aggreko

RESULTS FOR THE SIX MONTHS
ENDED 30 JUNE 2020
6 AUGUST 2020

"Strong balance sheet and cash generation demonstrating resilience"

Chris Weston, Chief Executive Officer, commented:

"Firstly, I would like to recognise and thank everyone at Aggreko for the great job they have done in responding to the COVID-19 pandemic, in the way they have adapted and continued to serve our customers safely and reliably through these challenging times. My primary concern since the start of the COVID-19 pandemic has been the welfare of our people, their families and the local communities in which we operate and the response right across the company makes me very proud to be part of Aggreko. The immediate steps we took to reduce our cost base and increase our focus on cash generation have enabled us to maintain the strong financial position in which we entered the crisis, while supporting national efforts through practical assistance and without drawing on UK government financial support."

"We entered the year with positive momentum and we continue to believe that our focus on the disciplined execution of our four strategic priorities positions us well to meet our customers' evolving needs in the changing energy market. While the outlook remains uncertain and we do not expect to see our usual second half seasonality, the gradual improvement in demand we have seen in some sectors since May gives us confidence that we can deliver a pre-exceptional profit before tax this year in the range £80-100 million. Looking further ahead, we continue to expect the Group to deliver improved margins and achieve its mid-teens ROCE target, underpinned by our ongoing focus on operational efficiencies. As a consequence of our financial strength and the Board's confidence in the medium-term outlook, I am pleased to confirm that we will pay an interim dividend of five pence per share for 2020."

Results summary

£m	1H20 pre-exceptional items[1]	1H20 exceptional items	1H20 post-exceptional items	1H19	Change pre-exceptional items	Underlying change[2] pre-exceptional items
Group revenue	667	-	667	768	(13)%	(12)%
Operating profit/(loss)	64	(181)	(117)	81	(21)%	(15)%
Operating profit/(loss) margin (%)	9.6	(27.2)	(17.6)	10.5	(0.9)pp	(0.3)pp
Profit/(loss) before tax	47	(181)	(134)	60	(21)%	(13)%
Diluted EPS (p)	10.3	(68.1)	(57.8)	15.3	(33)%	(26)%
Dividend per share (p)	5.00	-	5.00	9.38		
Operating cash inflow	250	-	250	210		
Net debt	(499)	-	(499)	(784)	36%	
ROCE (%)	11.2	(9.1)	2.1	10.2	1.0pp	1.2pp

[1] Unless otherwise stated all figures are pre-exceptional costs of £181 million (£173 million post tax). These exceptional costs result from a detailed impairment review carried out during the period, as explained further on page 5 and in Note 6 to the Accounts.
[2] Underlying excludes exceptional items, pass-through fuel and currency. A reconciliation between reported and underlying performance is detailed on page 12.

Financial highlights

- Underlying[2] Group revenue down 12% driven by the impact of COVID-19 and the lower oil price
- Underlying[2] operating profit of £64 million (down 15%) and profit before tax of £47 million (down 13%)
    - Rental Solutions underlying[2] operating profit of £44 million (69% of Group), down 7% driven by oil and gas where revenue was down 32%
    - Power Solutions Industrial underlying[2] operating profit of £11 million (16% of Group), down 45% primarily driven by a more challenging trading environment in Eurasia
    - Power Solutions Utility underlying[2] operating profit of £9 million (15% of Group), up 9% driven by cost saving initiatives
- Strong liquidity and cash position:
    - Operating cash inflow of £250 million supported by a working capital inflow of £100 million, resulting from a continued focus on cash collections
    - Immediately available liquidity of over £700 million, including cash on hand of £123 million
    - Net debt of £499 million, a reduction of £285 million on June 2019, representing net debt to EBITDA of 0.9 times (2019: 1.5 times)
    - Payment of an interim dividend of 5p per share reflects the Board's confidence in the medium term, with the reduction on the prior year reflecting lower current year earnings
- Comprehensive balance sheet review, resulting in a non-cash exceptional impairment charge of £181 million reflecting the consequential impact of the COVID-19 pandemic, the lower oil price and an acceleration in the energy transition to lower carbon technologies
- ROCE of 11.2% reflects a strong profit performance in the second half of 2019 and a reduction in net operating assets driven by working capital improvements, continued capital investment discipline and the impact of the exceptional impairment charge
- Decisive actions taken to reduce costs, preserve cash and emerge stronger post the COVID-19 pandemic include the cancellation of the 2020 annual bonus and salary review, together with a 29% reduction in the Group's more discretionary spend and our ongoing cost reduction programme in Power Solutions
- We are beginning to see stabilisation in trading, although conditions remain difficult in the oil and gas and events sectors; despite the uncertain economic outlook, we expect to deliver pre-exceptional profit before tax for the year in the range £80-100 million.

Business data table

	1H20	1H19	Change
AVERAGE MEGAWATTS ON HIRE (MW)	**5,976**	**6,407**	**(7)%**
Rental Solutions average megawatts on hire	1,252	1,404	(11)%
Power Solutions Industrial average megawatts on hire	2,497	2,530	(1)%
Power Solutions Utility average megawatts on hire	2,227	2,473	(10)%
TOTAL POWER SOLUTIONS ORDER INTAKE (MW)	**460**	**458**	**-**
Power Solutions Industrial (ex. Eurasia)	75	86	(13)%
Power Solutions Industrial (Eurasia only)	148	127	17%
Power Solutions Utility	237	245	(3)%
UTILISATION**			
Rental Solutions	55%	56%	(1.3)pp
Power Solutions Industrial	65%	68%	(3.1)pp
Power Solutions Utility	65%	66%	(1.1)pp
FINANCIAL			
Effective tax rate	45%*	35%	10pp
Fleet capex (£m)	86	83	4%
Fleet depreciation (£m)	118	138	(14)%
Average net operating assets (£m)	1,999	2,192	(9)%
Net debt (£m)	(499)	(784)	36%

*Pre-exceptional items

**Average fleet size includes impaired fleet; going forward impaired fleet will be removed

Board changes

We have announced today the appointment of Mark Clare as a Non-executive Director and Chair Designate with effect from 1 October 2020. Subject to shareholder approval of his election to the Board, Mark will become Chair of the Board following our Annual General Meeting in April 2021. This will allow for a managed and orderly transition from the current Chairman, Ken Hanna. Ken, who has been Chairman since 2012, will step down as Chairman and Non-executive Director at the conclusion of the 2021 Annual General Meeting.

Enquiries

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Analyst and investor presentation

A live webcast of the interims presentation will be held for analysts and investors today at 08:30am (BST). This web-cast and a copy of the slides will be available on our website at www.plc.aggreko.com/investors. If you wish to ask questions, please also dial into the conference call, details below.

Conference call details:
United Kingdom (Local): 020 3936 2999
All other locations: +44 20 3936 2999
Participant Access Code: 860275

Use of alternative performance measures

Throughout this release we use a number of 'adjusted measures' to provide users with a clearer picture of the underlying performance of the business. This is in line with how management monitors and manages the business on a day-to-day basis. These adjustments include the exclusion of:

- Exceptional items - these are explained on page 5.
- The translational impact of currency in comparing year on year performance – further information is on page 12.
- Fuel revenue, which is separately reported for certain contracts in the Power Solutions Utility business in Brazil, where we manage fuel on a pass-through basis on behalf of our customers. The fuel revenue on these contracts is entirely dependent on fuel prices and the volume of fuel consumed, which can be volatile and may distort the view of the underlying performance of the business.

OPERATING REVIEW

IMPACT OF COVID-19

At the point that the COVID-19 pandemic impacted the worldwide economy, Aggreko had been on track to deliver a 2020 performance in line with market expectations. The material effects of the pandemic on our business include:

- A sharp reduction in the oil price and the potential for this to be sustained for a prolonged period, impacting two of our key market sectors (oil & gas and petrochemical & refining);
- Cancellation or postponement of events including, most significantly, the postponement of the Tokyo Olympic & Paralympic Games until the summer of 2021;
- Reduced economic activity more generally as a result of a combination of the above;
- Reduced liquidity and/or access to foreign currency for some of our customers;
- Travel restrictions imposed to contain the spread of the virus, impacting the mobilisation and demobilisation of projects;
- Increased freight and logistics costs as a result of the reduced supply available in the market;
- An acceleration in the energy transition towards lower carbon solutions and technologies.

In response, we established four key near-term priorities to manage through the crisis, namely: 'looking after our people'; 'maintaining our financial strength'; 'supporting our customers'; and 'emerging stronger'. We believe that prioritising our efforts in these areas will ensure we remain focused on the right activities for the business today, while also helping us exit the crisis stronger and better prepared for the future.

Looking after our people: Although many of us are able to work from home, we have put enhanced health and safety procedures in place for the protection of the significant number of our colleagues who, as key workers, continue to operate on-site each day delivering for our customers. These have included the provision of personal protective equipment (PPE) and testing, a dedicated intranet site with guidance, policies and procedures, alongside specific guidelines for high-risk work environments (for example, temperature control services at temporary hospitals, where any air movement risks circulating the virus).

Maintaining our financial strength: We have taken various steps to strengthen our liquidity position and reduce costs across the Group. These include the imposition of travel restrictions, limiting our fleet capital expenditure to that required to fulfil secured orders and meet known demand, and action on various employee related costs such as the cancellation of our 2020 annual bonus scheme and annual salary review process, the introduction of hiring freezes and a significant reduction in our temporary workforce. Combined with the existing cost saving programme in Power Solutions, these actions have enabled us to avoid the need for employee redundancies, and to continue to pay all our people's salaries in full, thereby supporting national efforts by not putting any staff on government-funded furlough.

Supporting our customers: In addition to the support we are giving to our people, Aggreko is committed to providing practical assistance to our customers and to help the COVID-19 relief effort. We prioritised support for critical services and have been helping our customers in the healthcare, pharmaceutical and food & beverage industries to manage the increase in demand driven by the pandemic. We also made an offer to the UK government for the use of up to 1,300 small generator units to support the NHS in the roll-out of COVID-19 testing sites across the UK.

Emerging stronger: Building on our objective to emerge stronger post the pandemic, we have focused on improving the capability of our people and the condition of our fleet. This has included virtual learning and development training, servicing fleet to ensure that it is rental ready, and reviewing fleet and inventory at a local level to identify that which is now surplus to our needs and requires impairment. We are also undertaking a comprehensive review of our depot network and project portfolio, seeking to improve or exit from those with currently sub-optimal financial returns. While we took the decision earlier in the period to defer our strategic update until the year end, we have continued to develop our strategic thinking in order to position the business to support our customers through the energy transition. Further detail on the impairment and the energy transition can be found on pages 5 and 8 respectively.

GROUP TRADING PERFORMANCE

Underlying[2] Group revenue fell 12% driven by the oil and gas, petrochemical and refining, and events sectors, with Rental Solutions showing the most significant decline down 18%. The underlying[2] operating margin was 9.6% (2019: 10.5%), with increases through good cost control in both Rental Solutions and Power Solutions Utility being more than offset by a fall in Power Solutions Industrial, where difficult trading conditions significantly impacted our business performance in Eurasia. Underlying[2] profit before tax was down 13% at £47 million, while diluted earnings per share (DEPS) were 10.3 pence (2019: 15.3 pence), down 26% on an underlying[2] basis, due to a combination of the profit reduction and an increase in the Group's tax rate.

The Group's return on capital employed (ROCE) increased to 11.2% (2019: 10.2%). While the ROCE calculation at the half year uses a 12-month rolling profit before exceptional costs, the average net operating assets reflect values at 30 June, 31 December and the previous 30 June and therefore take account of the exceptional impairment at June 2020. The impact of this on ROCE is c. 0.3 percentage points, with the remainder of the year on year improvement reflecting the strong profit performance in the second half of 2019 and a significant reduction in working capital over the last twelve months. Fleet capital expenditure in the first half was £86 million (2019: £83 million), including £15 million relating to the Tokyo Olympics, £26 million for the ongoing renewal of our oil free air and temperature control fleet, and £15 million in support of our next generation gas contract pipeline.

On a reported basis, Group revenue was down 13% on the prior year, with Rental Solutions down 18%, Power Solutions Industrial down 7% and Power Solutions Utility down 10%. The operating margin was a loss of 17.6% (2019: operating profit margin of 10.5%), within which the Rental Solutions margin was down 6.4 percentage points on a post-exceptional basis at 5.5%; the Power Solutions Industrial margin was down 28.8 percentage points on a post-exceptional items basis; and the Power Solutions Utility margin, excluding pass-through fuel and on a post-exceptional items basis, was down 84.5 percentage points. Group ROCE post-exceptional items was 2.1% (2019: 10.2%). Loss before tax and post-exceptional items was £134 million (2019: profit before tax of £60 million) and diluted earnings per share post-exceptional items was a loss of 57.8 pence (2019: 15.3 pence).

Exceptional items

The Board considered the impact of the COVID-19 pandemic, the lower oil price and the consequent deterioration in the short to medium term economic outlook, as well as the acceleration in the transition to lower carbon technologies, and concluded that they present impairment indicators for certain of the Group's assets. As a result, we completed a detailed review across all asset classes, which identified four specific areas for impairment, as summarised below:

- Trade and other receivables (£69 million)
- Property, plant & equipment (£59 million)
- Inventory (£36 million)
- Other intangible assets (£17 million)

Given the size and nature of these impairment charges, both individually and in aggregate, they have been treated as 'exceptional items' in the Interim Financial Statements. In addition, we have recorded an exceptional write-down of £5 million in relation to the Group's deferred tax assets, which has been recorded as an exceptional item within the Group's overall exceptional tax credit of £8 million.

There is no impact on cash flow from any of these exceptional impairment charges.

A brief summary on each category is provided below, with further detail in Note 6 to the accounts:

Trade and other receivables (£69 million)

The COVID-19 pandemic has created cash flow, liquidity and, in some cases, future viability challenges for some of our customers. While we continue to make progress on cash collections, it is our judgment that the more challenging economic outlook post COVID-19 for several of our larger PSU debtors is such as to require impairment of our residual balance sheet exposure. Specifically, this has resulted in an impairment across our PSU debtor book of £57 million, primarily relating to legacy debts in parts of Africa, Venezuela, Yemen and Brazil, reducing the carrying value of the debtors to zero. In addition, we have impaired £12 million across certain other specific debtors within Rental Solutions and Power Solutions Industrial, the majority of which operate in the oil & gas and events sectors. While we continue to pursue these debtor balances, we no longer consider their recovery probable given the customers' financial position.

Property, plant & equipment (£59 million)

The combined effects of a sustained lower oil price environment and reduced economic activity have impacted the Group's growth expectations in the near term. Accordingly, there are certain specific categories of assets that we have judged as impaired at June 2020, namely:

- Assets which have not been on hire in the past 12 months and are now considered unlikely to be put on rent anywhere across the Group due to reduced forecast demand;
- Assets currently "stranded" in countries where, in the current social and economic climate, there is little or no likelihood of the fleet being put on hire;
- Assets beyond economic repair in the current market, where demand for the fleet no longer supports the case for investment to return the fleet to a rental-ready state;
- Assets within our HFO fleet for which we now expect reduced demand due to the acceleration in the transition to lower carbon solutions and technologies, and for which the lower oil price reduces the customer benefit of the cost advantage of HFO over diesel.

As we consider the impact of the acceleration in the transition to lower carbon technologies, further to the impairment we are also reviewing our depreciation policy for our HFO fleet assets to help prevent future obsolescence, and will provide an update on this with our full year results in March 2021.

Inventory, including parts, cable, duct and hose (£36 million)

Consistent with the analysis on our fleet, we have reviewed the Group's inventory using similar criteria, impairing those items that were slow or non-moving (with the time period reviewed for parts being the last 24 months and for cable, duct & hose being a 3-year average utilisation), or unlikely to be consumed given the lower demand outlook. We have also impaired items that are currently "stranded" alongside our "stranded" fleet, items beyond economic repair in the current market and those relating to fleet that is now considered obsolete as a result of the acceleration in the energy transition.

Other intangible assets (£17 million)

We have reviewed in detail our capitalised development expenditure, highlighting several projects, particularly in relation to our HFO product, where, as a consequence of the faster energy transition towards lower carbon solutions and technologies, the future demand for the products or applications no longer supports the capitalised development spend.

While the above impairment review considered various independent external and internal data sources regarding the future economic outlook for the Group, the exercise also included significant commercial judgment. As a result, there is a wide range of potential outcomes. Notwithstanding this, given the level of detail at which the review has been undertaken, we believe that the overall risk of a further impairment within these asset classes, or indeed the Group's other asset classes where no impairment has been made, is not material.

Cash flow and liquidity

During the first six months cash generated from operations was £250 million (2019: £210 million). There was a £116 million year on year improvement in working capital cash flows, excluding exceptional non-cash impairments (2020: £100 million inflow, 2019: £16 million outflow). The 2020 working capital inflow comprised a £104 million inflow from trade and other receivables, a £24 million inflow from trade and other payables and a £28 million outflow from inventory. Further details on the working capital movements are provided on page 13.

EBITDA (pre-exceptional items) decreased £37 million and there was a £33 million higher cash outflow relating to mobilisation (fulfilment assets) and demobilisation activities, primarily relating to the Tokyo Olympics. Capital expenditure in the period was £95 million (2019: £99 million), of which £86 million (2019: £83 million) was spent on fleet assets.

Net debt (including £95 million of a lease creditor) at 30 June 2020 was £499 million, £285 million lower than the prior year. Net debt to EBITDA was 0.9 times (2019: 1.5 times), and undrawn committed facilities were £584 million.

The Group continues to maintain sufficient committed facilities to meet its normal funding requirements over the medium term and, at 30 June 2020, these committed facilities totalled £1,088 million. We have refinanced all the committed facilities that would have matured in 2020 and recently refinanced a £30 million committed bank facility that was due to mature in Q1 2021, leaving £232 million of committed facilities maturing in 2021. In addition, the Group has been allocated a credit limit (greater than the level of our current committed bank facilities) under the Bank of England's COVID Corporate Financing Facility to issue commercial paper with a term of up to 12 months, until February 2021; to date we have not used this facility.

For the purposes of the Group's going concern assessment, we have stress-tested our cash flow forecasts and, even in the severe but plausible worst-case scenario, the Group expects to comply with the financial covenants in its committed debt facilities and to meet its funding requirement over the seventeen months from the date of approval of this interim report and ending 31 December 2021, without refinancing or drawing on the Bank of England's COVID Corporate Financing Facility. Consequently, the Directors are confident that it is appropriate for the going concern basis to be adopted in preparing the interim financial statements. Further details on the Group's going concern assessment can be found in Note 2 to the Accounts.

Dividend

In line with steps taken to preserve the Group's cash position through the COVID-19 crisis, the Board withdrew its recommendation to pay the 2019 final dividend at its AGM in April and will not be revisiting this decision. However, given its confidence that the actions that the Group has taken, together with the continued, disciplined execution of its strategy, will increase further the resilience of the business and position it well for the future, the Board has approved the payment of an interim dividend of 5 pence per share for 2020. The reduction on the prior year does not represent a change in the Group's dividend policy, but rather reflects lower current year earnings and a continued level of market uncertainty.

Outlook

We expect the various markets in which we operate around the world to recover fully from the crisis, but there remains a high degree of uncertainty as to the time it will take. While we have seen a gradual improvement in demand in some sectors since May, given that the first few months of the year were largely unimpacted by the pandemic, and that the events and petrochemical and refining sectors are typically busier in the second half of the year, we do not expect to see our usual second half seasonality. As a consequence, we currently expect to deliver a pre-exceptional profit before tax for the year in the range £80-100 million. Looking further ahead, despite our expectations of a slower economic recovery, we continue to expect the Group to deliver improved margins and achieve its mid-teens ROCE target.

The Group's effective tax rate for the year is expected to be around 45%. This is considerably higher than our previous guidance of 35%, due primarily to a change in the geographic mix of profit, and an increase in the proportion of our tax charge which relates to irrecoverable withholding tax.

Fleet capital expenditure for the full year is expected to be slightly below £200 million, lower than our previous guidance of £200-250 million. This spend is focused on secured projects, ongoing renewal programmes and targeted investment to improve our fleet readiness.

THE ENERGY TRANSITION

As previously announced, we will provide a full strategic update alongside our full year results in March 2021. In the meantime, we have continued to review our strategy over the last few months, with a specific focus on understanding how the energy transition will impact our business over time, particularly on our four strategic priorities of customer, technology (including our fleet), capital efficiency and people.

It is increasingly clear that the pace at which this transition will happen across different sectors and geographies will vary. In the events sector, for example, customers are actively seeking cleaner solutions; and in mining there is a clear value creation opportunity through the integration of renewables to create hybrid power systems. By contrast, the oil and gas and petrochemical and refining sectors are facing a tougher market environment where their needs may not be so easily met by greener technologies at this stage; operations are often remote and, while there are some opportunities for cost reduction with renewables, in many cases there is no alternative to fossil fuel for reliable power.

The take-up of our hybrid solutions continues to grow, with revenue in the first half of the year up 103%, albeit on relatively low volumes. While our contracted projects are across a variety of regions and sectors, including mining, utilities and data centres, the main applications are spinning reserve displacement and frequency response. The pipeline remains strong, with mining the largest sector, particularly across Africa and Australia.

We continue to look at new fuels, applications and technologies and are currently trialling a variety of new products, including hydrogen fuel. We are also evolving our existing diesel offering, both through regulated sets (Tier 4f and Stage V) and more efficient, and therefore lower cost and emission, solutions for our customers through the introduction of small battery storage units. This technology, along with our data collection and analytics capability, will be central to the evolution of our fleet.

Aggreko provides customers with flexibility: be it fuel type, volume that can be adjusted over time, technology that can be varied over time, speed of deployment, or service level; and this flexibility will help support customers in managing the energy transition in their sector. As a result, we expect to evolve our business, our fleet and our customer proposition to remain a market leader in a low carbon, low emissions, energy environment. We will provide more detail on how we expect these changes to affect our business in March 2021.

BUSINESS UNIT PERFORMANCE REVIEW

RENTAL SOLUTIONS

Revenue £m	1H20	1H19	Change	Underlying change[2]
	326	396	(18)%	(18)%

Operating profit £m	1H20[1] pre-exceptional items	Exceptional items	1H20 post-exceptional items	1H19	Change pre-exceptional items	Underlying change[2] pre-exceptional items
Operating profit	44	(26)	18	47	(6)%	(7)%
Operating margin %	13.6%	(8.1)%	5.5%	11.9%	1.7pp	1.7pp
ROCE	17.1%	(3.4)%	13.7%	14.3%	2.8pp	2.6pp

- Underlying[2] revenue down 18% and operating profit down 7%
- Operating margin of 13.6%, up 1.7 percentage points on an underlying[2] basis
- ROCE of 17.1% represents an underlying[2] increase of 2.6 percentage points, reflecting the increase in profitability in the twelve months to 30 June 2020
- Our business in the oil and gas, petrochemical and refining and events sectors has been most impacted by COVID-19 and the low oil price environment

North American underlying[2] revenue was down 19% on the prior year. The deterioration in market conditions as a result of the COVID-19 pandemic and the lower oil price has been compounded by a strong comparator in the prior year. The most significant reductions were in the oil and gas sector, which accounts for 22% of revenue, and which was down 30%; while our events business, albeit a much smaller sector, experienced a 47% drop in revenue. Encouragingly, we have seen good growth in utilities and building services and construction. Excluding oil and gas, power volumes are up 21% year on year, with pricing down 5%.

Our Continental European business underlying[2] revenue decreased 21%. Excluding revenue earned in the prior year related to power shortage work in Belgium, revenue was down 10%, with the reduction predominantly driven by the events sector (including the impact of the FIFA Women's World Cup in France in the prior year).

Underlying[2] revenue in Northern Europe was down 23%, as data centre contracts in Ireland off-hired throughout 2019 and a one-off job in the oil & gas sector came to an end in the second half of 2019. We also saw the impact of the COVID-19 pandemic more generally across our base business, although this was partially offset by work to support the UK's medical response to the crisis. Most sectors were down against the prior year, but most notably oil and gas, petrochemical and refining and events.

In our Australia Pacific business underlying[2] revenue decreased 5%. COVID-19 has had a more limited impact in this region, due in part to the slightly longer average contract length across its mining projects. The transactional business has been most impacted by the pandemic, although this was offset in part by revenue from the bush fires early in the year.

Overall, across Rental Solutions our operating margin on an underlying[2] basis was up 1.7 percentage points, as we implemented various cost saving initiatives, including reductions in temporary employment, service material and discretionary costs. In addition, we recorded a £6 million gain on sale of assets as part of our asset disposal programme.

POWER SOLUTIONS

Revenue £m

	1H20	1H19	Change	Underlying change[2]
Industrial	188	202	(7)%	(4)%
Utility excl. pass-through fuel	133	150	(12)%	(7)%
Pass-through fuel	20	20	-%	27%

Operating profit £m

	1H20[1] pre-exceptional items	Exceptional items	1H20 post-exceptional items	1H19	Change pre-exceptional items	Underlying change[2] pre-exceptional items
Industrial	11	(45)	(34)	21	(50)%	(45)%
Utility excl. pass-through fuel	9	(110)	(101)	13	(29)%	9%
Pass-through fuel	-	-	-	-	-%	-%
OPERATING MARGIN %						
Industrial	5.6%	(24.1)%	(18.5)%	10.3%	(4.7)pp	(4.2)pp
Utility excl. pass-through fuel	7.1%	(82.7)%	(75.6)%	8.9%	(1.8)pp	1.0pp
ROCE						
Industrial	9.0%	(7.5)%	1.5%	10.6%	(1.6)pp	(1.4)pp
Utility excl. pass-through fuel	6.0%	(17.1)%	(11.1)%	6.0%	-pp	1.3pp

- Power Solutions Industrial
  - Underlying[2] revenue down 4% and operating profit down 45%, mainly driven by a challenging environment in Eurasia
  - Operating margin at 5.6% is down 4.2 percentage points on an underlying[2] basis driven by a reduction in profitability, particularly in our Eurasia oil and gas business
  - ROCE of 9.0% is down 1.4 percentage points on an underlying[2] basis

- Power Solutions Utility
  - Underlying[2] revenue down 7%, primarily due to known off-hires and the planned repricing of our Ivory Coast contract
  - Underlying[2] operating profit up 9%, driven by various cost saving initiatives
  - ROCE of 6.0%, up 1.3 percentage points on an underlying[2] basis
  - Order intake of 237 MW is only slightly down on the prior year (245 MW), although we are experiencing delays in the mobilisation of several new contracts

Power Solutions Industrial

Power Solutions Industrial underlying[2] revenue decreased 4%. Revenue was down in most regions, and across the majority of sectors, with the Middle East down 8%, Asia 13%, Eurasia 16% and Latin America 12%. By contrast, we delivered good growth in Africa, with revenue up 14%, mainly driven by mining contracts in Mali and Mauritania. In Eurasia, the low oil price environment has compounded the already competitive environment across the region, putting further pressure on rates, particularly in gas. We also recognised £8 million (2019: £ nil) of revenue from the Tokyo Olympics in the period.

Overall Power Solutions Industrial operating margin was 5.6%, a decrease of 4.2 percentage points on the prior year, with the most significant reduction in profitability seen in our Eurasia business where we have seen the revenue impact as outlined above, alongside increased costs, in part due to the devaluation of the Rouble, and pre-positioning of fleet and people for future work.

Power Solutions Industrial order intake was 223 MW (2019: 213 MW), including 148 MW in Eurasia (2019: 127 MW).

Power Solutions Utility

Power Solutions Utility saw underlying[2] revenue decrease 7%, primarily due to off-hires in Benin and Brazil, together with the planned rate reduction in the Ivory Coast. These impacts were partially offset by on-hires in Brazil (PIE) and Burkina Faso. Despite the revenue reduction, the operating margin of 7.1% was up 1.0 percentage point on the prior year on an underlying basis driven by cost savings, including our previously announced cost saving programme and initiatives taken in response to the pandemic.

Average megawatts on hire in this business were 2,227 (2019: 2,473), with the year on year reduction reflecting an overall reduction in diesel projects across Africa. The overall off-hire rate for Power Solutions Utility in the first half was 14% (2019: 15%) and we expect the full year off-hire rate to be around 24% (2019: 33%). Order intake was 237 MW (2019: 245 MW), including 165 MW in Iraq. Due to travel and border restrictions in a number of territories we are facing challenges in the mobilisation of new work, resulting in delays in our ability to generate revenue and also, in some cases, increasing the level of mobilisation assets held on our balance sheet in the short term.

Managing the trade receivables in our Power Solutions Utility business continues to be a major focus, with active ongoing engagement with our customers a key priority. While we have continued to maintain good cash collections during the period in relation to our more recent and current contracts, the more challenging outlook post COVID-19 for a number of our older contracts has resulted in an increase in the overall level of the Power Solutions Utility bad debt provision at 30 June 2020 to £124 million (December 2019: £61 million). This increase is primarily driven by the exceptional impairment of £56 million noted above (see further details in Note 6 to the Accounts).

FINANCIAL REVIEW

Currency translation

The movement in exchange rates in the period had the translational impact of decreasing revenue by £16 million and operating profit by £6 million. Currency translation also gave rise to a £9 million decrease in the value of the Group's net assets from December 2019 to June 2020. Set out in the table below are the principal exchange rates which affected the Group's profit and net assets.

PRINCIPAL EXCHANGE RATES (PER £ STERLING)	JUNE 2020		JUNE 2019		DEC 2019	
	AVERAGE	PERIOD END	AVERAGE	PERIOD END	AVERAGE	PERIOD END
United States Dollar	1.26	1.24	1.29	1.27	1.28	1.31
Euro	1.15	1.11	1.15	1.11	1.14	1.17
UAE Dirhams	4.63	4.56	4.75	4.66	4.69	4.80
Australian Dollar	1.92	1.80	1.83	1.81	1.83	1.88
Brazilian Reals	6.16	6.65	4.98	4.85	5.03	5.30
Argentinian Peso	81.21	87.05	53.61	54.17	61.10	78.28
Russian Rouble	87.54	85.83	84.42	79.97	82.61	80.94

(Source: Bloomberg)

Reconciliation of reported to underlying results

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

Revenue

£m	RENTAL SOLUTIONS			INDUSTRIAL			UTILITY			GROUP		
	2020	2019	CHANGE	2020	2019	CHANGE	2020	2019	CHANGE	2020	2019	CHANGE
As reported	326	396	(18)%	188	202	(7)%	153	170	(10)%	667	768	(13)%
Pass-through fuel	-	-		-	-		(20)	(20)		(20)	(20)	
Currency impact	-	3		-	(7)		-	(8)		-	(12)	
Underlying	326	399	(18)%	188	195	(4)%	133	142	(7)%	647	736	(12)%

Operating profit

£m	RENTAL SOLUTIONS			INDUSTRIAL			UTILITY			GROUP		
	2020	2019	CHANGE	2020	2019	CHANGE	2020	2019	CHANGE	2020	2019	CHANGE
As reported	18	47	(62)%	(34)	21	(266)%	(101)	13	(878)%	(117)	81	(245)%
Pass-through fuel	-	-		-	-		-	-		-	-	
Currency impact	-	1		-	(2)		-	(5)		-	(6)	
Exceptional items	26	-		45	-		110	-		181	-	
Underlying	44	48	(7)%	11	19	(45)%	9	8	9%	64	75	(15)%

Notes:

1. The currency impact is calculated by taking the 2019 results in local currency and retranslating them at the 2020 average rates.
2. The currency impact line included in the tables above excludes the currency impact on pass-through fuel in Power Solutions Utility, which in 2020 was £4 million on revenue and £nil on operating profit.

Interest

The net interest charge of £17 million was £4 million lower than the prior year, primarily due to a reduction in average net debt during the period. Interest cover, measured against rolling 12-month EBITDA (earnings before interest, taxes, depreciation and amortisation) remained strong at 14 times (2019: 13 times).

Effective tax rate

Our current forecast of the effective tax rate for the full year, which has been used in the interim accounts, is 45% (30 June 2019: 35%). The year on year increase is due to the geographical mix of taxable profit, in particular a relatively greater reduction in profit in lower tax jurisdictions such as North America, together with an increase in the proportion of our tax charge which relates to irrecoverable withholding tax.

Cash flow

During the first six months cash generated from operations was £250 million (2019: £210 million). There was a £116 million year on year improvement in the movement in working capital, excluding exceptional non-cash impairments (2020: £100 million inflow, 2019: £16 million outflow). The 2020 working capital inflow comprised a £104 million inflow from trade and other receivables, a £24 million inflow from trade and other payables and a £28 million outflow from inventory. In addition, there was a £33 million higher cash outflow relating to mobilisation (fulfilment assets) and demobilisation activities during the period.

The decrease in trade and other receivables of £104 million includes a £60 million decrease in Rental Solutions (2019: flat), a £27 million decrease in Power Solutions Utility (2019: £42 million decrease) and a £17 million decrease in Power Solutions Industrial (2019: £8 million increase). While obviously reflecting lower revenue, we have also made good progress in improving our invoicing and cash collection processes within Rental Solutions this year, resulting in improved working capital efficiency across this business.

The increase in inventory of £28 million is primarily driven by a significant volume of cable purchased for the Tokyo Olympics, together with increased inventory held within our manufacturing facility in Lomondgate to support the build programme in the second half. The movement in trade and other payables reflects increased deferred revenue for the Tokyo Olympics (following a further milestone payment receipt in the period), partially offset by lower accruals, specifically following the cancellation of the Group's 2020 annual bonus programme.

Fleet capital expenditure was £86 million (2019: £83 million). Within this, £41 million was invested in Rental Solutions, primarily in relation to the ongoing renewal of our oil free air (OFA) and temperature control (TC) fleet, and £45 million in Power Solutions, which included £15 million related to the Tokyo Olympics and £12 million on next generation gas (NGG) sets.

Financial resources

The Group maintains sufficient committed facilities to meet its normal funding requirements over the medium term. At 30 June 2020 these committed facilities totalled £1,088 million, in the form of committed bank facilities arranged on a bilateral basis with a number of international banks and private placement notes. The financial covenants attached to these committed facilities are that EBITDA should be no less than 4 times interest and net debt should be no more than 3 times EBITDA. At 30 June 2020 these ratios were 14 times and 0.9 times. The maturity profile of the Group's borrowings is detailed in Note 13 in the Accounts.

Net operating assets

The net operating assets of the Group (following the impairment and including goodwill) at 30 June 2020 totalled £1,811 million, £379 million lower than 30 June 2019. The main components of net operating assets are detailed below.

£m	1H20	1H19	MOVEMENT	MOVEMENT EXCLUDING THE IMPACT OF CURRENCY
Goodwill/intangibles/investments	206	237	(13)%	(8)%
Rental fleet	863	1,003	(14)%	(13)%
Property & plant	219	220	(1)%	-%
Working capital (excl. interest creditors)	298	649	(54)%	(56)%
Fulfilment asset & demobilisation provision	116	54	115%	152%
Cash (incl. overdrafts)	109	27	304%	289%
Total net operating assets	1,811	2,190	(17)%	(17)%

A key measure of Aggreko's performance is the return (expressed as underlying operating profit) it generates from its average net operating assets (ROCE). For each half year reporting period, we calculate ROCE by taking the underlying operating profit (pre-exceptional items) on a rolling 12-month basis and expressing it as a percentage of the average net operating assets at 30 June, 31 December and the previous 30 June. In the first half of 2020 the ROCE increased to 11.2% compared with 10.2% for the same period in 2019. This increase is explained in more detail on page 5.

Shareholders' equity

Shareholders' equity decreased by £162 million to £1,197 million in the six months ended 30 June 2020, represented by the net assets of the Group of £1,696 million before net debt of £499 million. The movements in shareholders' equity are analysed in the table below:

MOVEMENTS IN SHAREHOLDERS' EQUITY	£m
AS AT 1 JANUARY 2020	**1,359**
Loss for the period	(147)
Employee share awards	(5)
Re-measurement of retirement benefits	3
Currency translation	(9)
Other	(4)
AS AT 30 JUNE 2020	**1,197**

Principal risks and uncertainties

In the day to day operations of the Group, we face various risks and uncertainties. We seek both to prevent these risks from materialising and to mitigate their impact if they do arise, and the Board has developed a risk management framework to facilitate this.

The principal risks that we believe could potentially affect the Group are:

- Global macroeconomic uncertainty
- Technology developments
- Talent management
- Climate change
- Health and safety
- Contracts go wrong – major contract cancellation
- Cyber security
- Failure to collect payments or to recover assets
- Unexpected funding requirements

The overall composition of the principal risks and uncertainties facing the business has changed since the publication of the 2019 Annual Report and Accounts, primarily due to the COVID-19 pandemic.

Risks promoted to the Group's principal risk register since the year end are as follows:

- Contracts go wrong – major contract cancellation: The Olympics in Japan has been postponed until Summer 2021. There remains a risk that the Games could ultimately be cancelled because of COVID-19.
- Unexpected funding requirements: We have considered a range of scenarios to stress-test the Group's liquidity position. These show that even in the severe but plausible downside scenario (as defined in Note 2 in the Accounts) we expect to remain within the Group's financial covenants, while maintaining headroom under our existing committed facilities. However, uncertainty surrounding the duration and economic impact of the pandemic result in a risk that the business generates insufficient cash to fund the strategic plan in its current form.

Risks removed from the Group's register since the year end are:

- Change management
- Escalating sanctions
- Market dynamics
- Service delivery – major contractual failure

These risks remain on the risk registers of the relevant business units and corporate functions and, given their nature, will continue to be areas of focus for the Board.

UK withdrawal from the European Union

At this point, while the UK has left the EU, we do not know whether a trade deal will be agreed before the end of the transition period. We have completed an impact assessment to try to identify the aspects of our business that might be affected most by the UK's withdrawal from the EU. We do not expect the impact on the Group's business activities to be severe because the majority of them take place outside the UK and the EU. However, we have taken some actions and developed contingency plans to reduce the potential impact on the Group of the UK leaving the EU without a deal at the end of December 2020. We will continue to monitor the situation closely and refine our contingency plans as the situation develops.

Shareholder information

Our website can be accessed at www.plc.aggreko.com. This contains a large amount of information about our business. The website also carries copies of recent investor presentations, as well as London Stock Exchange announcements.

Chris Weston
Chief Executive Officer

Heath Drewett
Chief Financial Officer

6 August 2020

GROUP INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2020 (UNAUDITED)

		6 MONTHS ENDED 30 JUNE 2020				
		TOTAL BEFORE EXCEPTIONAL ITEMS	**EXCEPTIONAL ITEMS (NOTE 6)**		6 MONTHS ENDED	YEAR ENDED 31 DECEMBER
		2020	**2020**	**2020**	30 JUNE 2019	2019
	NOTES	**£ MILLION**	**£ MILLION**	**£ MILLION**	£ MILLION	£ MILLION
Revenue	4	**667**	**-**	**667**	768	1,613
Cost of sales		**(291)**	**(95)**	**(386)**	(335)	(644)
Gross profit		**376**	**(95)**	**281**	433	969
Distribution costs		**(209)**	**(2)**	**(211)**	(225)	(482)
Administrative expenses		**(99)**	**(17)**	**(116)**	(127)	(249)
Impairment loss on trade receivables		**(14)**	**(67)**	**(81)**	(5)	(7)
Other income		**10**	**-**	**10**	5	10
Operating profit/(loss)	4	**64**	**(181)**	**(117)**	81	241
Net finance costs						
- Finance cost		**(18)**	**-**	**(18)**	(21)	(46)
- Finance income		**1**	**-**	**1**	-	4
Profit/(loss) before taxation		**47**	**(181)**	**(134)**	60	199
Taxation	8	**(21)**	**8**	**(13)**	(21)	(70)
Profit/(loss) for the period		**26**	**(173)**	**(147)**	39	129
All profit/(loss) for the period is attributable to the owners of the Company.						
Basic earnings per share (pence)	7			**(57.75)**	15.34	50.80
Diluted earnings per share (pence)	7			**(57.75)**	15.33	50.70

GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2020 (UNAUDITED)

	6 MONTHS ENDED 30 JUNE 2020 £ MILLION	6 MONTHS ENDED 30 JUNE 2019 £ MILLION	YEAR ENDED 31 DECEMBER 2019 £ MILLION
(Loss)/profit for the period	**(147)**	39	129
Other comprehensive (loss)/income			
Items that will not be reclassified to profit or loss			
Remeasurement of retirement benefits	**4**	(5)	(1)
Taxation on remeasurement of retirement benefits	**(1)**	1	-
Items that may be reclassified subsequently to profit or loss			
Cash flow hedges	**(4)**	-	1
Net exchange losses offset in reserves	**(9)**	(1)	(75)
Other comprehensive loss for the period (net of tax)	**(10)**	(5)	(75)
Total comprehensive (loss)/income for the period	**(157)**	34	54

GROUP BALANCE SHEET

AS AT 30 JUNE 2020 (UNAUDITED)

	NOTES	**30 JUNE 2020 £ MILLION**	30 JUNE 2019 £ MILLION	31 DEC 2019 £ MILLION
Non-current assets				
Goodwill	9	**172**	186	177
Other intangible assets		**25**	42	41
Investment		**9**	9	9
Property, plant and equipment	10	**1,082**	1,223	1,166
Deferred tax asset		**36**	36	44
Fulfilment assets	11	**84**	45	54
Retirement benefit surplus		**11**	1	4
		1,419	1,542	1,495
Current assets				
Inventories		**212**	233	216
Trade and other receivables	12	**502**	746	659
Fulfilment assets	11	**47**	22	32
Cash and cash equivalents		**123**	69	87
Derivative financial instruments		**3**	-	1
Current tax assets		**25**	20	21
		912	1,090	1,016
Total assets		**2,331**	2,632	2,511
Current liabilities				
Borrowings	13	**(165)**	(155)	(59)
Lease liability	14	**(33)**	(33)	(33)
Derivative financial instruments		**(4)**	-	(1)
Trade and other payables		**(425)**	(336)	(388)
Current tax liabilities		**(35)**	(34)	(42)
Demobilisation provision	15	**(7)**	(4)	(5)
Provisions		**-**	(1)	-
		(669)	(563)	(528)
Non-current liabilities				
Borrowings	13	**(362)**	(596)	(511)
Lease liability	14	**(62)**	(69)	(68)
Deferred tax liabilities		**(33)**	(34)	(36)
Demobilisation provision	15	**(8)**	(9)	(9)
		(465)	(708)	(624)
Total liabilities		**(1,134)**	(1,271)	(1,152)
Net assets		**1,197**	1,361	1,359
Shareholders' equity				
Share capital		**42**	42	42
Share premium		**20**	20	20
Treasury shares		**(7)**	(11)	(13)
Capital redemption reserve		**13**	13	13
Hedging reserve (net of deferred tax)		**(2)**	1	2
Foreign exchange reserve		**(135)**	(52)	(126)
Retained earnings		**1,266**	1,348	1,421
Total shareholders' equity		**1,197**	1,361	1,359

GROUP CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2020 (UNAUDITED)

	NOTES	**6 MONTHS ENDED 30 JUNE 2020 £ MILLION**	6 MONTHS ENDED 30 JUNE 2019 £ MILLION	YEAR ENDED 31 DEC 2019 £ MILLION
Operating activities				
(Loss)/profit for the period		**(147)**	39	129
Adjustments for:				
Tax		**13**	21	70
Depreciation		**143**	163	315
Amortisation of intangibles		**3**	3	8
Exceptional - PPE impairment charge	6	**59**	-	-
Exceptional - Intangible asset impairment charge	6	**17**	-	-
Fulfilment assets	11	**12**	6	21
Demobilisation provisions	15	**6**	4	9
Finance income		**(1)**	-	(4)
Finance cost		**18**	21	46
Profit on sale of property, plant and equipment (PPE)		**(10)**	(5)	(10)
Share-based payments		**(5)**	5	11
Changes in working capital (excluding the effects of exchange differences on consolidation):				
Decrease/(increase) in inventories (i)		**8**	(2)	8
Decrease in trade and other receivables (i)		**173**	34	78
Increase/(decrease) in trade and other payables		**24**	(48)	21
Cash flows relating to fulfilment assets	11	**(58)**	(28)	(66)
Cash flows relating to demobilisation provisions	15	**(5)**	(2)	(6)
Cash flows relating to prior period exceptional items		**-**	(1)	(2)
Cash generated from operations		**250**	210	628
Tax paid		**(28)**	(30)	(76)
Interest received		**1**	-	4
Interest paid (Note (ii))		**(18)**	(22)	(46)
Net cash generated from operating activities		**205**	158	510
Cash flows from investing activities				
Purchases of PPE		**(95)**	(99)	(230)
Purchase of other intangible assets		**(4)**	(4)	(8)
Proceeds from sale of PPE		**14**	9	21
Net cash used in investing activities		**(85)**	(94)	(217)
Cash flows from financing activities				
Increase in long-term loans		**168**	206	393
Repayment of long-term loans		**(199)**	(189)	(493)
Increase in short-term loans		**2**	30	2
Repayment of short-term loans		**(3)**	(101)	(127)
Payment of lease liabilities		**(17)**	(14)	(31)
Dividends paid to shareholders		**-**	(45)	(69)
Purchase of treasury shares		**-**	-	(4)
Net cash used in financing activities		**(49)**	(113)	(329)
Net increase/(decrease) in cash and cash equivalents		**71**	(49)	(36)
Cash and cash equivalents at beginning of the period		**36**	76	76
Exchange gain/(loss) on cash and cash equivalents		**2**	-	(4)
Cash and cash equivalents at end of the period		**109**	27	36

i) Movements include an exceptional impairment for inventories (£36 million) and trade and other receivables (£69 million). Refer to Note 6.

ii) Interest paid of £18 million (30 June 2019: £22 million, 31 December 2019: £46 million) includes £2 million relating to leases (30 June 2019: £2 million, 31 December 2019: £5 million).

Cash flows for the purchase and sale of rental fleet assets are presented as arising from investing activities because the acquisition of new fleet assets represents a key investment decision for the Group, the assets are expected to be owned and operated by the Group to the end of their economic lives, the disposal process (when the assets are largely depreciated) is not a major part of the Group's business model and the assets in the rental fleet are not specifically held for subsequent resale.

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

AS AT 30 JUNE 2020

Analysis of changes in net debt	At 1 JAN 2020 £ MILLION	CASH FLOW £ MILLION	EXCHANGE £ MILLION	OTHER NON-CASH MOVEMENTS £ MILLION	At 30 JUNE 2020 £ MILLION
Cash and cash equivalents	36	71	2	-	**109**
Current borrowings:					
Bank borrowings	(8)	1	(3)	-	**(10)**
Private placement notes	-	-	-	(141)	**(141)**
Lease liability	(33)	17	(1)	(16)	**(33)**
	(41)	18	(4)	(157)	**(184)**
Non-current borrowings:					
Bank borrowings	(33)	31	2	-	**-**
Private placement notes	(478)	-	(25)	141	**(362)**
Lease liability	(68)	-	(1)	7	**(62)**
	(579)	31	(24)	148	**(424)**
Net debt	(584)	120	(26)	(9)	**(499)**
Analysis of changes in liabilities from financing activities					
Current borrowings	(41)	18	(4)	(157)	**(184)**
Non-current borrowings	(579)	31	(24)	148	**(424)**
Financing derivatives	-	-	-	(1)	**(1)**
Total financing liabilities	(620)	49	(28)	(10)	**(609)**

Other non-cash movements include reclassifications between short-term and long-term borrowings, with £141 million being reclassified from non-current to current borrowings and £13 million from non-current to current lease liabilities. The remaining balance is due to £10 million of new lease liabilities, £2 million of interest, offset by £2 million of remeasurements and £1 million of disposals.

AS AT 30 JUNE 2019

Analysis of changes in net debt	At 1 JAN 2019 £ MILLION	IFRS 16 TRANSITION £ MILLION	CASH FLOW £ MILLION	EXCHANGE £ MILLION	OTHER NON-CASH MOVEMENTS £ MILLION	At 30 JUNE 2019 £ MILLION
Cash and cash equivalents	76	-	(49)	-	-	**27**
Current borrowings:						
Bank borrowings	(115)	-	52	(2)	(48)	**(113)**
Private placement notes	(20)	-	19	1	-	**-**
Lease liability	-	(31)	14	-	(16)	**(33)**
	(135)	(31)	85	(1)	(64)	**(146)**
Non-current borrowings:						
Bank borrowings	(134)	-	(17)	-	48	**(103)**
Private placement notes	(493)	-	-	-	-	**(493)**
Lease liability	-	(73)	-	-	4	**(69)**
	(627)	(73)	(17)	-	52	**(665)**
Net debt	(686)	(104)	19	(1)	(12)	**(784)**
Analysis of changes in liabilities from financing activities						
Current borrowings	(135)	(31)	85	(1)	(64)	**(146)**
Non-current borrowings	(627)	(73)	(17)	-	52	**(665)**
Total financing liabilities	(762)	(104)	68	(1)	(12)	**(811)**

Other non-cash movements include reclassifications between short-term and long-term borrowings, with £48 million being reclassified from non-current to current borrowings and £11 million from non-current to current lease liabilities. The remaining balance is due to £12 million of new lease liabilities in the period.

GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2020 (UNAUDITED)

AS AT 30 JUNE 2020	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
Balance at 1 January 2020	42	20	(13)	13	2	(126)	1,421	1,359
Loss for the period	-	-	-	-	-	-	(147)	(147)
Other comprehensive (loss)/income:								
Fair value losses on foreign currency cashflow hedge (net of tax)	-	-	-	-	(4)	-	-	(4)
Currency translation differences (Note (i))	-	-	-	-	-	(9)	-	(9)
Re-measurement of retirement benefits (net of tax)	-	-	-	-	-	-	3	3
Total comprehensive loss for the period ended 30 June 2020	-	-	-	-	(4)	(9)	(144)	(157)
Transactions with owners:								
Employee share awards	-	-	-	-	-	-	(5)	(5)
Issue of Ordinary shares to employees under share option schemes (Note (ii))	-	-	6	-	-	-	(6)	-
	-	-	6	-	-	-	(11)	(5)
Balance at 30 June 2020	**42**	**20**	**(7)**	**13**	**(2)**	**(135)**	**1,266**	**1,197**

(i) The currency translation difference is explained in the Financial Review on page 12.

(ii) During the period 737,480 Ordinary shares have been transferred from the Employee Benefit Trust to satisfy the Restricted Stock Schemes and Share Save Schemes.

GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2020 (UNAUDITED)

AS AT 30 JUNE 2019	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
Balance at 1 January 2019	42	20	(17)	13	1	(51)	1,359	1,367
Profit for the period	-	-	-	-	-	-	39	39
Other comprehensive (loss)/income:								
Currency translation differences	-	-	-	-	-	(1)	-	(1)
Re-measurement of retirement benefits (net of tax)	-	-	-	-	-	-	(4)	(4)
Total comprehensive income/(loss) for the period ended 30 June 2019	-	-	-	-	-	(1)	35	34
Transactions with owners:								
Employee share awards	-	-	-	-	-	-	5	5
Issue of Ordinary Shares to employees under share option schemes (Note (i))	-	-	6	-	-	-	(6)	-
Dividends paid during the period	-	-	-	-	-	-	(45)	(45)
	-	-	6	-	-	-	(46)	(40)
Balance at 30 June 2019	**42**	**20**	**(11)**	**13**	**1**	**(52)**	**1,348**	**1,361**

(i) During the period 654,496 Ordinary shares have been transferred from the Employee Benefit Trust to satisfy the Restricted Stock Schemes and Share Save Schemes.

NOTES TO THE INTERIM ACCOUNTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020 (UNAUDITED)

1. GENERAL INFORMATION

The Company is a public limited company which is listed on the London Stock Exchange and is incorporated and domiciled in the UK. The address of the registered office is 120 Bothwell Street, Glasgow, G2 7JS, UK.

This condensed interim report was approved for issue on 6 August 2020.

This condensed consolidated interim report does not comprise Statutory Accounts within the meaning of Section 434 of the Companies Act 2006. Statutory Accounts for the year ended 31 December 2019 were approved by the Board on 3 March 2020 and delivered to the Registrar of Companies. The report of the auditor on those Accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under Section 498 of the Companies Act 2006.

The condensed consolidated interim report is unaudited but has been reviewed by the Group's auditor, whose report is on page 41.

2. BASIS OF PREPARATION

This condensed consolidated interim report for the six months ended 30 June 2020 has been prepared in accordance with the Disclosure and Transparency Rules (DTR) of the Financial Conduct Authority (previously the Financial Services Authority) and IAS 34 'Interim financial reporting' as adopted by the European Union. The condensed consolidated interim report should be read in conjunction with the annual financial statements for the year ended 31 December 2019, which have been prepared in accordance with IFRSs as adopted by the European Union.

Going concern basis

During the period the Group has been significantly impacted by the global COVID-19 pandemic. The trading review on page 4 explains how COVID-19 has impacted the business in the first six months of the year and the risks section on page 15 explains how it has impacted the Group's principal risks. Prior to the outbreak the Group's balance sheet and liquidity position were strong and, although impacted by COVID-19, the Group's financial position remains robust.

The Group balance sheet shows consolidated net assets of £1,197 million (30 June 2019: £1,361 million), of which £863 million (30 June 2019: £1,003 million) relates to fleet assets.

The Group continues to maintain sufficient committed facilities to meet its normal funding requirements over the medium term. At 30 June 2020, these committed facilities totalled £1,088 million, in the form of committed bank facilities arranged on a bilateral basis with a number of international banks and private placement notes. The financial covenants attached to these committed facilities are that EBITDA should be no less than 4 times interest and net debt should be no more than 3 times EBITDA. At 30 June 2020 these ratios were 14 times and 0.9 times. It has been the Group's custom and practice to refinance its committed facilities in advance of their maturity dates, providing that there is an ongoing need for those facilities. The Group has refinanced all the committed facilities that would have matured in 2020. In June 2020, the Group refinanced a £30 million committed bank facility that was due to mature in Q1 2021, which leaves £232 million of committed facilities maturing in 2021. In addition, the Group has been allocated a credit limit under the COVID Corporate Financing Facility to issue Commercial Paper with a term of up to 12 months to the Bank of England until February 2021, although to date it has not used this facility.

Net debt (including £95 million of a lease creditor) amounted to £499 million at 30 June 2020 and, at that date, undrawn committed facilities were £584 million.

For the purposes of the Directors' assessment of the Group's going concern position and to satisfy them of the Group's ability to pay its liabilities as they fall due, the Directors have prepared a Group cash flow statement for a period of seventeen months from the date of approval of these financial statements, ending 31 December 2021.

The base case forecast for this cash flow statement assumes a slow recovery through the second half of 2020 and throughout 2021 in the Group's more transactional businesses, reflecting a more cautious view of the future impact of COVID-19 and the lower oil price on each of our key sectors and geographies in this part of the business. By contrast, the

2. BASIS OF PREPARATION CONTINUED

majority of our key projects (primarily within Power Solutions) continue to run as normal, with the main impact being delays in getting new projects mobilised and on-hire. The base case assumes that the Tokyo Olympics take place in 2021 as currently planned. The base case forecast has been stress-tested with simulated financial impacts of the Group's principal risks to generate a severe but plausible downside scenario, in which the forecast revenue and EBITDA over the period are reduced by around 10% and 30%, respectively. This results in a reduction in the Group's cash generation, as compared with the base case forecast, of more than £200 million over the seventeen month test period.

The above stress-test analysis shows that even in the severe but plausible worst-case scenario, the Group does not expect to breach its covenants in the seventeen months from the date of approval of this interim report. Further, as we believe we will be able to operate within our existing facilities, we do not currently anticipate a need for the Group to use the COVID Corporate Financing Facility, which is currently available to it until February 2021.

Based on the above, the Directors are confident that it is appropriate for the going concern basis to be adopted in preparing the interim financial statements.

3. ACCOUNTING POLICIES

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

The accounting policies are consistent with those of the annual financial statements for the year ended 31 December 2019, as described in those annual financial statements.

4. SEGMENTAL REPORTING

Effective 1 January 2020 the operational and management control of Mexico was transferred from Rental Solutions to Power Solutions Industrial. Accordingly, the comparative prior year figures have been restated. The impact was to reduce the previously stated Rental Solutions balances and results, and to correspondingly increase the Power Solutions Industrial balances and results, by the amounts shown below.

	6 MONTHS ENDED 30 JUNE 2019 £ MILLION	YEAR ENDED 31 DEC 2019 £ MILLION
Revenue	4	10
Operating profit	-	1
Depreciation and amortisation	1	1
Net operating assets	11	12
Provision for impairment of receivables (Note 12)	3	3

4. SEGMENTAL REPORTING CONTINUED

(a) Revenue by segment

	EXTERNAL REVENUE		
	6 MONTHS ENDED 30 JUNE 2020 £ MILLION	6 MONTHS ENDED 30 JUNE 2019 RESTATED £ MILLION	YEAR ENDED 31 DEC 2019 RESTATED £ MILLION
Power Solutions			
Industrial (PSI)	**188**	202	444
Utility (PSU)	**153**	170	346
	341	372	790
Rental Solutions (RS)	**326**	396	823
Group	**667**	768	1,613

(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.

Disaggregation of revenue

In the tables below revenue is disaggregated by geography and sector.

Revenue by geography

	6 MONTHS ENDED 30 JUNE 2020 £ MILLION	6 MONTHS ENDED 30 JUNE 2019 RESTATED £ MILLION	YEAR ENDED 31 DEC 2019 RESTATED £ MILLION
North America	**197**	233	496
UK	**30**	36	76
Continental Europe	**64**	89	176
Eurasia	**29**	36	73
Middle East	**67**	77	169
Africa	**91**	88	206
Asia	**60**	62	146
Australia Pacific	**39**	43	80
Latin America	**90**	104	191
	667	768	1,613

4. SEGMENTAL REPORTING CONTINUED

Revenue by sector

	6 MONTHS ENDED 30 JUNE 2020			
	PSI £ MILLION	PSU £ MILLION	RS £ MILLION	**Group** **£ MILLION**
Utilities	11	153	37	**201**
Oil & gas	83	-	49	**132**
Petrochemical & refining	3	-	59	**62**
Building Services & construction	19	-	71	**90**
Events	16	-	15	**31**
Manufacturing	10	-	22	**32**
Mining	28	-	23	**51**
Other	18	-	50	**68**
	188	153	326	**667**

	6 MONTHS ENDED 30 JUNE 2019 (RESTATED)			
	PSI £ MILLION	PSU £ MILLION	RS £ MILLION	**Group** **£ MILLION**
Utilities	9	170	39	218
Oil & gas	90	-	72	162
Petrochemical & refining	4	-	78	82
Building Services & construction	24	-	70	94
Events	14	-	33	47
Manufacturing	15	-	24	39
Mining	29	-	24	53
Other	17	-	56	73
	202	170	396	768

	YEAR ENDED 31 DECEMBER 2019 (RESTATED)			
	PSI £ MILLION	PSU £ MILLION	RS £ MILLION	Group £ MILLION
Utilities	19	346	82	447
Oil & gas	182	-	144	326
Petrochemical & refining	8	-	157	165
Building Services & construction	44	-	150	194
Events	58	-	69	127
Manufacturing	31	-	56	87
Mining	64	-	48	112
Other	38	-	117	155
	444	346	823	1,613

4. SEGMENTAL REPORTING CONTINUED

(b) Profit/(loss) by segment

	6 MONTHS ENDED 30 JUNE 2020			6 MONTHS ENDED 30 JUNE	YEAR ENDED 31 DEC
	TOTAL BEFORE EXCEPTIONAL ITEMS	EXCEPTIONAL ITEMS (NOTE 6)		2019	2019
	2020	2020	2020	RESTATED	RESTATED
	£ MILLION	£ MILLION	£ MILLION	£ MILLION	£ MILLION
Power Solutions					
Industrial	11	(45)	(34)	21	65
Utility	9	(110)	(101)	13	44
	20	(155)	(135)	34	109
Rental Solutions	44	(26)	18	47	132
Operating profit/(loss)	64	(181)	(117)	81	241
Finance costs – net	(17)	-	(17)	(21)	(42)
Profit/(loss) before taxation	47	(181)	(134)	60	199
Taxation	(21)	8	(13)	(21)	(70)
Profit/(loss) for the period/year	26	(173)	(147)	39	129

(c) Depreciation, amortisation and impairment by segment

	6 MONTHS ENDED 30 JUNE 2020			6 MONTHS ENDED 30 JUNE	YEAR ENDED 31 DEC
	TOTAL BEFORE EXCEPTIONAL ITEMS	EXCEPTIONAL ITEMS (NOTE 6)		2019	2019
	2020	2020	2020	RESTATED	RESTATED
	£ MILLION	£ MILLION	£ MILLION	£ MILLION	£ MILLION
Power Solutions					
Industrial	48	20	68	51	101
Utility	41	44	85	53	100
	89	64	153	104	201
Rental Solutions	57	12	69	62	122
Group	146	76	222	166	323

4. SEGMENTAL REPORTING CONTINUED

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

	6 MONTHS ENDED 30 JUNE 2020 £ MILLION	6 MONTHS ENDED 30 JUNE 2019 RESTATED £ MILLION	YEAR ENDED 31 DEC 2019 RESTATED £ MILLION
Power Solutions			
Industrial	**31**	29	80
Utility	**25**	42	78
	56	71	158
Rental Solutions	**53**	44	105
Group	**109**	115	263

(i) Capital expenditure comprises additions of PPE of £105 million (including £10 million in relation to leased right-of-use assets) (30 June 2019: £111 million, 31 December 2019: £255 million) and additions of intangible assets of £4 million (30 June 2019: £4 million, 31 December 2019: £8 million).

(e) Assets / (Liabilities) by segment

	ASSETS			LIABILITIES		
	30 JUNE 2020 £ MILLION	30 JUNE 2019 RESTATED £ MILLION	31 DEC 2019 RESTATED £ MILLION	**30 JUNE 2020 £ MILLION**	30 JUNE 2019 RESTATED £ MILLION	31 DEC 2019 RESTATED £ MILLION
Power Solutions						
Industrial	**787**	761	781	**(221)**	(116)	(176)
Utility	**701**	933	828	**(168)**	(170)	(187)
	1,488	1,694	1,609	**(389)**	(286)	(363)
Rental Solutions	**768**	881	832	**(56)**	(99)	(81)
Group	**2,256**	2,575	2,441	**(445)**	(385)	(444)
Tax and finance asset/(liability)	**61**	56	65	**(77)**	(75)	(87)
Derivative financial instruments	**3**	-	1	**(4)**	-	(1)
Borrowings	**-**	-	-	**(513)**	(709)	(519)
Lease liability	**-**	-	-	**(95)**	(102)	(101)
Retirement benefit surplus	**11**	1	4	**-**	-	-
Total assets/(liabilities) per balance sheet	**2,331**	2,632	2,511	**(1,134)**	(1,271)	(1,152)

4. SEGMENTAL REPORTING CONTINUED

(f) Geographical information

	NON-CURRENT ASSETS		
	30 JUNE 2020 £ MILLION	30 JUNE 2019 RESTATED £ MILLION	31 DEC 2019 RESTATED £ MILLION
North America	**300**	302	290
UK	**155**	171	177
Continental Europe	**143**	148	140
Eurasia	**69**	62	69
Middle East	**123**	205	181
Africa	**160**	192	179
Asia	**188**	156	142
Australia Pacific	**77**	79	79
Latin America	**168**	191	194
	1,383	1,506	1,451

Non-current assets exclude deferred tax.

5. DIVIDENDS

The dividends paid in the period were:

	6 MONTHS ENDED 30 JUNE 2020	6 MONTHS ENDED 30 JUNE 2019	YEAR ENDED 31 DEC 2019
Total dividend (£ million)	**-**	45	69
Dividend per share (pence)	**-**	17.74	27.12

The interim dividend per share for the period was 5.00 pence (2019: 9.38 pence), amounting to a total dividend of £13 million (2019: £24 million). This interim dividend will be paid on 1 October 2020 to shareholders on the register on 4 September 2020, with an ex-dividend date of 3 September 2020.

6. EXCEPTIONAL ITEMS

The Directors believe that the impact of the COVID-19 pandemic, the lower oil price and the consequent deterioration in the short to medium term economic outlook, as well as the acceleration in the transition to lower carbon technologies presents a potential impairment indicator for certain of the Group's assets and, as a result, we have carried out a detailed impairment review across all asset classes. We have concluded that the specific trigger for the potential impairment and the resulting impacts mentioned above was the World Health Organisation's declaration of the coronavirus outbreak as a pandemic on 11 March 2020.

Following our review of all of the Group's asset classes, there are four specific areas where we considered an impairment to be necessary, totalling £181 million, as summarised below:

- Trade and other receivables (£69 million)
- Property, plant & equipment (£59 million)
- Inventory (£36 million)
- Other intangible assets (£17 million)

The accounting policy and definition of exceptional items was contained in Note 1 to the 2019 Annual Report and Accounts, namely that we believe exceptional items are items which individually or, if of a similar type, in aggregate, need to be disclosed by virtue of their size or incidence if the financial statements are to be properly understood. Given the size and nature of these impairment charges, both individually and in aggregate, they have been treated as 'exceptional items' in the Interim Financial Statements in accordance with this policy. In addition, we have reported an exceptional tax credit in the period of £8 million. This comprises an exceptional tax credit of £13 million on expenses treated as exceptional items in the accounts, which are deductible for tax purposes in either the current or future periods, together with an exceptional write-down of £5 million in relation to certain deferred tax assets. These deferred tax assets are no longer expected to be utilised in the foreseeable future due to the impact of COVID-19 and the lower oil price on certain of Aggreko's markets and customers, which have impacted our forecast taxable profit.

There is no impact on cash flow from any of these exceptional impairment charges.

Exceptional items by income statement category

	TRADE & OTHER RECEIVABLES £ MILLION	PROPERTY, PLANT & EQUIPMENT £ MILLION	INVENTORY £ MILLION	OTHER INTANGIBLE ASSETS £ MILLION	**TOTAL EXCEPTIONAL ITEMS £ MILLION**
Cost of Sales	-	59	36	-	**95**
Distribution costs	2	-	-	-	**2**
Administrative expenses	-	-	-	17	**17**
Impairment loss on trade receivables	67	-	-	-	**67**
	69	**59**	**36**	**17**	**181**

Exceptional items by segment

	TRADE & OTHER RECEIVABLES £ MILLION	PROPERTY, PLANT & EQUIPMENT £ MILLION	INVENTORY £ MILLION	OTHER INTANGIBLE ASSETS £ MILLION	**TOTAL EXCEPTIONAL ITEMS £ MILLION**
Power Solutions					
Industrial	10	15	15	5	**45**
Utility	57	38	9	6	**110**
	67	53	24	11	**155**
Rental Solutions	2	6	12	6	**26**
Group	**69**	**59**	**36**	**17**	**181**

Trade and other receivables (£69 million)

COVID-19 and its impact on the wider economy, as stated above, has created cash flow, liquidity and, in some cases, future viability challenges for some of our customers in the most hard-hit sectors (e.g. oil & gas, events). Equally, for some of our larger, and mostly legacy, customers in Power Solutions Utility (PSU), access to hard currency and funding has become increasingly challenged for those whose governments rely on oil sales to generate foreign currency reserves. As a consequence, despite some signs of progress in recent years (and increased provisions where this has not been the case), it is our judgment that the more challenging outlook post COVID-19 for several of our larger PSU debtors is such as to require full impairment of our residual balance sheet exposure. Specifically, this has resulted in an impairment, across our PSU debtor book, of £57 million (comprising £56 million against trade receivables and £1 million against other receivables), primarily relating to legacy debts in parts of Africa, Venezuela, Yemen and Brazil. In addition, we have reviewed the trade receivables of all business units to identify specific customers whose ability to pay has been materially impacted by COVID-19 as well as the consequent fall in oil price. As a result of this review we have identified an impairment of £12 million across certain other specific debtors within Rental Solutions and Power Solutions Industrial, the majority of which operate in the oil & gas and events sectors. While we continue to pursue these debtor balances, we no longer consider their recovery probable given the customers' financial position.

At 30 June 2020, 87% of the total provision (including the above impairment of £56 million) across our PSU debtor book related to the top 16 debtors (December 2019: 87%). Among these debtors the Group had a net exposure, after taking into account provisions or payment securities/guarantees, of $10-20 million to one customer (December 2019: three customers) and a net exposure of less than $10 million to each of the others. At 30 June 2020, there were no customers to whom the Group had a net exposure in excess of $20m (December 2019: two customers).

6. EXCEPTIONAL ITEMS CONTINUED

Property, plant & equipment (£59 million)

The combined effects of a sustained lower oil price environment and reduced economic activity as a result of COVID-19 have impacted the Group's growth expectations in the near term. While expert views continue to vary on the likely speed/shape of the economic recovery from the effects of COVID-19, there is increasing certainty over the short-term impact. The latest IMF forecast for this year is for a global contraction of 4.9% versus growth of 3.4% expected last October; while the IEA estimates that energy demand it is set to shrink by 6% this year, with global energy investment expected to shrink by 20% in the same time period. This revised market outlook has dampened our internal growth expectations for the next few years. In the context of this reduced demand outlook, to establish the need for any impairment across the fleet we have first identified, at an individual fleet asset level, those items that have not been on hire over the past 12 months. With the *prima facie* assumption that there is unlikely to be stronger demand in the future, as compared with the recent past, for these particular assets, a review has been undertaken to determine whether there is any likelihood of these items going on hire, either from their current location or elsewhere in the Group, such that the item should be retained at full value with no impairment. Additionally, we have identified assets that are currently "stranded" in countries where, in the current social and economic climate, there is little/no likelihood of the fleet being put on hire . We have also reviewed the fleet for assets beyond economic repair in the current market, where demand for the fleet no longer supports the case for investment to return the fleet to a rental ready state.

In addition to a reduction in demand more generally, the COVID-19 crisis has caused an acceleration in the transition to lower carbon solutions and technologies. This acceleration, combined with the lower oil price which has narrowed the gap between the cost of diesel and HFO, has reduced the attractiveness of our HFO product specifically and we have therefore impaired the value of this fleet accordingly. In carrying out the impairment review on our HFO fleet, we have determined the recoverable amount by using 'value in use' calculations based on a discount rate of 8.9%.

Inventory (£36 million)

Consistent with the rationale and approach taken to the Group's fleet, we have reviewed the Group's inventory to determine the extent to which the projected fall in revenue creates a materially reduced need for the inventory, and a consequent need for impairment. We reviewed inventory for slow and non-moving items (with the time period reviewed for parts being the last 24 months and for cable, duct & hose being a 3-year average utilisation), with our *prima facie* assumption being that there is unlikely to be stronger demand in the future, as compared with the recent past, for these items. We considered whether there is any likelihood of these items being consumed, either at their current location or elsewhere in the Group, such that the items should be retained with no impairment. Additionally, we have identified items that are currently "stranded" alongside our "stranded" fleet, as identified above. Finally, we have reviewed our inventory for items beyond economic repair in the current market (where future demand no longer supports the case to repair them) and those relating to fleet that is now considered obsolete as a result of the acceleration in the energy transition.

Other intangible assets (£17 million)

As we have moved through the COVID-19 crisis, there is strong evidence of an acceleration of the transition to lower carbon solutions and technologies, with increased support for governments and businesses to place sustainability at the heart of the global recovery. It is against this changing market backdrop that we have reviewed in detail our capitalised development expenditure, highlighting several projects where, as a consequence of the faster energy transition to lower carbon technologies and renewables, the future demand for the products or applications no longer supports the capitalised development spend.

Impairment charge sensitivities

In determining the impairment charge detailed above, in addition to considering various independent external and internal data sources regarding the future economic outlook for the Group, management has exercised a significant level of commercial judgment. As a result, there is a wide range of potential outcomes.

Specifically, in terms of the amount relating to the Group's trade and other receivables, the debts are largely undisputed by our customers and our assessment is based on their ability, rather than their willingness, to pay. Consequently, as we will continue to pursue payment going forward, we may receive some monies in the future. Consistent with the initial impairment, any such receipts would be credited through the income statement as 'exceptional' items. Further, it should be noted that for the legacy PSU debts, against which we have recorded an impairment of £53 million, the Group was already holding a provision of £48 million at 31 December 2019 against these customers, reflecting our assessment of the risk of non-payment at that point. In terms of the potential need for further future impairment, we believe that the combination of continued good cash collections on our more current debts and the impact of the impairment on our more legacy debtors has significantly reduced the risk of a material bad debt exposure across the Group.

6. EXCEPTIONAL ITEMS CONTINUED

Regarding the property, plant and equipment impairment of £59 million, for those assets that have been fully impaired (to £nil book value), we may be able to recover some value in the future, in the form of sale proceeds or through the potential future hire of the equipment. We do not believe, however, that any such amounts would be material. Approximately half of the overall property, plant and equipment impairment relates to the Group's HFO fleet, where we have recorded an impairment of c. 35% against the book value of the total fleet, based on our conversion expectations of the current pipeline of opportunities. There is clearly scope that these expectations prove to be either over, or under, optimistic, and therefore we will continue to keep the value of this fleet under review going forward. The residual net book value, after the impairment, of the Group's HFO fleet at 30 June 2020 is £51 million.

The inventory impairment covers items with a relatively low individual unit value and, therefore, while it is possible that some of the parts may be used in the future, the risk that this results in a significant understatement of costs going forward is considered to be immaterial. Equally, we do not believe that there is any prospect of material value being generated through the subsequent sale of any of the impaired inventory.

Finally, concerning the intangible assets impairment, this amount represents the full capitalised value of the respective development programmes, with an immaterial likelihood of any subsequent revaluation.

With the exception of the HFO fleet assets and the Group's inventory (which we reviewed at a total fleet and part number level respectively), the above impairment review considered the assets within each class at an individual basis. Given this level of detail, we believe that the overall risk of a further impairment within these asset classes, or indeed the Group's other asset classes where an impairment has been made, is not material.

Key assumptions and estimates
The Group's significant key assumptions and estimates were disclosed in the 2019 Annual Report and Accounts. These have been reviewed at 30 June 2020 to determine if any changes are required given the current situation. The valuation of certain assets and liabilities are subject to greater uncertainty than when reported in the 2019 Accounts and this has resulted in exceptional items being recognised in the Group Income Statement, as detailed above. There are no other changes to the key assumptions and estimates.

7. 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 period, excluding shares held by the Employee Share Ownership Trusts which are treated as cancelled.

	6 MONTHS ENDED 30 JUNE 2020	6 MONTHS ENDED 30 JUNE 2019	YEAR ENDED 31 DEC 2019
(Loss)/profit for the period (£ million)	**(147.0)**	39.0	129.3
Weighted average number of ordinary shares in issue (million)	**254.6**	254.2	254.6
Basic earnings per share (pence)	**(57.75)**	15.34	50.80

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 period. 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.

	6 MONTHS ENDED 30 JUNE 2020	6 MONTHS ENDED 30 JUNE 2019	YEAR ENDED 31 DEC 2019
(Loss)/profit for the period (£ million)	**(147.0)**	39.0	129.3
Weighted average number of ordinary shares in issue (million)	**254.6**	254.2	254.6
Adjustment for share options	**0.3**	0.3	0.4
Diluted weighted average number of ordinary shares in issue (million)	**254.9**	254.5	255.0
Diluted earnings per share (pence)	**(57.75)**	15.33	50.70

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 material and non-recurring as it 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:

	6 MONTHS ENDED 30 JUNE 2020	6 MONTHS ENDED 30 JUNE 2019	YEAR ENDED 31 DEC 2019
(Loss)/profit for the period (£ million)	**(147.0)**	39.0	129.3
Exclude exceptional items (net of tax) (£ million)	**173.1**	-	-
Adjusted earnings (£ million)	**26.1**	39.0	129.3
An adjusted earnings figure is presented below.			
Basic earnings per share pre-exceptional items (pence)	**10.26**	15.34	50.80
Diluted earnings per share pre-exceptional items (pence)	**10.25**	15.33	50.70

8. TAXATION

The taxation charge for the period is based on an estimate of the Group's expected annual effective rate of tax for 2020 based on prevailing tax legislation at 30 June 2020. This is currently estimated to be 45% on profits before exceptional items and 5% for exceptional items (2019: 35%).

9. GOODWILL

	30 JUNE 2020 £ MILLION
Cost	
At 1 January	177
Exchange	(5)
Balance at 30 June	172
Accumulated impairment losses	-
Net book value	172

Goodwill impairment tests
Goodwill has been allocated to cash generating units (CGUs) as follows:

	30 JUNE 2020 £ MILLION
Power Solutions	
Industrial	54
Utility	15
	69
Rental Solutions	103
Group	172

Goodwill is tested for impairment annually or whenever there is an indication that the asset may be impaired. Goodwill is monitored by management at an operating segment level. The recoverable amounts of the CGUs are determined from value in use calculations which use cash flow projections based on the five year strategic plan approved by the Board. The strategic plan approved by the Board is based on past performance, the opportunity pipeline, and managements best estimate of future market development. The key assumptions for value in use calculations are those relating to expected changes in revenue (utilisation and rates) and the cost base, discount rates and long-term growth rates, are as follows:

	30 JUNE 2020			
	EBITDA PRE-EXCEPTIONAL ITEMS	POST-TAX DISCOUNT RATE	PRE-TAX DISCOUNT RATE	LONG-TERM GROWTH RATE
Power Solutions Industrial	59	8.9%	16.1%	2%
Power Solutions Utility	50	8.9%	16.1%	2%
Rental Solutions	101	8.9%	16.1%	2%

Values in use were determined using current year cash flows and a prudent view of the medium-term business strategy. A terminal cash flow was calculated using a long-term growth rate of 2%. On the basis that the business carried out by all CGUs is closely related and assets can be redeployed around the Group as required, a consistent Group discount rate has been used for all CGUs.

As at 30 June 2020, based on internal valuations and using the key assumptions in the table above to calculate a base case scenario, management concluded that the values in use of the CGUs exceeded their net asset value with the highest headroom value being £1.3 billion and the lowest is £141 million. Reasonably possible downside sensitivities, where the long-term growth rate was reduced to 1%, were then carried out which resulted in a maximum headroom of £1.1 billion and a minimum headroom of £82 million. Given these headroom numbers the Directors consider that there is no reasonably possible change in the key assumptions made in their impairment assessment that would give rise to an impairment.

10. PROPERTY, PLANT AND EQUIPMENT

	FREEHOLD PROPERTIES £ MILLION	SHORT LEASEHOLD PROPERTIES £ MILLION	FLEET £ MILLION	VEHICLES, PLANT & EQUIPMENT £ MILLION	TOTAL £ MILLION
Cost					
At 1 January 2020	183	22	3,528	231	3,964
Exchange adjustments	6	-	101	1	108
Additions (ii)	5	-	86	14	105
Disposals (iii)	(1)	(1)	(60)	(19)	(81)
IFRS 16 remeasurements (iv)	(2)	-	-	-	(2)
At 30 June 2020	**191**	**21**	**3,655**	**227**	**4,094**
Accumulated depreciation					
At 1 January 2020	59	16	2,589	134	2,798
Exchange adjustments	4	-	84	1	89
Charge for the period	10	1	118	14	143
Impairment (v)	-	-	59	-	59
Disposals (iii)	-	(1)	(58)	(18)	(77)
At 30 June 2020	**73**	**16**	**2,792**	**131**	**3,012**
Net book values					
At 30 June 2020	**118**	**5**	**863**	**96**	**1,082**
At 31 December 2019	124	6	939	97	1,166

(i) The net book value of assets capitalised in respect of leased right-of-use assets at 30 June 2020 is £92 million.
(ii) Additions of £105 million include £10 million in relation to leased right-of-use assets.
(iii) Disposals include £3 million of cost and £2 million of accumulated depreciation in relation to leased right-of-use assets.
(iv) Remeasurements represent amendments to the terms of existing leases which are prospectively applied.
(v) Further information about the impairment can be found in Note 6

11. FULFILMENT ASSETS

	30 JUNE 2020 £ MILLION	30 JUNE 2019 £ MILLION	31 DEC 2019 £ MILLION
Balance at 1 January	**86**	44	44
Capitalised in the period	**58**	28	66
Provision created for future demobilisation costs	**3**	1	3
Amortised to the income statement	**(15)**	(7)	(24)
Exchange	**(1)**	1	(3)
Balance at 30 June/31 December	**131**	67	86
Analysis of fulfilment assets			
Current	**47**	22	32
Non-current	**84**	45	54
Total	**131**	67	86

12. TRADE AND OTHER RECEIVABLES

	30 JUNE 2020 £ MILLION	30 JUNE 2019 £ MILLION	31 DEC 2019 £ MILLION
Trade receivables	**475**	588	529
Less: provision for impairment of receivables	**(168)**	(90)	(85)
Trade receivables – net	**307**	498	444
Prepayments	**47**	50	45
Accrued income	**105**	137	124
Other receivables (Note (i))	**43**	61	46
Total receivables	**502**	746	659

Provision for impairment of receivables

	30 JUNE 2020 £ MILLION	30 JUNE 2019 RESTATED £ MILLION	31 DEC 2019 RESTATED £ MILLION
Power Solutions			
Industrial	**31**	16	15
Utility	**124**	66	61
	155	82	76
Rental Solutions	**13**	8	9
Group	**168**	90	85

The transfer of the operational and management control of Mexico from Rental Solutions to Power Solutions Industrial (Note 4) has reduced the Rental Solutions bad debt provision and increased the Power Solutions Industrial provision by £3 million in June 2019 and December 2019.

(i) Material amounts included in other receivables include taxes receivable of £27 million (30 June 2019: £27 million, 31 December 2019: £23 million) and deposits of £7 million (30 June 2019: £6 million, 31 December 2019: £6 million). At 30 June 2019 and 31 December 2019 other receivables also included the fair value of private placement notes with one customer in Venezuela (PDVSA) of £4 million and £1 million respectively. At 30 June 2020 the fair value of these notes is zero. Information regarding exceptional impairment losses recognised during the period can be found in Note 6.

13. BORROWINGS

	30 JUNE 2020 £ MILLION	30 JUNE 2019 £ MILLION	31 DEC 2019 £ MILLION
Non-current			
Bank borrowings	**-**	103	33
Private placement notes	**362**	493	478
	362	596	511
Current			
Bank overdrafts	**14**	42	51
Bank borrowings	**10**	113	8
Private placement notes	**141**	-	-
	165	155	59
Total borrowings	**527**	751	570
Short-term deposits	**(8)**	(7)	-
Cash at bank and in hand	**(115)**	(62)	(87)
Lease liability	**95**	102	101
Net borrowings	**499**	784	584

Overdrafts and borrowings are unsecured.

The maturity of financial liabilities

The maturity profile of the borrowings was as follows:

	30 JUNE 2020 £ MILLION	30 JUNE 2019 £ MILLION	31 DEC 2019 £ MILLION
Within 1 year, or on demand	**165**	155	59
Between 1 and 2 years	**-**	198	138
Between 2 and 3 years	**-**	34	10
Between 3 and 4 years	**121**	9	-
Between 4 and 5 years	**-**	118	146
Greater than 5 years	**241**	237	217
	527	751	570

Fair value estimation

The carrying value of non-derivative financial assets and liabilities, comprising cash and cash equivalents, trade and other receivables, trade and other payables and borrowings is considered to materially equate to their fair value. Private placement notes are level 2. Forward foreign currency contracts are considered to be Level 1 as the valuation is based on quoted market prices at the end of the reporting period. The valuation techniques employed are consistent with those detailed in the Group’s 2019 Annual Report and Accounts.

14. LEASES

(a) Amounts recognised in the balance sheet

Property, plant and equipment comprised owned and leased assets.

	30 JUNE 2020 £ MILLION	30 JUNE 2019 £ MILLION	31 DEC 2019 £ MILLION
Property, plant & equipment owned	**990**	1,122	1,068
Right-of-use assets	**92**	101	98
	1,082	1,223	1,166

The Group leases many assets, including land and buildings, vehicles and machinery. Information about leases for which the Group is a lessee is presented below.

Right-of-use assets

	FREEHOLD PROPERTIES £ MILLION	VEHICLES, PLANT & EQUIPMENT £ MILLION	**TOTAL £ MILLION**
Net book value at 1 January 2020	75	23	**98**
Additions for the period	4	6	**10**
Remeasurements	(2)	-	**(2)**
Disposals	(1)	-	**(1)**
Depreciation charge for period	(9)	(6)	**(15)**
Exchange adjustments	1	1	**2**
Net book value at 30 June 2020	68	24	**92**

Lease liabilities

	30 JUNE 2020 £ MILLION	30 JUNE 2019 £ MILLION	31 DEC 2019 £ MILLION
Maturity analysis – contractual undiscounted cash flows			
Less than one year	**33**	34	35
One to five years	**55**	64	63
More than five years	**21**	22	23
Total undiscounted lease liabilities at 30 June/31 December	**109**	120	121
Impact of discounting	**(14)**	(18)	(20)
Lease liabilities included in the balance sheet	**95**	102	101
Current	**33**	33	33
Non-current	**62**	69	68

(b) Amounts recognised in the income statement

	30 JUNE 2020 £ MILLION	30 JUNE 2019 £ MILLION	31 DEC 2019 £ MILLION
Depreciation charge of right-of-use assets			
Freehold property	**9**	9	18
Vehicles, plant & equipment	**6**	5	12
	15	14	30
Interest of lease liabilities	**2**	2	5
Expenses relating to short-term leases	**2**	2	4

The short-term lease commitments are not dissimilar to the short-term lease expense in the year.

(c) Amounts recognised in the statement of cash flows

	30 JUNE 2020 £ MILLION	30 JUNE 2019 £ MILLION	31 DEC 2019 £ MILLION
Total cash outflow for leases	**19**	16	36

This £19 million is included in the cash flow statement, with £17 million included within cash flows from financing activities and £2 million included in interest paid within net cash generated from operating activities.

15. DEMOBILISATION PROVISION

	30 JUNE 2020 £ MILLION	30 JUNE 2019 £ MILLION	31 DEC 2019 £ MILLION
Balance at 1 January	**14**	11	11
New provisions	**6**	4	9
Utilised	**(5)**	(2)	(6)
Exchange	**-**	-	-
Balance at 30 June/31 December	**15**	13	14
Analysis of demobilisation provision			
Current	**7**	4	5
Non-current	**8**	9	9
Total	**15**	13	14

16. CAPITAL COMMITMENTS

	30 JUNE 2020 £ MILLION	30 JUNE 2019 £ MILLION	31 DEC 2019 £ MILLION
Contracted but not provided for (property, plant and equipment)	**50**	49	39

17. RELATED PARTY TRANSACTIONS

Transactions between the Group and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. There were no other related party transactions in the period.

18. SEASONALITY

The Group has historically been subject to seasonality, with the third quarter of the year being its peak demand period. In previous years, therefore, revenue and profit have been significantly higher in the second half of the year. Given the timing, and continuing impact, of the COVID-19 pandemic and the lower oil price this year, we do not expect to see such marked seasonality in the year ending 31 December 2020.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors confirm that to the best of their knowledge, these condensed consolidated interim financial statements have been prepared in accordance with IAS 34 as adopted by the European Union, and that the interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- An indication of important events that have occurred during the first six months and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and

- Material related party transactions in the first six months and any material changes in the related-party transactions described in the last annual report.

The Directors of Aggreko plc are listed in the Aggreko plc 2019 Annual Report and Accounts.

By order of the Board

Chris Weston	**Heath Drewett**
Chief Executive Officer	Chief Financial Officer

6 August 2020

INDEPENDENT REVIEW REPORT TO AGGREKO PLC

Conclusion

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2020 which comprises the condensed consolidated statements of profit or loss and other comprehensive income, condensed balance sheet, changes in equity and cash flows for the six-month period then ended, and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2020 is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU and the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards as adopted by the EU. The Directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted by the EU.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

The purpose of our review work and to whom we owe our responsibilities

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the DTR of the UK FCA. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

John Luke
for and on behalf of KPMG LLP
Chartered Accountants
319 St Vincent Street
Glasgow G2 5AS
6 August 2020