the more material impact on the cost of energy is the cost of fuel both in terms of the efficiency of the engine and the energy source. We have made good progress on both fronts in the year, which is explained below, and have a technology roadmap supported by our major engine suppliers, looking out at the next 3-5 years and beyond.

In terms of fuel efficiency, diesel remains the core product for Power Solutions Utility making up around 70% of the fleet. We have prioritised the upgrade programme of our existing fleet, which delivers a market-leading product (the G3+) at a capital cost of around 75% of the original asset, which is a unique capability in our industry. As at the end of 2016, we have upgraded 25% of the diesel fleet, with the intention of having the whole fleet upgraded by 2020. In parallel, our engineering team is well progressed with the upgrade path to the next generation of this engine, which will deliver further improvements in fuel efficiency; which again can be delivered through retrofit; and will be available in the fleet from 2018.

Investment in our new gas engine technology has also delivered fuel efficiency improvements and is starting to be deployed across the Group both in Power Solutions and our developed markets in Rental Solutions.

The first batch of our medium speed HFO sets were built during the year and extensive field trials of these are well underway in our Power Solutions hub in Dubai and on a customer site. This solution will offer a reduced cost of energy when compared to diesel and we have already seen interest from customers in a variety of geographies where HFO is used for permanent power production.

Finally, in terms of alternative sources of energy we noted in August that we were also in the early stages of launching a solar-diesel hybrid product, which has particular applicability in remote off grid locations like mines. This solution reduces the cost of fuel by combining our traditional diesel technology with solar PV panels and coupling this with a control system that allows the two technologies to operate together. It can save customers up to 15% compared to the cost of a diesel solution.

We have also undertaken work to better understand our customers and the wider market in Power Solutions Utility, completing detailed studies of the power deficit in current and prospective markets as well as a segmentation by customer type and geography to better determine likely buying patterns. This will ensure that we allocate the right sales resources to the right sectors and territories; work on recruitment of additional sales resources continues, as does the delivery of new training material. The CRM being rolled out in Rental Solutions will also be implemented across Power Solutions during 2017 and will improve sales pipeline management and visibility, as well as giving us a global view of our customer base.

The focus in Power Solutions Industrial has been on optimising our depot infrastructure throughout the business, a task made more urgent due to the challenging economic conditions faced in key markets. By the end of H1 we will have either closed or right-sized around a third of the depot network. A revised low-cost operating model was successfully piloted in a new yard opening in the Philippines and will serve as a blueprint for new and existing locations across Power Solutions Industrial.

### **Execution**

We expect the majority of these initiatives to be complete by the end of 2017 and we now anticipate delivering incremental annualised cash savings of £25 million with a similar associated one-off cost to deliver. Coupled with our previous actions, which targeted £80 million of cash savings, we now intend to deliver over £100 million of cash savings by the end of 2017. The total exceptional charge for all of these savings will be £70 million. In addition, as previously noted we have impaired the carrying value of our small gas sets in North America by £30 million, based on the current outlook for the oil & gas sector in which they were most heavily used (this will reduce the depreciation charge in 2017 by £6 million).

### **Medium term financial targets**

In August 2015 when we launched our business priorities we laid out financial targets for the medium term of Group margins and returns of around 20%. We remain committed to these targets and believe they represent where the business should be in the medium term in reasonable market conditions and when we have completed our transformation.

There are many factors that will affect the delivery of these medium term targets. In the near term the Argentina contract repricing will impact both margins and returns, as did the repricing of the Bangladesh gas contracts in 2015. Much of the cost savings so far have been offset by the impact of these legacy contracts, of which Argentina is the last. Returns on new contracts written in 2016 are now representative of market conditions today and consistent with our medium term targets.

Looking beyond this, and applicable across the whole Group, we would expect margins, and therefore returns, to benefit from topline growth; gaining leverage from the fixed nature of our cost base.

On the cost base more broadly, we have described the further costs that we will take out in 2017. In addition, we expect to generate further savings from 2018 from both procurement and our planned and unplanned maintenance costs. These should yield between them roughly a 3% efficiency improvement each year. These are examples of the business moving into a more continuous improvement mode, constantly looking for ways to improve efficiencies and to reduce our cost to serve.

Utilisation and pricing clearly goes to the core of any rental company and we would expect to improve utilisation in Rental Solutions and Power Solutions Industrial as market conditions improve and as we deliver the benefits from digitisation and right-sizing our infrastructure. We would also expect pricing in Rental Solutions, and in particular in North America, to improve from the low base of 2016.

In Power Solutions Utility, new work pricing has been relatively stable in the last couple of years. The improvements we are making in fuel and capital efficiency should support this by making the total cost of our solutions more competitive.

In terms of the trajectory of returns, as we said when we launched the business priorities, we clearly need to invest in new fleet, including HFO, to deliver the benefits described. This does, in the near term, put pressure on returns; but is the right thing to do to deliver sustainable growth and maintain our market leading position. All these investments are critically appraised before being committed to and are supported by market opportunities.

Finally, on returns, we are also increasing our focus on working capital and are targeting a significant reduction over the next 12 months.

## FINANCIAL REVIEW

A summarised Income Statement for 2016 as well as related ratios are set out below. The first table excludes exceptional items and the second table includes exceptional items.

	2016 pre-exceptional items £m	2015 pre-exceptional items £m	Movement pre-exceptional items	
			Change	Change excl. pass-through fuel and currency
Revenues	<b>1,515</b>	1,561	(3)%	(10)%
Operating profit	<b>248</b>	275	(10)%	(11)%
Net interest expense	<b>(27)</b>	(23)	(17)%	
Profit before tax	<b>221</b>	252	(12)%	
Taxation	<b>(63)</b>	(69)	8%	
Profit after tax	<b>158</b>	183	(13)%	
Diluted earnings per share (pence)	<b>61.95</b>	71.68	(14)%	
Operating margin	<b>16%</b>	18%	(2)pp	
ROCE	<b>13%</b>	16%	(3)pp	

	2016 post-exceptional items £m	2015 post-exceptional items £m	Movement post-exceptional items	
			Change	Change excl. pass-through fuel and currency
Revenues	<b>1,515</b>	1,561	(3)%	(10)%
Operating profit	<b>199</b>	249	(20)%	(21)%
Net interest expense	<b>(27)</b>	(23)	(17)%	
Profit before tax	<b>172</b>	226	(24)%	
Taxation	<b>(47)</b>	(64)	25%	
Profit after tax	<b>125</b>	162	(23)%	
Diluted earnings per share (pence)	<b>48.86</b>	63.45	(23)%	
Operating margin	<b>13%</b>	16%	(3)pp	
ROCE	<b>10%</b>	15%	(5)pp	

## Currency Translation

The movement in exchange rates in the period had the translational impact of increasing revenue by £122 million and operating profit by £1 million. This was driven by the strength of the US Dollar against Sterling partially offset by the weakness of the Argentinian Peso against Sterling. Currency translation also gave rise to a £220 million increase in the value of net assets as a result of year on year movements in the exchange rates. Set out in the table below are the principal exchange rates which affected the Group's profits and net assets.

(per £ sterling)	2016		2015	
	Average	Year End	Average	Year End
<b>Principal Exchange Rates</b>				
United States Dollar	1.36	1.23	1.53	1.48
Euro	1.22	1.17	1.38	1.36
UAE Dirhams	4.98	4.53	5.61	5.44
Australian Dollar	1.83	1.71	2.03	2.03
Brazilian Reals	4.74	4.01	5.10	5.87
Argentinian Peso	20.00	19.61	14.17	19.18
Russian Rouble	91.04	75.23	93.52	109.42

(Source: Bloomberg)

## Reconciliation of Adjusted Movement to Reported Movement

The tables below reconcile the reported and adjusted revenue and operating profit movements:

### Revenue

	RS			PSI			PSU			Group		
	2016	2015	Change	2016	2015	Change	2016	2015	Change	2016	2015	Change
	£m	£m	%	£m	£m	%	£m	£m	%	£m	£m	%
As reported	629	618	2%	262	267	(2)%	624	676	(8)%	1,515	1,561	(3)%
Pass-through fuel	-	-		-	-		(60)	(60)		(60)	(60)	
Currency impact	-	64		-	21		-	37		-	122	
Adjusted	629	682	(8)%	262	288	(9)%	564	653	(13)%	1,455	1,623	(10)%

### Operating profit

	RS			PSI			PSU			Group		
	2016	2015	Change	2016	2015	Change	2016	2015	Change	2016	2015	Change
	£m	£m	%	£m	£m	%	£m	£m	%	£m	£m	%
As reported	12	92	(88)%	29	36	(21)%	158	121	33%	199	249	(20)%
Pass-through fuel	-	-		-	-		-	1		-	1	
Currency impact	-	12		-	3		-	(14)		-	1	
Exceptional items	40	10		3	5		6	11		49	26	
Adjusted	52	114	(55)%	32	44	(28)%	164	119	37%	248	277	(11)%

Note (i): RS – Rental Solutions; PSI – Power Solutions Industrial; PSU – Power Solutions Utility

Note (ii): the currency impact is calculated by taking 2015 numbers in local currency and retranslating them at 2016 average rates.

## Exceptional Items

An exceptional charge of £19 million before tax was recorded in the year to 31 December 2016 in respect of the Group's business priorities implementation. These costs include employment costs, professional fees, severance costs and facility closure costs directly related to the implementation.

Given the continued decline in the oil and gas sector in North America management reviewed the carrying value of small gas generators used in the oil and gas market. These generators are used only in North America. In assessing the impairment management determined the recoverable amount of the assets, and compared this to the carrying amount. The future cash flows were estimated based on the most up to date business forecast including assumptions around rates, utilisation, costs and discounted using discount rates that reflected current market assessments. As a result of this an impairment charge of £30 million before tax was recorded in the year to 31 December 2016. This represents a small percentage (3%) of the net book value of the total rental fleet.

## Interest

The net interest charge of £27 million was £4 million higher than last year reflecting higher average net debt year on year including the impact of the weakening of sterling against the dollar with over 70% of our debt being dollar denominated to match the profile of our earnings. Interest cover, measured against rolling 12-month EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation), remained strong at 20 times (2015: 24 times) relative to the financial covenant attached to our borrowing facilities that EBITDA should be no less than 4 times interest.

## Taxation

### *Total Taxes*

In 2016, Aggreko's worldwide operations resulted in direct and indirect taxes of £215 million (2015: £217 million<sup>6</sup>) being paid to tax authorities. This amount represents all corporate taxes paid on operations, payroll taxes paid and collected, import duties, sales taxes and other local taxes.

### *Tax Charge*

The Group's pre-exceptional effective corporation tax rate for the year was 28% (2015: 27%) based on a tax charge of £63 million (2015: £69 million) on a pre-exceptional profit before taxation of £221 million (2015: £252 million).

### *Legislative change*

Through the course of 2016 we continued to closely monitor developments in the OECD's work on Base Erosion and Profit Shifting ("BEPS") and Country-By-Country Reporting ("CBCR"). We do not expect that any of our tax arrangements should be materially impacted by any legislative changes arising from the BEPS recommendations. The benefit previously derived from our US financing arrangements is reduced because of this; however, the small impact on our ETR is offset by other changes in our profit mix. We do however recognise that the interpretation of new legislation can be subjective in the period immediately following implementation and we will therefore continue to follow developments in this area.

## Capital Structure & Dividends

The objective of Aggreko's strategy is to deliver long-term value to shareholders whilst maintaining a balance sheet structure that safeguards the Group's financial position through economic cycles. Given the risk profile of the Group we believe gearing of around 1 times net debt to EBITDA is appropriate, recognising from time to time it may be higher for a period of time as investment opportunities present themselves. From a capital

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<sup>6</sup> 2015 numbers have been restated to include VAT and payroll taxes in North America.

allocation perspective our priority is to invest in organic growth. As well as investing organically, there are opportunities for growth through acquisition, both for scale and capability including adjacencies such as temperature control and loadbanks. Acquisitions are subject to our disciplined capital allocation process and will have to meet appropriate hurdle rates of return. Whilst the priorities are investment to generate growth we recognise the importance of maintaining the dividend. Finally, as and when the opportunity arises, we will look at returning surplus capital to shareholders. The retained earnings of the Company as at 31 December 2016 are £428 million and the majority of these earnings are distributable.

Subject to shareholder approval the proposed final dividend of 17.74 pence will result in a full year dividend of 27.12 pence (2015: 27.12 pence) per ordinary share, giving dividend cover (Basic EPS pre-exceptional items divided by full year declared dividend) of 2.3 times (2015: 2.6 times). Dividend cover post-exceptional items is 1.8 times (2015: 2.3 times).

## **Cashflow**

The net cash inflow from operations during the year totalled £388 million (2015: £461 million). The reduction in cash inflow from operations was mainly driven by a working capital outflow of £119 million as explained below. This funded capital expenditure of £263 million (2015: £254 million). Of the £263 million, £241 million (2015: £237 million) was spent on fleet of which £46 million was invested in our next generation gas fleet, £15 million in our new HFO product and £51 million to refurbish our diesel fleet to the more fuel efficient, higher output G3+ engine.

Net debt was £649 million at 31 December 2016, £160 million higher than the prior year, £114 million of which was translational driven by the devaluation of sterling against the US dollar. This resulted in net debt to EBITDA of 1.2 times compared to 0.9 times at December 2015, with the impact of currency being the main driver of the increase, and in line with our stated target range of around 1 times.

The £119 million working capital outflow in the year (2015: £80 million outflow) was made up of increases in trade and other receivables of £81 million and inventory of £21 million, and a decrease in trade and other payables of £17 million. Inventory increased because of the timing of next generation gas and HFO engine purchases.

The main driver of the increase in trade and other receivables is our Power Solutions Utility business, where debtor days increased to 150 days (2015: 123 days) although they have improved on the position at the time of the Interim results (June 2016: 164 days). This increase in debtor days from 2015 is driven by Corpoelec in Venezuela and a handful of debtors in Africa that are taking longer than we would like to clear, although none of the customers dispute the debt and we were pleased to have received a payment post year end from Corpoelec.

The Power Solutions Utility bad debt provision at 31 December 2016 was \$63 million. This was \$71 million at December 2015, however, this balance included \$11m relating to one of our customers in Venezuela (PDVSA) where we have signed \$19 million of private placement notes that are now required to be disclosed under other receivables rather than trade receivables (this is explained in Note 8 of the accounts).

## Net Operating Assets

The net operating assets of the Group (including goodwill) at 31 December 2016 totalled £2,124 million, £417 million higher than 2015. Excluding the impact of currency net operating assets are £77 million higher. The main components of net operating assets are detailed in the table below.

£ million	2016	2015	Movement	Movement excluding the impact of currency
Rental Fleet	<b>1,203</b>	1,049	15%	(5)%
Property & Plant	<b>106</b>	90	17%	2%
Inventory	<b>247</b>	189	30%	10%
Net Trade Debtors	<b>454</b>	320	42%	20%

A key measure of Aggreko's performance is the return (expressed as adjusted operating profit) generated from average net operating assets (ROCE). In 2016, the ROCE decreased to 13% compared with 16% in 2015. Excluding the impact of currency ROCE decreased circa 2 percentage points driven by an increase in operating assets and a reduction in operating margin.

## Property, Plant and Equipment

Rental fleet accounts for £1,203 million, or around 92%, of the net book value of property, plant and equipment used in our business. The great majority of equipment in the rental fleet is depreciated on a straight-line basis to a residual value of zero over 8 years, with some classes of ancillary rental fleet depreciated over 10 and 12 years. The annual fleet depreciation charge of £261 million (2015: £259 million) relates to the estimated service lives allocated to each class of fleet asset. Asset lives are reviewed at the start of each year and changed if necessary to reflect current thinking amongst other things on their remaining lives in light of technological change, prospective economic utilisation and the physical condition of the assets. During this year's review, the depreciation life for transformers/switchgears was increased to 12 years from 8 years to reflect external views on the useful life of these assets, equipment testing carried out internally and our experience to date. This lowered depreciation by £12 million in the year to 31 December 2016 compared to 2015.

## Acquisition of DRYCO LLC

On 9 September 2016, the Group acquired substantially all of the trade and assets used in connection with DRYCO LLC, a specialist in moisture control, drying, heating and cooling applications within the shipping, manufacturing, food processing, construction and industrial painting industries in North America. The total consideration was £22 million.



## Shareholders' Equity

Shareholders' equity increased by £253 million to £1,368 million, represented by the net assets of the Group of £2,017 million before net debt of £649 million. The movements in shareholders' equity are analysed in the table below:

<b>Movements in Shareholders' Equity</b>	<b>£ million</b>	<b>£ million</b>
<b>As at 1 January 2016</b>		<b>1,115</b>
Profit for the financial year post exceptional items	125	
Dividend <sup>7</sup>	<u>(69)</u>	
Retained earnings		56
Employee share awards		8
Purchase of treasury shares		(8)
Re-measurement of retirement benefits		(29)
Currency translation		220
Movement in hedging reserve		1
Other		<u>5</u>
<b>As at 31 December 2016</b>		<b><u>1,368</u></b>

Post-tax profit (pre-exceptional items) of £158 million in the year represents a return of 12% on Shareholders' Equity (2015: 16%) which compares to an estimated Group weighted average cost of capital of 9%. Return post exceptional items is 9% (2015: 14%).

## Pensions

Pension arrangements for our employees vary depending on best practice and regulation in each country. The Group operates a defined benefit scheme for UK employees, which was closed to new employees joining the Group after 1 April 2002. Most of the other schemes in operation around the world are varieties of defined contribution schemes.

Under IAS 19: 'Employee Benefits', Aggreko has recognised a pre-tax pension deficit of £30 million at 31 December 2016 (2015: £2 million) which is determined using actuarial assumptions. The increase in the pension deficit is primarily driven by a decrease in corporate bond yields resulting in a lower discount rate which has increased the value placed on the liabilities of the scheme compounded by an increase in inflation expectations. Although the deficit has increased it still only represents 2% of net assets.

The sensitivities regarding the main valuation assumptions are shown in the table below.

Assumption	Increase/(decrease)	Deficit (£m)	Income statement cost (£m)
		Change	Change
Rate of increase in salaries	0.5%	(2)	-
Discount rate	(0.5)%	(21)	(1)
Inflation (0.5% increases on pensions increases, deferred revaluation and salary increases)	0.5%	(20)	(1)
Longevity	1 year	(5)	-

## Treasury

The Group's operations expose it to a variety of financial risks that include liquidity, the effects of changes in foreign currency exchange rates, interest rates, and credit risk. The Group has a centralised treasury operation

<sup>7</sup> Reflects the final dividend for 2015 of 17.74 pence per share (2015: 17.74 pence) and the interim dividend for 2016 of 9.38 pence per share (2015: 9.38 pence) that were paid during the year.

whose primary role is to ensure that adequate liquidity is available to meet the Group's funding requirements as they arise, and that financial risk arising from the Group's underlying operations is effectively identified and managed.

The treasury operations are conducted in accordance with policies and procedures approved by the Board and are reviewed annually. Financial instruments are only executed for hedging purposes, and transactions that are speculative in nature are expressly forbidden. Monthly reports are provided to senior management and treasury operations are subject to periodic internal and external review.

#### *Liquidity and funding*

The Group maintains sufficient facilities to meet its funding requirements over the medium term. At 31 December 2016, these facilities totalled £1,035 million in the form of committed bank facilities arranged on a bilateral basis with a number of international banks and private placement lenders. The financial covenants attached to these facilities are that EBITDA should be no less than 4 times interest and net debt should be no more than 3 times EBITDA; at 31 December 2016, these stood at 20 times and 1.2 times respectively. The Group does not expect to breach these covenants in the year from the date of approval of these financial statements.

The Group expects to be able to arrange sufficient finance to meet its future funding requirements. It has been the Group's custom and practice to refinance its facilities in advance of their maturity dates, providing that there is an ongoing need for those facilities.

Net debt amounted to £649 million at 31 December 2016 (2015: £489 million) and, at that date, un-drawn committed facilities were £402 million.

#### *Interest rate risk*

The Group's policy is to manage the exposure to interest rates by ensuring an appropriate balance of fixed and floating rates. At 31 December 2016, £385 million of the net debt of £649 million was at fixed rates of interest resulting in a fixed to floating rate net debt ratio of 59:41 (2015: 66:34).

#### *Foreign exchange risk*

The Group is subject to currency exposure on the translation into Sterling of its net investments in overseas subsidiaries. In order to reduce the currency risk arising, the Group uses direct borrowings in the same currency as those investments. Group borrowings are predominantly drawn down in the currencies used by the Group, namely US Dollar, Euros, Canadian Dollar, Mexican Peso, Brazilian Reals and Russian Rouble.

The Group manages its currency flows to minimise foreign exchange risk arising on transactions denominated in foreign currencies and uses forward contracts and forward currency options, where appropriate, in order to hedge net currency flows.

#### *Credit risk*

Cash deposits and other financial instruments give rise to credit risk on amounts due from counterparties. The Group manages this risk by limiting the aggregate amounts and their duration depending on external credit ratings of the relevant counterparty. In the case of financial assets exposed to credit risk, the carrying amount in the balance sheet, net of any applicable provision for loss, represents the amount exposed to credit risk.

#### *Insurance*

The Group operates a policy of buying cover against the material risks which the business faces, where it is possible to purchase such cover on reasonable terms. Where this is not possible, or where the risks would not have a material impact on the Group as a whole, we self-insure.

## Principal Risks and Uncertainties

In the day to day operations of the Group, we face risks and uncertainties. Our job is to mitigate and manage these risks and the Board has developed a risk management framework. The principal uncertainties which we believe could potentially impact the Group are summarised below:

- Market conditions – Rental Solutions;
- Market dynamics – Power Solutions;
- Change management relating to our new business priorities;
- Talent management;
- Technology – market introduction;
- Cyber security;
- Security;
- Health and safety;
- Environment;
- Failure to conduct business dealings with integrity and honesty;
- Taxation;
- Failure to collect payments or to recover assets.

During 2016, we saw an increase in risk in relation to a number of these factors explained as follows:

- **Change management relating to our new business priorities:** We have made good progress towards delivery of the business initiatives identified previously and have good governance in place to ensure the initiatives are fully delivered. However, we recognise the criticality of the phase we are in hence the heightened risk identified.
- **Talent management:** Group staff turnover (excluding redundancies) is lower than last year. However, staff turnover has increased in a couple of key areas of the business and we are taking action to address this. During 2016, we continued with our plans to complete a comprehensive talent management and succession planning review and have taken steps to address opportunities for improvement which the review identified.
- **Failure to collect payments or to recover assets:** Our risk in this area has risen slightly in 2016 with debtor days increasing since a year ago. However, we have not suffered a significant loss in this area during 2016 and have made progress with the most challenging of the overdue debt in Venezuela.

As with other businesses, we are closely following developments relating to Brexit, although our business in the UK and Europe makes up a relatively small part of the Group. A weaker pound has increased the sterling value of our revenue and assets, the majority of which are denominated in US dollars. The sterling values of our debt and borrowing facilities have increased by similar amounts, so our debt headroom has remained steady. More broadly, we believe it is too early to determine the impact of the UK leaving the European Union on the Group's activities, although we do not expect this to have a material impact on the Group.

## GROUP INCOME STATEMENT

For the year ended 31 December 2016

	Notes	Total before exceptional items 2016 £ million	Exceptional items (Note 5) 2016 £ million	2016 £ million	Total before exceptional items 2015 £ million	Exceptional items 2015 £ million	2015 £ million
Revenue	1	1,515	-	1,515	1,561	-	1,561
Cost of sales		<u>(664)</u>	<u>(30)</u>	<u>(694)</u>	<u>(676)</u>	<u>(1)</u>	<u>(677)</u>
<b>Gross profit</b>		851	(30)	821	885	(1)	884
Distribution costs		(430)	-	(430)	(429)	(4)	(433)
Administrative expenses		(182)	(19)	(201)	(186)	(21)	(207)
Other income		<u>9</u>	<u>-</u>	<u>9</u>	<u>5</u>	<u>-</u>	<u>5</u>
<b>Operating profit</b>	1	248	(49)	199	275	(26)	249
Net finance costs							
- Finance cost		(29)	-	(29)	(25)	-	(25)
- Finance income		<u>2</u>	<u>-</u>	<u>2</u>	<u>2</u>	<u>-</u>	<u>2</u>
<b>Profit before taxation</b>		221	(49)	172	252	(26)	226
Taxation	2	<u>(63)</u>	<u>16</u>	<u>(47)</u>	<u>(69)</u>	<u>5</u>	<u>(64)</u>
<b>Profit for the year</b>		<u>158</u>	<u>(33)</u>	<u>125</u>	<u>183</u>	<u>(21)</u>	<u>162</u>
All profit for the year is attributable to the owners of the Company.							
<b>Basic earnings per share (pence)</b>	4	<u>61.98</u>	<u>(13.10)</u>	<u>48.88</u>	<u>71.73</u>	<u>(8.24)</u>	<u>63.49</u>
<b>Diluted earnings per share (pence)</b>	4	<u>61.95</u>	<u>(13.09)</u>	<u>48.86</u>	<u>71.68</u>	<u>(8.23)</u>	<u>63.45</u>

## GROUP STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

	2016 £ million	2015 £ million
<b>Profit for the year</b>	<u>125</u>	<u>162</u>
<b>Other comprehensive income/(loss):</b>		
<i>Items that will not be reclassified to profit or loss</i>		
Remeasurement of retirement benefits	(29)	4
Taxation on remeasurement of retirement benefits	5	(1)
<i>Items that may be reclassified subsequently to profit or loss</i>		
Cash flow hedges	1	-
Taxation on cash flow hedges	-	-
Net exchange gains/(losses) offset in reserves	<u>220</u>	<u>(68)</u>
Other comprehensive gain/(loss) for the year (net of tax)	<u>197</u>	<u>(65)</u>
<b>Total comprehensive income for the year</b>	<u>322</u>	<u>97</u>

**GROUP BALANCE SHEET**  
 (COMPANY NUMBER: SC177553)  
 As at 31 December 2016

	Notes	2016 £ million	2015 £ million
<b>Non-current assets</b>			
Goodwill		159	118
Other intangible assets		24	16
Property, plant and equipment	6	1,309	1,139
Deferred tax asset	12	51	30
		<u>1,543</u>	<u>1,303</u>
<b>Current assets</b>			
Inventories	7	247	189
Trade and other receivables	8	656	476
Cash and cash equivalents		44	48
Derivative financial instruments		1	1
Current tax assets		20	33
		<u>968</u>	<u>747</u>
<b>Total assets</b>		<b><u>2,511</u></b>	<b><u>2,050</u></b>
<b>Current liabilities</b>			
Borrowings	9	(60)	(31)
Derivative financial instruments		(2)	(1)
Trade and other payables	10	(299)	(259)
Current tax liabilities		(58)	(64)
Provisions	11	(1)	(8)
		<u>(420)</u>	<u>(363)</u>
<b>Non-current liabilities</b>			
Borrowings	9	(633)	(506)
Derivative financial instruments		(5)	(6)
Deferred tax liabilities	12	(55)	(58)
Retirement benefit obligation		(30)	(2)
		<u>(723)</u>	<u>(572)</u>
<b>Total liabilities</b>		<b><u>(1,143)</u></b>	<b><u>(935)</u></b>
<b>Net assets</b>		<b><u>1,368</u></b>	<b><u>1,115</u></b>
<b>Shareholders' equity</b>			
Share capital		42	42
Share premium		20	20
Treasury shares		(14)	(9)
Capital redemption reserve		13	13
Hedging reserve (net of deferred tax)		(3)	(4)
Foreign exchange reserve		71	(149)
Retained earnings		1,239	1,202
<b>Total shareholders' equity</b>		<b><u>1,368</u></b>	<b><u>1,115</u></b>

The financial statements on pages 20 to 35 were approved by the Board of Directors on 7 March 2017 and were signed on its behalf by:

**K Hanna**  
 Chairman

**C Cran**  
 Chief Financial Officer

## GROUP CASH FLOW STATEMENT

For the year ended 31 December 2016

	Notes	2016 £ million	2015 £ million
<b>Operating activities</b>			
Profit for the year		125	162
Adjustments for:			
Exceptional items	5	19	26
Exceptional – impairment charge	5	30	-
Tax		47	64
Depreciation		281	277
Amortisation of intangibles		4	4
Finance income		(2)	(2)
Finance cost		29	25
Profit on sale of PPE		(9)	(5)
Share-based payments (i)		6	6
Changes in working capital (excluding the effects of exchange differences on consolidation):			
Increase in inventories		(21)	(25)
Increase in trade and other receivables		(81)	(29)
Decrease in trade and other payables		(17)	(26)
Cash flows relating to exceptional items		<u>(23)</u>	<u>(16)</u>
<b>Cash generated from operations</b>		<b>388</b>	<b>461</b>
Tax paid		(64)	(91)
Interest received		2	2
Interest paid		<u>(28)</u>	<u>(26)</u>
Net cash generated from operating activities		<u>298</u>	<u>346</u>
<b>Cash flows from investing activities</b>			
Acquisitions (net of cash acquired)	13	(22)	(18)
Purchases of property, plant and equipment (PPE)		(263)	(254)
Purchase of other intangible assets		(5)	-
Proceeds from sale of PPE		<u>23</u>	<u>17</u>
Net cash used in investing activities		<u>(267)</u>	<u>(255)</u>
<b>Cash flows from financing activities</b>			
Net proceeds from issue of ordinary shares		-	2
Increase in long-term loans		393	454
Repayment of long-term loans		(373)	(452)
Net movement in short-term loans		18	(11)
Dividends paid to shareholders		(69)	(69)
Return of capital to shareholders		-	(1)
Purchase of treasury shares		<u>(8)</u>	<u>-</u>
Net cash used in financing activities		<u>(39)</u>	<u>(77)</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(8)</b>	<b>14</b>
Cash and cash equivalents at beginning of the year		32	26
Exchange gains/(loss) on cash and cash equivalents		<u>1</u>	<u>(8)</u>
<b>Cash and cash equivalents at end of the year</b>		<b><u>25</u></b>	<b><u>32</u></b>

(i) This relates to the employee share awards within the statement of changes in Equity excluding £2 million included as exceptional items.

## RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

For the year ended 31 December 2016

	Note	2016 £ million	2015 £ million
(Decrease)/increase in cash and cash equivalents		(8)	14
Cash (inflow)/outflow from movement in debt		<u>(38)</u>	<u>9</u>
Changes in net debt arising from cash flows		(46)	23
Exchange loss		<u>(114)</u>	<u>(18)</u>
Movement in net debt in year		(160)	5
Net debt at beginning of year		<u>(489)</u>	<u>(494)</u>
<b>Net debt at end of year</b>	9	<b><u>(649)</u></b>	<b><u>(489)</u></b>

## GROUP STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

As at 31 December 2016

	Attributable to equity holders of the Company							
	Ordinary share capital £ million	Share premium account £ million	Treasury shares £ million	Capital redemption reserve £ million	Hedging reserve £ million	Foreign exchange reserve (translation) £ million	Retained earnings £ million	Total equity £ million
<b>Balance at 1 January 2016</b>	<u>42</u>	<u>20</u>	<u>(9)</u>	<u>13</u>	<u>(4)</u>	<u>(149)</u>	<u>1,202</u>	<u>1,115</u>
Profit for the year	-	-	-	-	-	-	125	125
Other comprehensive (loss)/income:								
Transfers from hedging reserve to fixed assets	-	-	-	-	(3)	-	-	(3)
Fair value gains on foreign currency cash flow hedge	-	-	-	-	3	-	-	3
Fair value gains on interest rate swaps	-	-	-	-	1	-	-	1
Currency translation differences (i)	-	-	-	-	-	220	-	220
Remeasurement of retirement benefits (net of tax)	-	-	-	-	-	-	(24)	(24)
<b>Total comprehensive income for the year ended 31 December 2016</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1</u>	<u>220</u>	<u>101</u>	<u>322</u>
Transactions with owners:								
Purchase of treasury shares	-	-	(8)	-	-	-	-	(8)
Employee share awards	-	-	-	-	-	-	8	8
Issue of ordinary shares to employees under share option schemes	-	-	3	-	-	-	(3)	-
Dividends paid during 2016	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(69)</u>	<u>(69)</u>
	<u>-</u>	<u>-</u>	<u>(5)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(64)</u>	<u>(69)</u>
<b>Balance at 31 December 2016</b>	<u>42</u>	<u>20</u>	<u>(14)</u>	<u>13</u>	<u>(3)</u>	<u>71</u>	<u>1,239</u>	<u>1,368</u>

- (i) Included in currency translation differences of the Group are exchange losses of £117 million arising on borrowings denominated in foreign currencies designated as hedges of net investments overseas, and exchange gains of £337 million relating to the translation of overseas results and net assets.

## GROUP STATEMENT OF CHANGES IN EQUITY

As at 31 December 2015

Attributable to equity holders of the Company								
	Ordinary share capital £ million	Share premium account £ million	Treasury shares £ million	Capital redemption reserve £ million	Hedging reserve £ million	Foreign exchange reserve (translation) £ million	Retained earnings £ million	Total equity £ million
<b>Balance at 1 January 2015</b>	<u>42</u>	<u>20</u>	<u>(14)</u>	<u>13</u>	<u>(4)</u>	<u>(81)</u>	<u>1,102</u>	<u>1,078</u>
Profit for the year	-	-	-	-	-	-	162	162
Other comprehensive (loss)/income:								
Transfers from hedging reserve to revenue	-	-	-	-	(3)	-	-	(3)
Fair value gains on foreign currency cash flow hedge	-	-	-	-	2	-	-	2
Fair value gains on interest rate swaps	-	-	-	-	1	-	-	1
Currency translation differences (i)	-	-	-	-	-	(68)	-	(68)
Remeasurement of retirement benefits (net of tax)	-	-	-	-	-	-	3	3
<b>Total comprehensive (loss)/income for the year ended 31 December 2015</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(68)</u>	<u>165</u>	<u>97</u>
Transactions with owners:								
Employee share awards	-	-	-	-	-	-	8	8
Issue of ordinary shares to employees under share option schemes	-	-	5	-	-	-	(3)	2
Return of capital to shareholders	-	-	-	-	-	-	(1)	(1)
Dividends paid during 2015	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(69)</u>	<u>(69)</u>
	<u>-</u>	<u>-</u>	<u>5</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(65)</u>	<u>(60)</u>
<b>Balance at 31 December 2015</b>	<b>42</b>	<b>20</b>	<b>(9)</b>	<b>13</b>	<b>(4)</b>	<b>(149)</b>	<b>1,202</b>	<b>1,115</b>

- (i) Included in currency translation differences of the Group are exchange losses of £18 million arising on borrowings denominated in foreign currencies designated as hedges of net investments overseas, and exchange losses of £50 million relating to the translation of overseas results and net assets.



## NOTES TO THE ACCOUNTS

For the year ended 31 December 2016

### Note 1

#### Segmental reporting

As a result of the Business Priorities review it was decided that it was more appropriate to manage a number of our contracts in Brazil and Iraq as part of the Power Solutions Utility business instead of the Power Solutions Industrial business. As a result operational and management control of these contracts was transferred from Power Solutions Industrial to Power Solutions Utility from 1 January 2016. Accordingly the comparative figures have been restated. The impact was to reduce the previously stated Power Solutions Industrial balances and results by the amounts shown below and to increase the Power Solutions Utility balances and results.

	2015
Revenue (£ million)	32
Operating profit (£ million)	5
Depreciation and amortisation (£ million)	6
Capital expenditure (£ million)	-
Net operating assets (£ million)	35
Average number of employees	338

#### (a) Revenue by segment

	EXTERNAL REVENUE	
	2016 £ million	2015 Restated £ million
Power Solutions		
Industrial	262	267
Utility	<u>624</u>	<u>676</u>
	886	943
Rental Solutions	<u>629</u>	<u>618</u>
<b>Group</b>	<b><u>1,515</u></b>	<b><u>1,561</u></b>

- (i) Inter-segment transfers or transactions are entered into under the normal commercial terms and conditions that would also be available to unrelated third-parties. All inter-segment revenue was less than £1 million.

#### (b) Profit by segment

	TRADING PROFIT		GAIN ON SALE OF PPE		OPERATING PROFIT	
	2016 £ million	2015 Restated £ million	2016 £ million	2015 Restated £ million	2016 £ million	2015 Restated £ million
Power Solutions						
Industrial	31	40	1	1	32	41
Utility	<u>158</u>	<u>130</u>	<u>6</u>	<u>2</u>	<u>164</u>	<u>132</u>
	189	170	7	3	196	173
Rental Solutions	<u>50</u>	<u>100</u>	<u>2</u>	<u>2</u>	<u>52</u>	<u>102</u>
<b>Operating profit pre-exceptional items</b>	<b><u>239</u></b>	<b><u>270</u></b>	<b><u>9</u></b>	<b><u>5</u></b>	<b><u>248</u></b>	<b><u>275</u></b>
Exceptional items (Note 5)					<u>(49)</u>	<u>(26)</u>
<b>Operating profit post-exceptional items</b>					<b><u>199</u></b>	<b><u>249</u></b>
Finance costs - net					<u>(27)</u>	<u>(23)</u>
<b>Profit before taxation</b>					<b><u>172</u></b>	<b><u>226</u></b>
Taxation					<u>(47)</u>	<u>(64)</u>
<b>Profit for the year</b>					<b><u>125</u></b>	<b><u>162</u></b>

**Note 1**  
**Segmental reporting (continued)**

**(c) Depreciation and amortisation by segment**

	Before exceptional charges 2016 £ million	Impairment charges (note 5) 2016 £ million	Total 2016 £ million	2015 Restated £ million
Power Solutions				
Industrial	63	-	63	61
Utility	127	-	127	134
	<u>190</u>	<u>-</u>	<u>190</u>	<u>195</u>
Rental Solutions	<u>95</u>	<u>30</u>	<u>125</u>	<u>86</u>
<b>Group</b>	<b><u>285</u></b>	<b><u>30</u></b>	<b><u>315</u></b>	<b><u>281</u></b>

**(d) Capital expenditure on property, plant and equipment and intangible assets by segment**

	2016 £ million	2015 Restated £ million
Power Solutions		
Industrial	43	50
Utility	144	124
	<u>187</u>	<u>174</u>
Rental Solutions	<u>94</u>	<u>90</u>
<b>Group</b>	<b><u>281</u></b>	<b><u>264</u></b>

Capital expenditure comprises additions of property, plant and equipment (PPE) of £263 million (2015: £254 million), additions of intangible assets of £5 million (2015: £ nil), acquisitions of PPE of £10 million (2015: £6 million), and acquisitions of intangible assets of £3 million (2015: £4 million).

**(e) Assets/(liabilities) by segment**

	ASSETS		LIABILITIES	
	2016 £ million	2015 Restated £ million	2016 £ million	2015 Restated £ million
Power Solutions				
Industrial	491	392	(44)	(8)
Utility	1,169	934	(177)	(190)
	<u>1,660</u>	<u>1,326</u>	<u>(221)</u>	<u>(198)</u>
Rental Solutions	<u>779</u>	<u>660</u>	<u>(94)</u>	<u>(81)</u>
<b>Group</b>	<b><u>2,439</u></b>	<b><u>1,986</u></b>	<b><u>(315)</u></b>	<b><u>(279)</u></b>
Tax and finance payable	71	63	(117)	(126)
Derivative financial instruments	1	1	(7)	(7)
Borrowings	-	-	(674)	(521)
Retirement benefit obligation	-	-	(30)	(2)
<b>Total assets/(liabilities) per balance sheet</b>	<b><u>2,511</u></b>	<b><u>2,050</u></b>	<b><u>(1,143)</u></b>	<b><u>(935)</u></b>

**(f) Average number of employees by segment**

	2016 Number	2015 Restated Number
Power Solutions		
Industrial	1,326	1,283
Utility	2,269	2,635
	<u>3,595</u>	<u>3,918</u>
Rental Solutions	<u>2,495</u>	<u>2,515</u>
<b>Group</b>	<b><u>6,090</u></b>	<b><u>6,433</u></b>

**Note 1**  
**Segmental reporting (continued)**

**(g) Geographical information**

	Revenue		Non-current assets	
	2016 £ million	2015 £ million	2016 £ million	2015 £ million
North America	337	364	286	274
UK	82	74	101	78
Continental Europe	123	129	110	96
Eurasia	41	31	61	23
Middle East	144	146	264	183
Africa	243	341	231	209
Asia	164	143	130	136
Auspac	80	64	69	47
Latin America	301	269	240	227
	<u>1,515</u>	<u>1,561</u>	<u>1,492</u>	<u>1,273</u>

Non-current assets exclude deferred tax.

**(h) Reconciliation of net operating assets to net assets**

	2016 £ million	2015 £ million
Net operating assets	2,124	1,707
Retirement benefit obligation	(30)	(2)
Net tax and finance payable	(46)	(63)
	<u>2,048</u>	<u>1,642</u>
Borrowings and derivative financial instruments	(680)	(527)
<b>Net assets</b>	<u>1,368</u>	<u>1,115</u>

**Note 2**  
**Taxation**

	<b>Total before exceptional items 2016 £ million</b>	<b>Exceptional items (i) (Note 5) 2016 £ million</b>	<b>2016 £ million</b>	<b>Total before exceptional items 2015 £ million</b>	<b>Exceptional items 2015 £ million</b>	<b>2015 £ million</b>
<b>Analysis of charge in year</b>						
Current tax expense:						
- UK corporation tax	7	(1)	6	6	(2)	4
- Overseas taxation	<u>73</u>	<u>(4)</u>	<u>69</u>	<u>78</u>	<u>(3)</u>	<u>75</u>
	<b>80</b>	<b>(5)</b>	<b>75</b>	<b>84</b>	<b>(5)</b>	<b>79</b>
Adjustments in respect of prior years:						
- UK	-	-	-	(5)	-	(5)
- Overseas	<u>(8)</u>	<u>-</u>	<u>(8)</u>	<u>3</u>	<u>-</u>	<u>3</u>
	<b>72</b>	<b>(5)</b>	<b>67</b>	<b>82</b>	<b>(5)</b>	<b>77</b>
Deferred taxation (Note 12):						
- temporary differences arising in current year	(13)	(11)	(24)	(16)	-	(16)
- movements in respect of prior years	<u>4</u>	<u>-</u>	<u>4</u>	<u>3</u>	<u>-</u>	<u>3</u>
	<b>63</b>	<b>(16)</b>	<b>47</b>	<b>69</b>	<b>(5)</b>	<b>64</b>

- (i) Exceptional items are explained in Note 5 and comprise costs of £19 million relating to the business priorities implementation (2015: £26 million) and £30 million relating to asset impairment (2015: £ nil). Of these costs £45 million are tax deductible (2015: £24 million) and result in an exception credit of £16 million (2015: £5 million).

Variances between the current tax charge and the standard 20% UK corporate tax rate when applied to profit on ordinary activities for the year are as follows:

	<b>Total before exceptional items 2016 £ million</b>	<b>Exceptional items 2016 (Note 5) £ million</b>	<b>2016 £ million</b>
Profit before taxation	221	(49)	172
Tax calculated at 20% standard UK corporate tax rate	44	(10)	34
Differences between UK and overseas tax rates	24	(7)	17
Effect of intra group financing	(2)	-	(2)
Expenses not tax effected	4	1	5
Income not subject to tax	(3)	-	(3)
Chargeable gains	2	-	2
Impact of deferred tax rate changes	<u>(2)</u>	<u>-</u>	<u>(2)</u>
Tax on current year profit	<b>67</b>	<b>(16)</b>	<b>51</b>
Prior year adjustments - current tax	(8)	-	(8)
Prior year adjustments - deferred tax	<u>4</u>	<u>-</u>	<u>4</u>
<b>Total tax on profit</b>	<b>63</b>	<b>(16)</b>	<b>47</b>
<b>Effective tax rate</b>	<b>28%</b>	<b>32%</b>	<b>28%</b>

**Note 2**  
**Taxation (continued)**

	Total before exceptional items 2015 £ million	Exceptional items 2015 £ million	2015 £ million
Profit before taxation	252	(26)	226
Tax calculated at 20% standard UK corporate tax rate	51	(5)	46
Differences between UK and overseas tax rates	20	-	20
Effect of intra group financing	(3)	-	(3)
Expenses not tax effected	5	-	5
Income not subject to tax	(5)	-	(5)
Tax on current year profit	68	(5)	63
Prior year adjustments - current tax	(2)	-	(2)
Prior year adjustments - deferred tax	3	-	3
Total tax on profit	<u>69</u>	<u>(5)</u>	<u>64</u>
Effective tax rate	<u>27%</u>	<u>20%</u>	<u>28%</u>

**Note 3**  
**Dividends**

	2016 £ million	2016 per share (p)	2015 £ million	2015 per share (p)
Final paid	45	17.74	45	17.74
Interim paid	24	9.38	24	9.38
	<u>69</u>	<u>27.12</u>	<u>69</u>	<u>27.12</u>

In addition, the Directors are proposing a final dividend in respect of the financial year ended 31 December 2016 of 17.74 pence per share which will absorb an estimated £45 million of Shareholders' funds. It will be paid on 24 May 2017 to Shareholders who are on the register of members on 21 April 2017.

**Note 4**  
**Earnings per share**

Basic earnings per share have been calculated by dividing the earnings attributable to ordinary Shareholders by the weighted average number of shares in issue during the year, excluding shares held by the Employee Share Ownership Trusts which are treated as cancelled.

	2016	2015
Profit for the year (£ million)	<u>125</u>	<u>162</u>
Weighted average number of Ordinary Shares in issue (million)	<u>255</u>	<u>256</u>
Basic earnings per share (pence)	<u>48.88</u>	<u>63.49</u>

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all potentially dilutive Ordinary Shares. These represent share options granted to employees where the exercise price is less than the average market price of the Company's Ordinary Shares during the year. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

**Note 4**  
**Earnings per share (continued)**

	<b>2016</b>	2015
Profit for the year (£ million)	<u>125</u>	<u>162</u>
Weighted average number of Ordinary Shares in issue (million)	<b>255</b>	256
Adjustment for share options	<u>-</u>	<u>-</u>
Diluted weighted average number of Ordinary Shares in issue (million)	<b>255</b>	256
Diluted earnings per share (pence)	<b>48.86</b>	63.45

Aggreko plc assesses the performance of the Group by adjusting earnings per share, calculated in accordance with IAS 33, to exclude items it considers to be non-recurring and believes that the exclusion of such items provides a better comparison of business performance. The calculation of earnings per Ordinary Share on a basis which excludes exceptional items is based on the following adjusted earnings.

	<b>2016</b>	2015
	<b>£ million</b>	£ million
Profit for the year	<b>125</b>	162
Exclude exceptional items	<u>33</u>	<u>21</u>
Profit for the year pre-exceptional items	<b>158</b>	183
An adjusted earnings per share figure is presented below.		
Basic earnings per share pre-exceptional items (pence)	<b>61.98</b>	71.73
Diluted earnings per share pre-exceptional items (pence)	<b>61.95</b>	71.68

**Note 5**  
**Exceptional items**

An exceptional charge of £19 million before taxation was recorded in the year to 31 December 2016 in respect of the Group's business priorities implementation. The business strategy is set out in the 2016 Annual Report. The costs comprise £11 million of employee costs, £7 million of professional fees and £1 million of property related costs. The employee costs relate to severance costs as well as the costs of employees who are working full time on the business priorities implementation. This exceptional charge can be split into Rental Solutions £10 million, Power Solutions – Industrial £3 million and Power Solutions – Utility £6 million.

Given the continued decline in the oil and gas sector in North America management reviewed the carrying value of small gas generators used in the oil and gas market (685 gas generators rated at 300KW or below). These generators are used only in North America. In assessing the impairment management determined the recoverable amount of the assets based on value in use, and compared this to the carrying amount. As a result of this an impairment charge of £30 million before tax was recorded in the Rental Solutions business unit in the year to 31 December 2016. The future cash flows were estimated in the period to the end of the useful life of the generators based on the most up to date business forecast including assumptions around rates, utilisation, and costs and discounted using a discount rate of 8.10% after taxation. The net book value of these specific generators which is not impaired is £10 million.

**Note 6**  
**Property, plant and equipment**

**Year ended 31 December 2016**

	Freehold properties £ million	Short leasehold properties £ million	Rental fleet £ million	Vehicles, plant & equipment £ million	Total £ million
<b>Cost</b>					
At 1 January 2016	81	19	2,778	97	2,975
Exchange adjustments	10	1	568	23	602
Additions	-	3	241	19	263
Acquisitions (Note 13)	-	-	10	-	10
Disposals	-	(1)	(122)	(3)	(126)
<b>At 31 December 2016</b>	<b>91</b>	<b>22</b>	<b>3,475</b>	<b>136</b>	<b>3,724</b>
<b>Accumulated depreciation</b>					
At 1 January 2016	27	13	1,729	67	1,836
Exchange adjustments	6	1	361	12	380
Charge for the year	3	2	261	15	281
Impairment charge (Note 5)	-	-	30	-	30
Disposals	-	-	(109)	(3)	(112)
<b>At 31 December 2016</b>	<b>36</b>	<b>16</b>	<b>2,272</b>	<b>91</b>	<b>2,415</b>
<b>Net book values :</b>					
<b>At 31 December 2016</b>	<b>55</b>	<b>6</b>	<b>1,203</b>	<b>45</b>	<b>1,309</b>
At 31 December 2015	54	6	1,049	30	1,139

**Year ended 31 December 2015**

	Freehold properties £ million	Short leasehold properties £ million	Rental fleet £ million	Vehicles, plant & equipment £ million	Total £ million
<b>Cost</b>					
At 1 January 2015	77	20	2,599	89	2,785
Exchange adjustments	1	(1)	14	1	15
Additions	3	1	237	13	254
Acquisitions	-	-	5	1	6
Disposals	-	(1)	(77)	(7)	(85)
<b>At 31 December 2015</b>	<b>81</b>	<b>19</b>	<b>2,778</b>	<b>97</b>	<b>2,975</b>
<b>Accumulated depreciation</b>					
At 1 January 2015	23	13	1,513	59	1,608
Exchange adjustments	1	(1)	23	1	24
Charge for the year	3	2	259	13	277
Disposals	-	(1)	(66)	(6)	(73)
<b>At 31 December 2015</b>	<b>27</b>	<b>13</b>	<b>1,729</b>	<b>67</b>	<b>1,836</b>
<b>Net book values :</b>					
<b>At 31 December 2015</b>	<b>54</b>	<b>6</b>	<b>1,049</b>	<b>30</b>	<b>1,139</b>
At 31 December 2014	54	7	1,086	30	1,177

Assets in course of construction are included within Rental fleet.

**Note 7**  
**Inventories**

	2016 £ million	2015 £ million
Raw materials and consumables	242	184
Work in progress	<u>5</u>	<u>5</u>
	<u>247</u>	<u>189</u>

**Note 8**  
**Trade and other receivables**

	2016 £ million	2015 £ million
Trade receivables	521	384
Less: provision for impairment of receivables	<u>(67)</u>	<u>(64)</u>
Trade receivables - net	454	320
Prepayments	38	26
Accrued income	109	96
Other receivables (i)	<u>55</u>	<u>34</u>
<b>Total receivables</b>	<u>656</u>	<u>476</u>

- (i) In September the Group signed £14 million of private placement notes with one customer in Venezuela (PDVSA) to progress clearing the overdue debt. This resulted in a financial instrument which replaced the net trade receivable balance. The financial instrument was booked at fair value which reflects our estimation of the recoverability of these notes. This fair value was estimated to be £8 million which when compared to the carrying amount of the net trade receivable of £6 million (Gross receivable of £14 million less bad debt provision of £8 million) resulted in a release to the income statement of £2 million. This financial instrument is included in other receivables.
- (ii) The value of trade and other receivables quoted in the table above also represents the fair value of these items.

**Note 9**  
**Borrowings**

	2016 £ million	2015 £ million
<b>Non-current</b>		
Bank borrowings	329	253
Private placement notes	<u>304</u>	<u>253</u>
	<u>633</u>	<u>506</u>
<b>Current</b>		
Bank overdrafts	19	16
Bank borrowings	<u>41</u>	<u>15</u>
	<u>60</u>	<u>31</u>
<b>Total borrowings</b>	<u>693</u>	<u>537</u>
Short-term deposits	(1)	(19)
Cash at bank and in hand	<u>(43)</u>	<u>(29)</u>
<b>Net borrowings</b>	<u>649</u>	<u>489</u>

Overdrafts and borrowings are unsecured.



**Note 10**  
**Trade and other payables**

	2016 £ million	2015 £ million
Trade payables	88	77
Other taxation and social security payable	13	8
Other payables	68	63
Accruals	113	97
Deferred income	17	14
	<u>299</u>	<u>259</u>

The value of trade and other payables quoted in the table above also represents the fair value of these items.

**Note 11**  
**Provisions**

	Business priorities programme £ million
At 1 January 2016	8
New provisions	1
Utilised	(8)
<b>At 31 December 2016</b>	<b><u>1</u></b>
<b>Analysis of total provisions</b>	
Current	1
Non-current	-
<b>Total</b>	<b><u>1</u></b>

The provision for the business priorities implementation programme are generally in respect of employee related costs for employees working entirely on the programme. The provision is expected to be fully utilised by the end of 2017.

**Note 12**  
**Deferred tax**

**31 December 2016**

	At 1 January 2016 £ million	Credit/(debit) to income statement 2016 £ million	Credit to other comprehensive income 2016 £ million	Exchange differences 2016 £ million	At 31 December 2016 £ million
Fixed asset timing differences	(69)	(1)	-	(1)	(71)
Retirement benefit obligations	-	-	5	-	5
Overseas tax on unremitted earnings	(1)	-	-	-	(1)
Tax losses	19	21	-	-	40
Derivative financial instruments	1	-	-	-	1
Other temporary differences	<u>22</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22</u>
	<u>(28)</u>	<u>20</u>	<u>5</u>	<u>(1)</u>	<u>(4)</u>

**31 December 2015**

	At 1 January 2015 £ million	Credit/(debit) to income statement 2015 £ million	Debit to other comprehensive income 2015 £ million	Exchange differences 2015 £ million	At 31 December 2015 £ million
Fixed asset timing differences	(71)	11	-	(9)	(69)
Retirement benefit obligations	1	-	(1)	-	-
Overseas tax on unremitted earnings	-	(1)	-	-	(1)
Tax losses	18	1	-	-	19
Derivative financial instruments	1	-	-	-	1
Other temporary differences	<u>20</u>	<u>2</u>	<u>-</u>	<u>-</u>	<u>22</u>
	<u>(31)</u>	<u>13</u>	<u>(1)</u>	<u>(9)</u>	<u>(28)</u>

## Note 13 Acquisitions

### DRYCO LLC

On 9 August 2016 the Group completed the acquisition of the business and assets of DRYCO LLC, a specialist in moisture control, drying, heating and cooling applications within the shipping, manufacturing, food processing, construction and industrial painting industries in North America. The purchase consideration, paid in cash was £22 million.

The revenue and operating profit included in the consolidated income statement from 9 August 2016 to 31 December 2016 contributed by DRYCO LLC was £6 million and £3 million respectively. Had DRYCO LLC been consolidated from 1 January 2016, the consolidated income statement for the year ended 31 December 2016 would show revenue and operating profit of £13 million and £4 million respectively.

The acquisition method of accounting has been adopted and the goodwill arising on the purchase has been capitalised. Acquisition related costs of £0.1 million have been expensed in the period and are included within administrative expenses in the income statement.

The details of the transaction and fair value of assets acquired are shown below:

	Fair value £ million
Intangible assets	3
Property, plant & equipment	10
Trade and other receivables	3
Trade and other payables	<u>(1)</u>
Net assets acquired	15
Goodwill	<u>7</u>
Consideration per cash flow statement	22

Goodwill represents the value of synergies arising from the integration of the acquired business. Synergies include direct cost savings and the reduction of overheads as well as the ability to leverage Aggreko systems and access to assets.

### Notes:

1. The financial information set out above does not constitute the company's statutory accounts for the years ended 31 December 2016 or 2015 but is derived from those accounts. Statutory accounts for 2015 has been delivered to the registrar of companies, and those for 2016 will be delivered in due course. The auditors have reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006
2. The Annual Report will be posted to all shareholders on 24 March 2017 and will be available on request from the Secretary, Aggreko plc, 8<sup>th</sup> Floor, 120 Bothwell Street, Glasgow, G2 7JS. The Annual General Meeting will be held in Glasgow on 27 April 2017. The Annual Report contains full details of the principal accounting policies adopted in the preparation of these financial statements.
3. A final dividend of 17.74 pence per share will be recommended to shareholders and, if approved, will be paid on 24 May 2017 to shareholders on the register at 21 April 2017.

## **Responsibility statement**

The Annual Report for the year ended 31 December 2016, which will be published on 24 March 2017, complies with the Disclosure and Transparency Rules in respect of the requirement to produce an Annual Financial Report. Ken Hanna, Chairman and Carole Cran, Chief Financial Officer, confirmed on behalf of the board that, to the best of their knowledge:

- the consolidated financial statements contained in the Annual Report for the year ended 31 December 2016, which have been prepared in accordance with IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the group; and
- the management report represented by the strategic report contained in the Annual Report for the year ended 31 December 2016 includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal risks and uncertainties that the group faces.