



THE POWER TO

make things happen

ANNUAL REPORT AND ACCOUNTS 2016

AGGREKO PLC

aggreko

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Pages 1-69 comprise the Strategic report

* Pages 11, 16, 32, 50 and 62 case studies demonstrate how we make things happen

Around the world, people, businesses and countries are striving for a better future. A future that needs power.

That's why at Aggreko, we work round the clock, making sure our customers get the power, heating and cooling they need, whenever they need it – delivered with our trademark passion, unrivalled international experience and local knowledge. From urban development to unique commercial projects and humanitarian emergencies, we bring our expertise and equipment to any location, from the world's busiest cities to some of the most remote places on earth.

Every project is different, so we listen first and design a system around our customers, delivering our service and support anywhere, to any scale. Transforming the lives and livelihoods of individuals, organisations and communities across the globe.

Aggreko has the power to make things happen.



CASE STUDIES

The case studies throughout this report demonstrate the work our employees do for our customers every day.



FIND OUT MORE

Visit our website to find out more about Aggreko
www.aggreko.com/about-us



VIEW AND DOWNLOAD THE 2016 REPORT

www.annualreport2016.aggreko.com

Our investment case

Our objective is to remain the leading provider of modular, mobile power and related solutions, delivering long-term value to shareholders, outstanding service to customers and rewarding careers to our employees.



MARKET

The business operates in markets that are diverse both by geography and sector

We work across 12 major sectors including Oil & Gas, Petrochemical & Refining, Utilities and Events

In emerging markets there is a structural power deficit creating a clear market demand



[READ MORE ABOUT OUR MARKETS](#)
PAGE 12



STRATEGIC PRIORITIES

Defined strategic priorities:
Customer, Technology, Efficiency & People

Clear path to growth

Business focused on margins and returns



[READ MORE ABOUT OUR STRATEGIC PRIORITIES](#)
PAGE 27



COMPETITIVE ADVANTAGES

People & culture

Technology

Expertise

Scale

Financial strength



[READ MORE ABOUT OUR COMPETITIVE ADVANTAGES](#)
PAGE 22



SHAREHOLDER RETURNS

Priority is to invest for long-term growth

Will invest in bolt-on acquisitions where opportunities for growth or adjacencies (for example a cooling business may also drive demand for power)

Sustainable ordinary dividend policy

Where excess capital beyond these priorities will look to distribute to Shareholders



[USEFUL LINKS FOR SHAREHOLDERS](#)
PAGES 176

Performance highlights

REVENUE

£1,515m
2015: £1,561m

ADJUSTED PROFIT BEFORE TAX³

£221m
2015: £252m

ADJUSTED DILUTED EPS³

61.95p
2015: 71.68p

2016 REPORTED PROFIT BEFORE TAX⁴

£172m
2015: £226m

ADJUSTED OPERATING PROFIT³

£248m
2015: £275m

2016 REPORTED DILUTED EPS⁴

48.86p
2015: 63.45p

2016 REPORTED OPERATING PROFIT⁴

£199m
2015: £249m

ADJUSTED RETURN ON CAPITAL EMPLOYED^{2,3}

13%
2015: 16%

DIVIDEND PER SHARE¹

27.12p
2015: 27.12p

2016 RETURN ON CAPITAL EMPLOYED²

10%
2015: 15%



MATERIALITY

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

The material focus areas were determined considering the following:

- Matters that are critical to achieving our strategic objectives
- Key risks identified through our risk management process
- Feedback from key stakeholders during the course of the year

¹ The Board is recommending a final dividend of 17.74 pence per Ordinary Share, which when added to the interim dividend of 9.38 pence, gives a total for the year of 27.12 pence per Ordinary Share.

² Calculated by dividing operating profit for the year by the average net operating assets as at 1 January, 30 June and 31 December.

³ Adjusted numbers exclude exceptional items. Exceptional items are explained in Note 7 to the accounts.

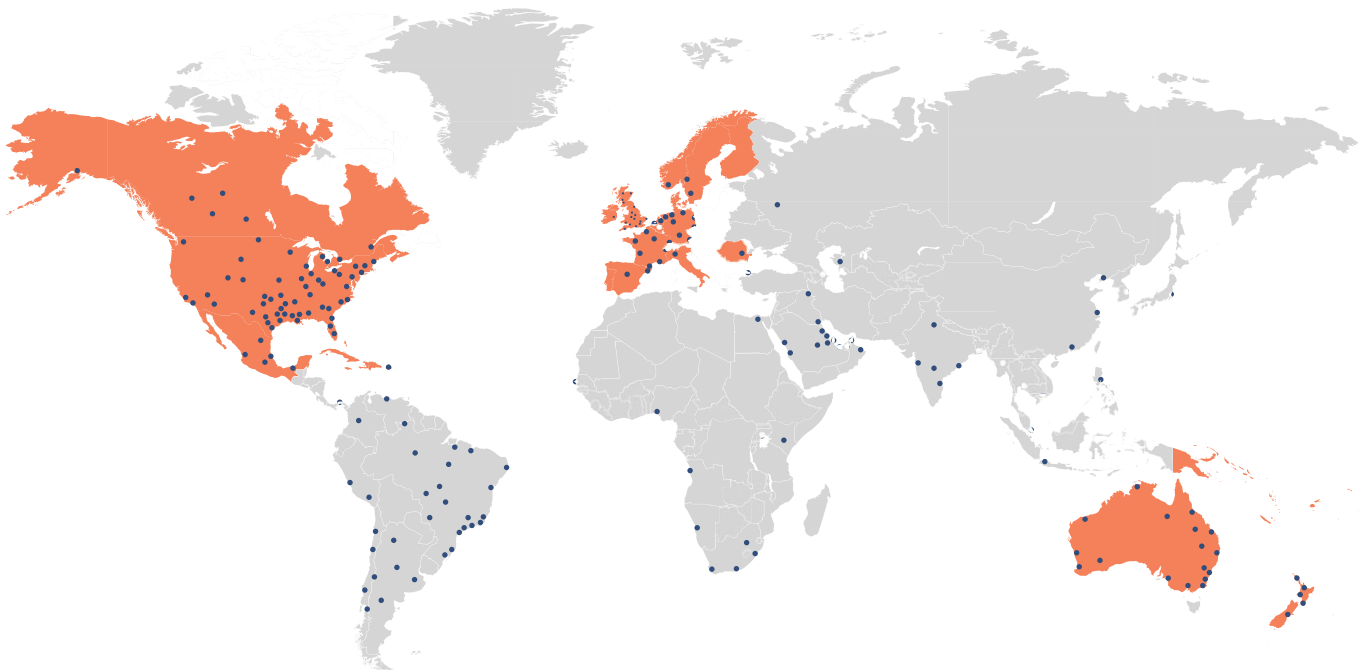
⁴ Reported is per the Accounts on pages 126 to 175.

Our business today

We are a global company organised into two business units. This enables us to focus on our customers, developing market leading products, whilst more efficiently delivering our expertise and equipment across the globe.

We operate in around 100 countries through 208 sales and service centres and with around 7,000 permanent and temporary employees.

GLOBALLY ORGANISED TO SERVE OUR CUSTOMERS' NEEDS



KEY



Rental
Solutions



Power
Solutions



Offices/
Service centres

Rental Solutions includes our businesses in North America, Europe, Australia Pacific and Mexico. Power Solutions includes all our other businesses around the world.



READ MORE ABOUT RENTAL SOLUTIONS
PAGES 19 AND 41



RENTAL SOLUTIONS

A transactional business serving a broad range of sectors in developed markets. It provides power, heating and cooling to a number of customer types who need it quickly and typically for a short period of time.

KEY SECTOR FOCUS %



1	Petrochemical & Refining	18
2	Oil & Gas	11
3	Events	11
4	Utilities	11
5	Manufacturing	9
6	Services	8
7	Contracting	8
8	Construction	6
9	Mining	5
10	Shipping	3
11	Other	10

REVENUE £M

£629m
43% of group



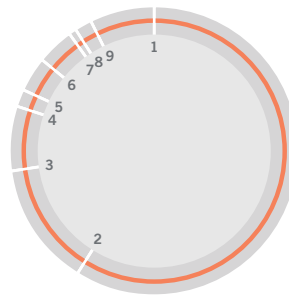
READ MORE ABOUT POWER SOLUTIONS
PAGES 19 AND 42



POWER SOLUTIONS

Operating in emerging markets, we typically serve both industrial and utility customers with larger, longer-term and often complex solutions to fulfil their power requirements.

KEY SECTOR FOCUS %



1	Utilities	59
2	Oil & Gas	14
3	Mining	7
4	Events	2
5	Construction	4
6	Manufacturing	4
7	Petrochemical & Refining	1
8	Military	2
9	Other	7

(excluding pass-through fuel)

REVENUE £M*

£826m
57% of group
*excluding pass-through fuel

WHO ARE OUR CUSTOMERS? A SELECTION:

CONTRACTOR

Needs to run a specific piece of equipment requiring a generator – for example a crane. Orders the same equipment every time, doesn't need consultation just needs a quick and reliable supplier.

EVENT

Needs a team who understand the complexities of an event – the timelines that need to be followed, challenges around a small footprint for the required generation, or quieter equipment (for example during a major golf tournament where concentration is vital).

EMERGENCY

Can be a hospital needing back up power if their redundancy fails, or a food manufacturer that needs to keep their product at a precise temperature during an outage. Need quick response and reliability.

PETROCHEMICAL & REFINING TURNAROUND

A complex job needing an engineering solution. If a refinery needs to perform maintenance it can need assistance in keeping everything at a stable temperature and maintaining throughput often involving complex solutions. Our engineers will work with the customer's engineers to design a solution.

MINING

A mining customer needs equipment for the length of the mine. Commodity prices can vary greatly over this time so they value a capex free solution with flexibility to scale up or down depending on any movements in price.

POOR TRANSMISSION

Countries with poor transmission grids need flexible generation sources that can be set up as small power stations, often with mini power grids to support them, around the areas where energy is demanded.

BASELOAD ISSUES

When a country has established baseload issues they often need a reliable source of generation to cover the gap while they resolve the longer-term issues. They can be sensitive to the total cost of energy, which is why having engines with the best possible efficiency is important.

Note: Power Solutions industrials customers tend to be of a similar type to Rental Solutions customers, albeit with a longer duration.

SUPPORTED BY A STRONG INFRASTRUCTURE

Dedicated sales force – Leading technology
Efficient support functions – Established distribution network

A personal perspective from our CEO



The work underway across the business is beginning to take effect



WATCH CHRIS' VIDEO ONLINE:
ir.aggreko.com/investors/financial-results-centre

There is no doubt that 2016 was a challenging year. However, I am confident that we are taking the right actions to position this business for the future and I am excited by the results that we are beginning to see from our work on our strategic priorities.

Chris Weston
 Chief Executive Officer

A REVIEW OF 2016

Market conditions have been challenging, with ongoing lower oil price and broader commodity weakness; lower emerging market growth; and no lessening of the competitive pressures in the market. The repricing of legacy contracts in Mozambique early in the year and latterly in Argentina, placed further pressure on our performance. Notwithstanding these, I was pleased with the underlying business, particularly our strong order intake of over 1GW and the growth we saw in some of our markets, Russia being a good example. We also made good progress on our strategic priorities of Customer, Technology and Efficiency. There is more to do in 2017 but I am confident that this important work is on track and will better equip Aggreko to grow successfully, even in more difficult market conditions.

2016

Jan

In January I visited our North American business to better understand the impact of the low oil price on US shale operators and our performance in the Oil & Gas sector. I met a number of customers throughout the week, across the sector, including in downstream Petrochemical and Refining. Meeting our customers is always an invaluable opportunity and hearing first hand the challenges they are facing also reinforced the importance of the changes we are making through our strategic priorities. On a slightly different theme, I particularly enjoyed meeting the Aggreko team preparing for the Superbowl and seeing the impressive set up for that event.

Feb



The safety, wellbeing and engagement of our people is one of our strategic priorities

SEE MORE HERE: www.aggreko.com



Lee Hee-beo, President and CEO of the PyeongChang Organising Committee of the Olympic Games and Aggreko's Robert Wells at the signing ceremony

I spent a few weeks on an extensive tour of our locations across Asia, visiting our businesses in China, Japan, Korea and Singapore. Weather caused travel problems but also provided a reminder of the extreme conditions that our equipment has to operate in. It is important I get around the business as much as possible to speak with our employees directly. Ensuring that our people are safe in what they do, motivated and engaged, is important to me and a key factor in providing the outstanding service, quickly, all over the world.

People are one of our strategic priorities and something that we have focused on throughout the year. The appointment of Anna Filipopoulos, our new Group HR Director, has brought an added professionalism and focus in this area.

In South Korea, I met the organising committee for the PyeongChang 2018 Winter Olympics, the contract for which we signed in December 2016. Our Global Events team, supported by our local team in Seoul, put in a huge amount of work to win this contract and I am delighted that they have been successful.

Apr

2016 revenue in Argentina £130m



Following a number of weeks spent meeting investors after our full year results, I travelled to South America. In Argentina, where we have a large contract with the government-owned utility, I spent some time with the Secretary of Energy, our ultimate customer, and also with the British Ambassador. It was very apparent that the new government is approaching the chronic power shortage in the country differently and that this could present us with both a risk and an opportunity.

Our business in Brazil has had to cope with a difficult few years in the face of a substantial economic slowdown and political upheaval, but our employees have continued to work tirelessly for our customers. In Rio, I visited our depot and shared lunch with our technicians, following which they took me to see the Olympic athlete's food hall, for which we were providing the cooling. The hall was huge, covering about three football pitches, and presented a complex challenge to cool it to acceptable temperatures. I am always impressed with the capability and work of our people, particularly when seen live on the ground, and the dedication and passion that they show.

A personal perspective from our CEO continued

May

Russia 2016 Adjusted revenue growth of 28%¹

Russia has been an area of strong growth over the last few years and in 2016 revenue increased 28%. In May, I visited the team there to congratulate them on their results and better understand their growth plans for the future.

It is an interesting market, largely focused on the Oil & Gas sector, which has continued to grow strongly as customers move from owning to renting equipment, thereby protecting their balance sheets in a weak commodity environment.

Given the extreme temperatures, it can be a challenge for our customers to find equipment that will operate reliably. Our G3 diesel and QSK60 gas engines, the older, workhorses of our fleet, perform very well in this harsh environment; the Russian business is taking these sets from around the Group as we start to introduce our Next Generation Gas engine to the wider market.



Gas installation at Taylakovskoye oil field in Western Siberia



Medium speed HFO leaving our Manufacturing facility in Dumbarton

Jun

HFO market opportunity 2GW

The launch of our medium speed Heavy Fuel Oil (HFO) engine, and broader discussion of our technology agenda generated a huge amount of interest, both internally and externally. Technology is one of our strategic priorities. Our aim is to provide our customers with the lowest possible cost of power and technology, fuel type and engine efficiency are key to achieving this. As the market has become more competitive, technology has become a key differentiator and Aggreko is in a strong position to take advantage.

Our diesel G3+ engine is the most fuel efficient on the market, so customers have less fuel to pay for; this can be a material saving, many millions of pounds, particularly when they are generating electricity continuously. We launched our HFO engine in response to market research and customer demand; HFO is more widely available than gas and cheaper than diesel, so for many of our customers it is a more economic way of generating power. As such, we think it will open up further opportunities for us.

¹ Excludes the impact of currency.

Some of our fixed site generators in Argentina



Aug

August began on a negative note as one of our contracts in Argentina extended at substantially lower prices than we had achieved historically. Our contracts in Argentina were signed prior to 2012 when the country had a significantly higher risk profile and restrictive exchange controls. As a result the pricing was significantly higher than current levels in the Power Solutions Utility market. This introduced some uncertainty around the future of the other contracts in Argentina, which I am pleased we have gained more clarity on recently.

Efficiency is one of our strategic priorities and clearly this repricing has substantially changed the economics of the Argentinian contracts. We have commenced a piece of work to look at the cost base of the Power Solutions business and how we could operate more efficiently.

Sep



Our order intake for the year is over 1GW



SEE MORE HERE:
www.aggreko.com



The signing of a 40MW gas contract in Mozambique took our order intake for the year over 1GW. I was delighted by this, particularly as the intake included a high percentage demand for our new diesel G3+ engine, demonstrating the importance of fuel efficiency to our customers.

Aggreko employees on site in Mozambique

A personal perspective from our CEO continued

Oct

Having seen further weakness in the North American business driven by the tough market conditions in Oil & Gas and Petrochemical & Refining, we commenced a further in depth review of the business, with particular focus on the existing and future opportunities in the shale basins. As part of this review, we have impaired some of our specialised Oil & Gas equipment and recently announced that we will take further steps to right size our business, including depot closures and some role removals.

It is important to support the North American team as they make these changes, and for me to talk with our people directly. I visited the Houston office and our Gulf operations in Lake Charles, Baton Rouge and New Orleans to speak with our people and thank them for their hard work in a very tough market and to talk enthusiastically about Aggreko's future.



An oil facility powered by Aggreko in North America

BE TOGETHER

BE EXPERT

BE DYNAMIC

BE INNOVATIVE

#ALWAYSORANGE

Our updated values framework, Always Orange

Nov

The gathering of our Senior Leadership Team in Edinburgh provided the opportunity to discuss current business performance, a number of strategic issues and plan our activities for the coming year. We also worked together on the launch of our new purpose, values and behaviours. Culture is an intangible, but important part of our business, and our new framework, Always Orange, embodies the passion, innovation, expertise and teamwork that we want to continue to develop and which underpins the delivery of our strategy.

Earlier in the year we completed a large project to understand better what our customers expected from us. This 'voice of the customer' work has allowed us to more meaningfully segment customers and therefore understand their needs and expectations. In November we launched our new CRM system in the UK. The full deployment of this system has begun and will cover both office and field operations. It will provide us with a clearer view of our customers, their preferences, the service they require and their history with us. It will transform our sales process. It will automate our field operations and fleet management. When fully deployed it will make it easier for customers to do business with Aggreko and it will give us a powerful online presence.

THE POWER TO

▼

drive major sporting events

TODD FASANO / PROJECT MANAGER, TEXAS



I've worked for Aggreko for years. This was my fourth Ryder Cup and tenth event for the PGA. It takes a year to plan an event like this and they are all unique. For example, this Ryder Cup was significantly larger than the last, and the location meant we had to prepare for cooling during the day and heating at night.

Our global markets

Strong prospects for long-term growth

In developed markets, power and related products, like heating and cooling, are an essential part of everyday life and are taken for granted until they are not there. In emerging markets power helps countries to industrialise and enhance living standards via for example hospitals to provide medical care and schools to educate future generations.

Demand for Aggreko's services is generally created by Events, the supply and demand gap or commodities: our customers often need a fast and flexible solution. Events may be frequent, such as a local utility needing power as they do planned maintenance, or they may be infrequent, such as a large-scale power shortage, for example in Guam. The nature of the demand differs by country and industrial sector. We address the market through our two business units which are well positioned to help our customers and each of which has strong prospects for long-term growth. Being global allows us to quickly move resources between the two business units in response to customer demand.

We have listed some of the key growth drivers across Aggreko over the page. These are often related and interact within a market to define that market.

8

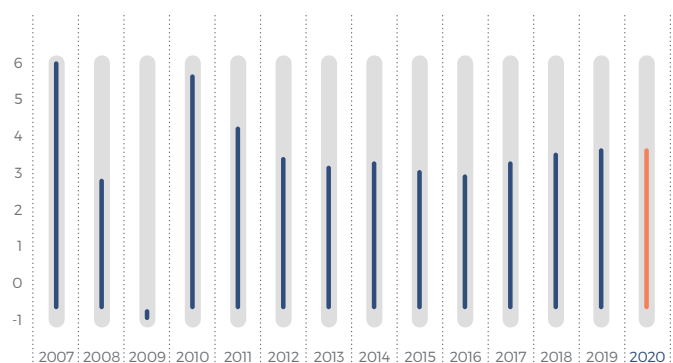
KEY DRIVERS
ACROSS OUR BUSINESS

1

GDP growth



GLOBAL GDP GROWTH (%)



Source: IMF, October 2016

As an economy grows, so does demand for power. As businesses grow they can rent additional power, heating and cooling rather than lose productivity; this is also more capital efficient.

Our Power Solutions Industrial and Rental Solutions markets have historically grown as a country's economy grows. The average GDP growth of the countries in which we operate is forecast to be around 2% per annum in Rental Solutions and 4% per annum in Power Solutions Industrial over the next few years (Source: IMF, October 2016). In 2016, whilst average GDP growth was 1.7% in Rental Solutions, revenue decreased 8%; this apparent market underperformance was driven by the low oil price and resultant weakness in Oil & Gas and Petrochemical & Refining, key sectors for the business, particularly in North America. Elsewhere, other sectors have been stronger, particularly in Europe.

The market in Power Solutions Utility is generally linked to the power shortfall - the difference between supply and demand - in a particular country. The customer is normally the state-owned utility; and in order for them to make a purchase decision our analysis suggests that GDP growth typically needs to be around 5% for conversion from an enquiry into a contract. These customers require base load, peaking and in some cases, backup power. There are a wide variety of factors that influence the decision to purchase electricity and they vary between countries. In recent years, lower commodity prices, in particular oil, has significantly affected the tax receipts in some commodity rich countries around the world and therefore their ability to afford power; in other countries, the lower oil price has made power more affordable.

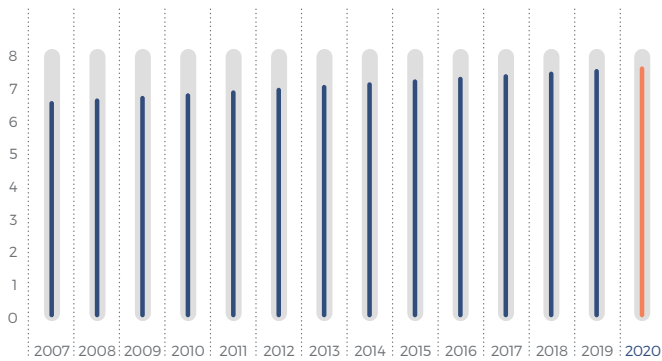
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Population growth & industrialisation



As populations continue to grow and urbanise, and as industrialisation drives economic growth, demand for electricity increases. Electrification rates are typically low in many emerging market countries and even in those places where electricity is available, reliability is often poor. These countries may have plans for permanent capacity, but raising the significant funding that is required can take a considerable period of time to realise and the amount of investment required can be challenging to obtain from traditional sources; it typically takes between 5 and 10 years for a new permanent plant to be commissioned. Delays in realising new capacity, ageing infrastructure and reliance on intermittent hydropower can also exacerbate an existing shortfall. Meanwhile, the global population is forecast to grow by over 1% per annum until 2020, and double this rate in the least developed countries according to the United Nations; therefore, the power shortfall is likely to increase.

GLOBAL POPULATION (BILLION)



Source: World Bank Development Indicators



3

Propensity to rent



Customers have the choice to either buy, rent or live with less power than they require; our competitors are not just rental companies but also equipment manufacturers. Where the need is urgent or for a short time, customers tend to rent.

There is a growing awareness of the benefits of outsourcing. In deciding whether to rent or buy, customers consider issues such as the tax treatment of assets and the availability and cost of finance for purchasing equipment. Often a benefit of renting our equipment is that it frees up a customer's balance sheet and allows them to focus on their core business.

Our global markets continued

4

Ageing infrastructure



In emerging markets, investment in new and replacement permanent power infrastructure has not kept pace with demand and so frequent breakdowns and damaging power cuts have resulted, with many regions remaining off-grid entirely. Delays in realising new capacity, ageing infrastructure and reliance on intermittent hydropower can also exacerbate the existing shortfall.

In the long term, the drivers of growth – increasing demand for electricity and insufficient investment in permanent supply – are structural.

Capital markets are less willing to support long-term infrastructure projects in these markets, particularly when de-carbonisation and ageing infrastructure in developed countries requires trillions of dollars in investment.



5

Reliability of supply



In Power Solutions Industrial, our customers are typically looking for electricity where the grid is unstable and they seek backup, or where the grid doesn't exist. The largest customers in this segment tend to be in Oil & Gas and Mining and are often in remote locations.

In the Utility business, the decision by governments to purchase power using flexible solutions is usually a political one and given slower economic growth in recent years, the opportunity cost of not having electricity is less acute; businesses that are growing, but that are unable to rely on utility power or where it is simply unavailable, are seeking alternative sources of electricity. The structural shortfall creates substantial opportunities for Aggreko and we will continue to win work by understanding the market, customer needs and offering solutions that meet their requirements.



6

Fragmented competition



We compete with a number of regional companies, and we have several competitors who cover a wider geographical area within Power Solutions Utility, but we believe we are the only company with a truly global footprint. In Rental Solutions, our competitors are either privately-owned specialist rental businesses, divisions of large plant hire companies or OEM (Original Equipment Manufacturer) dealerships; few provide the sector specific solutions that Aggreko does. Over the past few years, we have seen an increase in the larger general rental companies moving into speciality sectors, including power, heating and cooling. This tends to affect us at the lower end of the market – the price sensitive, equipment only customers, rather than the full solution customers. However, we are aware that this poses a potential threat to us and therefore our strategic priorities are designed to address this.

In every market across Power Solutions there are a number of regional, national and local businesses. Since 2012, overall demand in the market has been lower and therefore there has been an oversupply, which has increased competitive tension in some markets. Another competitive force that we face in the utility market is for a share of a government’s budget. In most emerging market countries, the utilities are state controlled and money spent on power is money that cannot be spent elsewhere.

A number of items differentiate us from our competitors: our global scale and large fleet, which facilitates fast deployment and economies of scale; our technology, which is often the most efficient in the market; and our expertise, which has been built over 50 years. Over the last year we have not seen a significant change in the competitive landscape in Power Solutions.

7

Natural disasters and geopolitical emergencies



Reactive demand is caused by events that happen infrequently and cause a power shortage for a period of time. This is impossible to predict, but important work to support; reputation and fleet availability are essential to be able to respond to such an emergency. Typically this type of work is in response to a natural disaster or in post-conflict reconstruction and military support. Examples include Japan where we provided power following the 2011 earthquake and tsunami, Hurricane Matthew in North America in 2016 and our military support in Iraq and Afghanistan.

8

Frequency of major events



High value, but low frequency events change the size of the market on a temporary basis with a need for short-term power, heating and cooling solutions. Typically these are major sporting occasions like the Olympic Games, FIFA World Cup and Commonwealth Games. Our global scale, expertise and excellent reputation in executing these events means that we are well placed to win contracts for these events. In the last year we have won contracts for the Olympic Winter Games PyeongChang 2018 and the 2018 Gold Coast Commonwealth Games in Australia.

THE POWER TO



connect communities



MARCIO MARQUES / OPERATIONS MANAGER



We're connecting power to the Amazonas for the first time. Some of these communities are so remote that we're having to transport our diesel generators on barges down the Amazon, and move them from there. A challenge for an Operations Manager like me, but this will transform the lives of the communities we reach.





Overview

Business strategy

Performance review

Governance

Accounts & other information

How we create value

Our business model

Our customers are the focus of everything that we do and investing in our resources enables us to deliver solutions that provide them with the power to make things happen.

WHAT OUR CUSTOMER NEEDS

RELIABILITY

▼

SPEED OF RESPONSE

▼

LOWEST TOTAL COST OF ENERGY

▼


SECTOR AND APPLICATION SPECIFIC EXPERTISE

OUR SECTOR FOCUS

- Utilities**
- Oil, Gas and Petrochemicals**
- Events**
- Manufacturing**
- Mining**
- Shipping**
- Services**
- Construction**




WHAT SETS US APART




PEOPLE & CULTURE

- Around 7,000 skilled employees
- Customer focused culture




EXPERTISE

- 50 years of operational experience and engineering capability
- Significant sector specific expertise




SCALE

- Large fleet available worldwide
- Quick response while maintaining optimum utilisation




TECHNOLOGY

- Range of new products offering customers the lowest overall cost of energy
- Mobile, modular, standardised fleet



FINANCIAL

- Strong balance sheet
- Minimised capital cost



READ MORE ABOUT OUR RESOURCES
PAGE 22

OUR CUSTOMER JOURNEY IS DESCRIBED ON PAGES 20 AND 21

- 1
Search & contact
- 2
Refine & select
- 3
Dispatch, transport & installation
- 4
Ongoing support
- 5
End of project
- 6
Prepare for the next customer

WE ARE ORGANISED INTO THREE UNITS TO BEST SERVICE OUR CUSTOMERS



RENTAL SOLUTIONS

We operate in developed markets and provide solutions and equipment for customers who either operate it themselves or contract us to provide a full turn-key solution. We retain responsibility for servicing and maintenance. It's a multi-product offering including power adjacencies, such as heating, cooling, oil-free air and load-banks and we serve a diverse sector base. Contracts tend to be short term, with 48 days being the average length. We estimate our share of the Rental Solutions market is around 25%.

REVENUE £M
£629m



POWER SOLUTIONS

INDUSTRIAL

Our Industrial business operates in emerging markets serving customers in sectors such as Oil & Gas, Petrochemical & Refining and Mining. Initial contracts are on average around three months, and are often more complex in nature than those in our Rental Solutions business. Typically we will work with our Industrial customers to develop a solution to a complex problem and then rent our equipment for the customers to operate themselves.

REVENUE £M
£262m

UTILITY

Our Utility business also serves emerging markets, acting as a power provider, installing and operating modular, mobile power plants. We will charge for providing the generating capacity and the electricity we produce, but will typically pass the cost of fuel straight through to our customers, or they will provide fuel themselves. Contracts on average in the Utility business are 14 months in length and many will extend further into the future. We estimate our share of this market is around 40%.

REVENUE £M
£564m
excluding pass-through fuel¹

KEY OUTPUTS OF WHAT WE DO

THE VALUE WE CREATE



SUPPORTING INDUSTRY AND COMMERCE



PROVIDING POWER FOR COUNTRIES AND COMMUNITIES



ENABLING MAJOR EVENTS AROUND THE WORLD



INNOVATING TO BUILD SUSTAINABLE BUSINESS



STRONG BRAND AND GOOD REPUTATION



REWARDING CAREERS



SHAREHOLDER RETURNS

¹ Pass-through fuel relates to Power Solutions Utility contracts in Brazil and Mozambique where we provide fuel on a pass-through basis. Pass-through fuel revenue in 2016 was £60 million (2015: £60 million).

How we create value continued

Our customer journey

The contact points we will have with our customers.








ONGOING SUPPORT

4

Most of our customers will choose to run the equipment themselves, after our engineers have explained the operating procedures. Our service engineers are on hand for any additional support that is needed, and our remote monitoring system alerts us to any potential maintenance issues before they occur.


RENTAL SOLUTIONS


POWER SOLUTIONS INDUSTRIAL


POWER SOLUTIONS UTILITY


Unlike our other businesses, we typically operate our Power Solutions Utility facilities, which are run by Aggreko employees, and sell the power that we generate to the customer. Our on-site teams are a mixture of experienced Aggreko veterans who rotate between countries, and local people who we train to operate our equipment.





END OF PROJECT

5

When the customer has finished with the equipment they will let our team know. We will then arrange to pick up the equipment at a convenient time.


RENTAL SOLUTIONS


POWER SOLUTIONS INDUSTRIAL


POWER SOLUTIONS UTILITY

When the contract reaches its end our customers will have the option to extend. On average 30% of our customers in any one year will decide to off-hire their contract.


If a customer does off-hire we will remove our equipment and remediate the site to leave it as we found it.





PREPARING FOR THE NEXT CUSTOMER

6

We take the equipment back to our service centres, where we service it to make sure it's ready for the next customer.


RENTAL SOLUTIONS


POWER SOLUTIONS INDUSTRIAL


POWER SOLUTIONS UTILITY

Equipment that comes off-hire will go back to a service centre or hub where it will be serviced or upgraded.

At the end of their useful life our 1MW diesel engines can be upgraded, improving fuel efficiency and at a lower capital cost than a new engine.

How we make things happen

Using our resources



OUR RESOURCES WHAT SETS US APART



PEOPLE & CULTURE

We have a highly skilled, passionate and professional workforce of around 7,000 temporary and permanent employees worldwide with a strong can-do and customer focused culture.



EXPERTISE

We have over 50 years of operational experience and expertise in sector specific and complex projects. When this is combined with our engineering capability it gives us a unique understanding of our customer needs and the ability to deliver whilst managing risk.



SCALE

Our scale and global reach allow us to serve customers in around 100 countries today. Aggreko is geographically spread so we are close to both our existing and potential customers across the world. Having a large fleet available means we can respond quickly when we need to while also running at good utilisation levels. Combined, our breadth and scale means we have a diversified portfolio and an inherent risk management mechanism.



TECHNOLOGY

We have a fleet that is mobile, modular and standard in design so that it can serve any customer, anywhere in the world. We partner strategically with key suppliers to develop market leading products aimed at reducing the overall cost of power for our customers. Our key focus is fuel efficiency, as this is the largest cost to our customers.



FINANCIAL

The Group has a strong balance sheet with good financial flexibility.

PEOPLE & CULTURE

People are our greatest asset; their passion and commitment are a critical contributor to our success. They are highly skilled and are used to reacting quickly; they respond effectively under pressure; do a professional job; and above all, deliver it in a safe manner. These attributes underpin the dynamic, customer focused culture for which Aggreko is known. We are focused on providing an environment in which our people can flourish and make a massive difference.



HEALTH, SAFETY AND ENVIRONMENT (HSE)

READ MORE ABOUT HSE
PAGE 66

ETHICS AND INTEGRITY

READ MORE ABOUT ETHICS AND INTEGRITY
PAGE 69

SOCIAL CONTRIBUTION

READ MORE ABOUT SOCIAL CONTRIBUTION
PAGE 69

LEADERSHIP

Our Senior Leadership Team (SLT) comprises our top 70 managers and was formed in 2015. During the year, our CEO, Chris Weston, hosted two meetings. These are a valuable opportunity for engagement with the Executive Committee and the top team and it allows the SLT to hear updates on the operations, financials and business priorities first hand. They also provide a forum for wider input into the Group strategy.

During the first meeting of the year, the team worked on our culture, purpose and values. We reviewed other companies from around the world and determined those that articulated their purpose and values well and which resonated with us, whilst reflecting on what it means to work for Aggreko. At the second meeting in November, we received an update on the culture work and planned together how best to launch it into the organisation. In addition, we considered key strategic topics for the Group, such as how to best foster innovation and how to better leverage our fixed cost base. The outputs of these meetings were taken away by working groups for further development and implementation.

ALWAYS ORANGE

Aggreko is a strong and unique business and our culture reflects that. Following the reorganisation in 2015, a significant piece of work was commenced to refresh our culture, including our purpose, values and behaviours, to ensure that it could best support our business transformation and growth. We believe that in defining these we are setting ourselves up for a sustainable and profitable future, where we can capitalise on market opportunities and create an even better place to work. The work has taken over six months to complete and has engaged employees around the world and at all levels of the business, with workshops, input from our online community and healthy debate at the Executive Committee and SLT levels. Our Orange Champions, individuals at different levels across the Group, have been an instrumental testing ground as the work has developed and are ideally placed as we work to embed the new culture into the organisation.

The result is a clear purpose for the Group, underpinned by four values and associated behaviours. Our values are:



BE DYNAMIC

We use our entrepreneurial passion to deliver and we thrive on making great things happen.

BE EXPERT

We use our blend of experience, expertise and planning to keep us ahead of the game.

BE TOGETHER

We ask the best of each other and harness our scale and diverse skills to grow stronger together.

BE INNOVATIVE

We learn from the world for a better today and for great leaps tomorrow.



Together these embody our culture:

Always Orange.

OUR PURPOSE

We believe in the positive impact of power and the ability to control temperature. We believe it opens up opportunity and creates potential for individuals, communities, industries and societies all over the world.

Together and over time, we believe our services make a massive difference.

How we make things happen continued

Using our resources

SAFETY AND SECURITY

Given that we operate in many areas of the world which can be categorised as high risk, we consider the safety and security of our employees working in these locations to be our most critical issue.

During the year, we further enhanced our Group security function and embedded standard tools and processes which were introduced in 2015. We also have an ongoing partnership with external advisers, who provide us with the on-the-ground knowledge that we need to make decisions on our operations in high risk areas; this includes a mobile phone app which allows our people to check the latest advice for any country around the world and automatically updates key advice for the country which they are in. It also has the capability to track travellers and an added 'alarm' function, which triggers an emergency response.

Our business involves electrical equipment which can pose safety issues when not handled properly. We have a number of established policies and protocols designed to protect our employees and customers, including effective training, testing and risk assessments. This year, we identified a higher than expected incidence of safety issues as a result of manual handling activities and after a thorough investigation we are implementing new processes across the organisation.



READ MORE ABOUT SAFETY AND SECURITY RISK
PAGES 57 AND 58

TALENT MANAGEMENT

Learning and development

Learning and development continues to be an area of focus and is built around the core capabilities required by the business. We firmly believe that investment in our employees has a direct and positive impact on our employee retention rates and the engagement levels of our staff. It is essential that our people are properly trained and each part of the business has training programmes in place to provide our employees with the necessary skills to perform their role; training is a combination of on-the-job learning and specific skill development through training courses. In 2016, we appointed a Global Learning and Talent Management Director to further develop an effective programme that will develop capability across the organisation.

Over 2016, we delivered over 173,000 hours of training across the Group. Many of our training programmes are tailored specifically for Aggreko employees and utilise case studies and examples taken from employee experience. Throughout the year, we have renewed our focus on training and have been working to overhaul our existing programmes, refreshing them for the changes across the business and enhancing our tools and capabilities to enable them to be delivered in a more efficient and easily digestible form. These new programmes were launched in December 2016.

We also recognise that localisation of talent provides many benefits to the Group and to the communities in which we operate, which is why we actively recruit local people wherever possible, training them and providing them with career opportunities with the Group. Across the Group Aggreko employs over 106 different nationalities. We also use programmes like Aggreko University (Ivory Coast), SelecTech (USA) and our apprenticeship programme at our Dumbarton manufacturing and technology facility (UK) to develop the skills of school-leavers.

REWARD FOR PERFORMANCE

Aggreko's remuneration arrangements seek to support the delivery of our business strategy by attracting, retaining and motivating talented people at all levels.

Pay for performance and rewarding value creation is at the heart of Aggreko's remuneration approach. The Company's remuneration policy is aligned with the key objectives of growing earnings and delivering strong returns on capital employed. These metrics are used for the Group's long-term incentive scheme and senior managers' annual bonuses.

During the year, we undertook a Shareholder consultation exercise on proposals to better align Executive reward with strategy, as well as retain key talent through our current business transformation. The Company's proposals will be subject to a Shareholder vote at the 2017 AGM.

We encourage all employees to own shares in the Company and currently 1,872 people participate in the Sharesave programme.



READ MORE ABOUT REMUNERATION POLICY
PAGE 95

SUCCESSION PLANNING

Whilst retaining our talent is important, identifying potential future roles for them and then training them appropriately is key in ensuring that the Group continues to have effective management well into the future. Succession planning was historically not formally done beyond the Executive Committee level; following the reorganisation of the Group and the headcount reduction that we underwent during 2015, we have now rolled out a new succession planning process, which encompasses the Senior Leadership Team and their direct reports. Work is underway to implement this.

ENGAGEMENT

We are proud that so many of our employees enjoy what they do and we seek to increase employee satisfaction through more than just financial incentives. We encourage mobility between countries and business units by prioritising internal transfers and ensuring that positions are advertised internally.

In 2015, we used PULSE surveys to measure employee sentiment across the business. This year we launched 'Be Heard', a quarterly survey to capture sentiment across the Group on a more regular basis. Each member of the Senior Leadership Team receives their division's results and is then able to address concerns quickly; the total results are also circulated to the Group. In terms of tracking engagement levels, we assess three areas: Say, whether an employee is an advocate for Aggreko; Stay, whether an employee remains loyal and committed to the business; and Strive, whether an employee does the best that they can within their team. The responses can be distilled down into an overall employee engagement score, which for the most recent survey was 72%. Within this, 85% of people said they are proud to work for Aggreko.



READ MORE ABOUT EMPLOYEE TURNOVER
PAGE 37

Internal communications continues to be an area of focus. Our Director of Communications joined us in the year with responsibility for developing an internal communications and engagement programme to ensure that our people understand our strategic priorities and know what role they can play in helping to transform our business. Particular focus has been on empowering managers to brief their teams more effectively. Encouragingly we have already seen an improvement with 68% of those surveyed in October 2016 feeling that they have "access to communication that helps me do my job more effectively", an increase from March 2016 – with all key comparator measures improving since March.

EXPERTISE

It has taken over 50 years to develop the enormous strength and depth of expertise throughout the business. At the regional levels our sales and commercial teams are local experts, highly trained and understand the financial, regulatory and environmental logistics of operating in their markets; similarly, our engineers and technicians are trained to problem solve in the most difficult situations and to keep our equipment operating.

We have built a team of specialist engineers at our in-house manufacturing and technology facility in Dumbarton, Scotland. They intimately understand the requirements of the environment in which the fleet operates and have core skills around speed of deployment, reliability and flexibility which, over the years, have provided us with a strong competitive advantage. In the last few years we have strengthened and developed our capability to adapt to the market environment, including bringing in new expertise on product development, new technologies, service engineering and procurement. We operate equipment for its useful life; we do not build our equipment to sell. This gives a powerful incentive to maintain it well, which gives a longer life and better reliability.

SCALE

Our scale and global reach, which allows us to serve customers in around 100 countries, means that we are close to, and aware of, market opportunities as they arise. We are able to ensure that fleet is always available and therefore are able to respond quickly, whilst running at good levels of utilisation to generate strong returns on capital. Importantly, given the risk of operating in some of our markets, our scale means that we have a diversified portfolio and an inherent risk management mechanism.

Our scale also provides a capital cost advantage on our equipment and enables us to work closely with suppliers on technology development. Technology is an important enabler for our business and we have built a competitive advantage by working with our suppliers to provide market-leading technology in a modular, flexible format. When you consider that for diesel customers, on average 80% of the cost of our solution is fuel, then providing products that are market leading in fuel efficiency can provide a significant competitive advantage. Additionally, we are continually identifying and developing new product lines providing our customers alternatives. For example, our new medium speed HFO engine will allow customers to use a more affordable fuel source than the traditional diesel product, with better availability than gas.

We currently purchase most of our temperature control equipment externally to suit the needs of local markets.

Fleet is managed on a real time basis across the world and is transferable across all sectors and applications, which enables us to optimise utilisation and therefore its deployment and returns.

Fleet is at the heart of any rental business; it is the core of the service we offer and managing it effectively is necessary to ensure the long-term sustainability of our business. Designing and assembling our own fleet gives us a unique competitive advantage:

- Optimised to meet our particular operational requirements;
- Designed for reliability and longevity;
- Capital cost advantage through economies of scale and not paying the final assembly margin;
- React quickly to customer requirements with lead times of only a few months from engine order to the equipment being in the fleet.

KEY ATTRIBUTES OF OUR EQUIPMENT

Safe

Durable and mobile – capable of being lifted and transported hundreds of times during its life

Ability to work in extreme conditions, both temperature and altitude

Fuel efficient

Quiet

Reliable

Compliant with environmental and safety regulations within the markets in which we operate



READ MORE ABOUT TECHNOLOGY
IN OUR BUSINESS PRIORITIES
PAGES 27 TO 31

How we make things happen continued

Using our resources

TECHNOLOGY – OUR DESIGN AND ASSEMBLY CAPABILITY



▲
238

**PERMANENT
DUMBARTON EMPLOYEES**

2015: 235

Purpose-built facility with
the ability to flex volume

Flexible employee base

238 permanent staff and
60 contractors

Design and assembly with
50 years' experience

Major sub-assembly bought in
from key strategic suppliers

- Engine c.50%
- Alternator c.10%
- Container c.5%



▼
20,744

**POWER UNITS
AVAILABLE**

2015: 20,774

2,255 MW of power in
Rental Solutions

7,411 MW of power in
Power Solutions

6,800 units of power that are
common to both business units



▼
9,666MW

**POWER IN
THE FLEET**

2015: 9,818MW

Focus on fuel efficiency in new and
upgraded fleet, and affordable
sources of fuel in new products

Refurbished and upgraded diesel
for c.75% of original cost per MW

In the fleet within
10-12 weeks of order

–
80%

**COST OF MAJOR
SUB-ASSEMBLIES**

2015: 80%

▲
£241m

**FLEET CAPEX
IN 2016**

2015: £237m

FINANCIAL

The Group has sufficient facilities to meet our funding requirements over the medium term. At 31 December 2016, these facilities totalled £1,035 million in the form of private placement notes and committed bank facilities arranged on a bilateral basis with a number of international banks with whom we have strong relationships. These facilities have a range of maturities and are conditional on maintaining compliance with the covenants below.

The Group does not consider these covenants restrictive and under normal business conditions looks to operate the business with net debt/EBITDA ratio of around one times. The Group believes that this is the appropriate level given the characteristics of the Group, including the inherently risky nature of where we operate, in particular in the Power Solutions Utility business.

Funding source	International Banks & US Private Placements	Covenants	EBITDA \geq 4x interest Net debt/ EBITDA \leq 3x	Performance as at December 2016	EBITDA to interest: 20x Net debt/ EBITDA: 1.2x
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Our strategic priorities

How we are responding to our customers' needs

How we are responding to our customers' needs

Our markets are dynamic and always changing; to make sure we are well placed to maximise these opportunities we are focused on the four priorities below:



CUSTOMER

Understanding the needs of our customers and tailoring sales and service channels to them, whilst focusing on key sectors and developing related applications and solutions.



TECHNOLOGY

We are focused on reducing the overall cost of power to our customers. This will be achieved by developing market leading products and working with strategic partners.



EFFICIENCY

Through streamlining our cost base and optimising the deployment of resources we will maintain our reliability whilst lowering the cost for our customers. Improvements in our systems and processes will also lower our costs and make doing business with us easier.



PEOPLE

It is our people's passion, skill, professionalism and can-do attitude for which we are known. We are providing an environment where our people can flourish and make the greatest possible difference to our performance.

Our strategic priorities continued

The power to make things happen

Aggreko is a growth business

Our objective is to remain the leading global provider of power, heating and cooling that is efficient, modular and mobile. In order to deliver our objectives we have clear priorities under which plans are being implemented across both of our business units. During the year, we added People to our three existing priorities; therefore the priorities are:

Customer, Technology, Efficiency and People.



CUSTOMER

- Tailoring sales and service channels to customers
 - Focusing on key sectors
- Developing and deploying relevant solutions
 - Evaluating bolt-on M&A opportunities

IMPROVING CUSTOMER SERVICE

The actions that we are taking will provide a more tailored service to customers by more effectively allocating our resources and being smarter about the way we meet customer needs.

- Implementing global and national account management for our larger customers; we are uniquely positioned to provide the service globally.
- Introducing an enhanced customer relationship management (CRM) system, provided by SalesForce, to better understand customer requirements, history and service provision which will benefit both customer service and sales.
- Using the data provided by our CRM to improve how we go to market; including customer analysis, how and where we deploy our sales resource and how we train them effectively.
- The introduction of a new website and improved digital offering in March 2017. This will particularly benefit our more transactional customers; providing a more agile and cost-effective sales channel and better service proposition.
- Pursuing adjacent products to power, such as the acquisition of DRYCO, a moisture control business, this year. These kinds of acquisitions expand our product range and expertise can often be rolled out across the business. They also often allow us to sell power generation as part of the solution.
- Developing strategic partnerships to deliver opportunities in bridging to permanent power and service and repowering.



TECHNOLOGY

- In Power Solutions focus is: Improving fuel efficiency and range of energy source to reduce the overall cost of power for our customers
- In Rental Solutions the focus is reliability and capability
 - Developing market-leading products
- Strengthening relationships with strategic partners

USING TECHNOLOGY TO REDUCE THE OVERALL COST OF POWER

All customers value reliability and speed of deployment, but in our Utility business the total cost of energy is critically important. Technology, and our technical capability, has a key role to play and will improve our competitive position.

- 200MW of the next generation of gas engine produced, which offers a 10 percentage point improvement in fuel consumption over our existing gas engine, which equates to c.£5 million of savings a year for a customer running 80MW of gas as base load.
- 25% of the diesel fleet upgraded to the market leading G3+, with plans to convert the full fleet by 2020.
- Work is ongoing to develop enhanced versions of the G3+ and the next generation gas engine.
- Launching new products incorporating new fuel types and renewables. Field trial underway of a medium speed HFO solution and a solar-diesel hybrid now available.
- Working closely with our suppliers – taking established but leading technology from our suppliers and using our expertise to package in a modular format.
- Reducing the total cost of ownership of our products, through looking not only at the build cost but also the ongoing planned and unplanned maintenance.
- Built a clear technology roadmap for the next five years, covering three fuels (diesel, gas, HFO).
- In Rental Solutions working on sector specific equipment where market opportunities are available.

What we expect to deliver

Through careful investment in organic and inorganic growth, we remain committed to the following targets:

- Revenue – growth ahead of our markets
- Margins – around 20% in the medium term
- Return on capital – around 20% in the medium term

TO FIND OUT MORE VISIT OUR KPIs ON PAGE 34



EFFICIENCY

- Streamlining our cost base
- Improving processes and systems

OPTIMISING DEPLOYMENT OF RESOURCES

Efficiency is a critical priority; the actions that we are taking will enhance our capability and improve our competitive position whilst providing customers the best possible service at the lowest possible cost. We have a range of immediate priorities, but as with any efficiency focus it is a continuous process.

- Improving Group procurement practices to better leverage our global spend through supplier rationalisation and improved terms. This is expected to deliver £40 million of savings by the end of 2017, with potential for incremental savings beyond this.
- Further automating fleet management; this will be facilitated by remote monitoring and will improve utilisation and returns by allowing a move to condition based servicing.
- Streamlining back office processes across Finance, Human Resources, Rental Centres and Information Technology.
- Right sizing the depot network; in some cases market investment is not proportionate to the opportunity and we need to correct this.
- Looking at how our customers use our services and identifying where we can improve processes or use new technology to improve efficiency.
- Improving efficiency of project delivery, particularly in our Utility business.
- Assessing manpower mix in our Power Solutions business, increasing the proportion of local workforce; this has the added benefit of providing jobs, training and skills to local people. This benefits the Utility business in particular, where we may have only one site in a country for a short-term contract.



PEOPLE

- Evolving our culture
- Training and developing our people
- Health, safety, wellbeing and security

CULTIVATING AN EFFECTIVE ORGANISATION

Our people are at the heart of the great service Aggreko provides. Selecting the right people, continuous development, and training for capability are important areas we continue to improve. Coupled with an intent to foster a safe, supportive and stimulating environment for our employees to ensure that Aggreko continues to be known for its people and the quality of service that we provide to our customers.

- Evolving our culture and developing our purpose and values to bring our people together, inspire them and ensure that together we can make things happen.
- Introducing new training programmes to upskill our people and working to identify key talent across the organisation, which combined with strong succession planning, will strengthen us for the future.
- Safety is critical to ensuring our people are well, safe and secure and that we deliver the best possible service to our customers. We are continuing to invest in health and safety.

Our strategic priorities continued

The power to make things happen

Achievements in the year:

Over 100 workstreams are in place working on initiatives under the strategic priorities. During the year, we have achieved the following:



CUSTOMER

- Completed 'Voice of the customer' work across both business units to really understand existing and potential customer needs.
- Began implementation of the new CRM system, with global roll-out planned for 2017.
- Overhauled the customer website with first launch in early 2017 and roll-out planned globally through the year.



Case study:
Implementation of a new Customer Relationship Management (CRM) system

Following our extensive customer surveys last year, we identified that whilst we offer a high standard of customer service, it is a 'one size fits all' approach which is not appropriate to all of our markets. We are implementing a new CRM system, using Salesforce as a service provider, which will allow us to better tailor and personalise the service we provide our customers, and more efficiently delivering the outputs they need.



TECHNOLOGY

- Successful field trial of the Next Generation Gas engine with soft launch into the fleet.
- Developed a medium speed HFO package which went on field trial with a customer at the end of the year.
 - Made significant progress in developing our solar-diesel hybrid product.



Case study:
Solar-diesel hybrid

In June 2016, we launched a solar-diesel hybrid product, which couples modular solar panels with our diesel generators. Solar cannot provide power output 24/7, but combined with our diesel product it becomes an optimal solution for customers with enough land to have a solar array. There are clear environmental benefits to the product, but it also reduces the cost by up to 10% compared to a stand-alone diesel solution.



EFFICIENCY

- We have removed 700 permanent roles to right-size functional support, delivering £35 million of savings in 2016.
- Full roll-out of remote monitoring across Rental Solutions.
 - Embedded a new procurement function which generated £20 million of savings in 2016.



PEOPLE

- Developed our purpose, values and behaviours.
- Strengthened our training and development capability.
- Completed succession planning to three levels below the Group CEO.



Case study:
Rolling out the ROC (Remote Operating Centre)

In 2016, we rolled out remote monitoring across our Rental Solutions fleet after success in North America. The ROC connects all of our equipment on-hire to a central monitoring centre which can track performance, system issues and the need for any maintenance. As a result we've been able to reduce the cost of breakdowns, lower the need for extra equipment needed for back up and improve our customer satisfaction.



Case study:
Development of our Purpose and Values

Over the last twelve months we have looked to evolve our culture and refresh our purpose and values. To do this we've consulted with employees at all levels of the organisation, across the world to understand their views. This has shaped a new framework for Aggreko - Always Orange, which was launched in early 2017 and will help to bring together our global employee base.



THE POWER TO

build a new product

JOHN CAMPBELL / PROGRAMME MANAGER, DUMBARTON

“
”
 The latest project I'm working on is our new medium speed HFO (Heavy Fuel Oil) product. This is a new engine for Aggreko. HFO fuel is cheaper than diesel and more widely available than gas – so it's just another way we are reducing the total cost of energy for our customers.



How we performed – our key performance indicators

We have modified the KPIs that we report externally in order that they are more aligned to how the business operates and to our strategy.

This year we have aligned how we measure our performance against our strategic priorities.

The operational areas of Customer, Technology, Efficiency and People and their related KPIs provide a clear tool to measure the delivery of our strategic priorities; the remaining financial KPIs are directly impacted by this performance and are the resulting outcome.

CUSTOMER

CUSTOMER LOYALTY

Measure

Net Promoter Score.

Relevance

It is important that we understand the extent to which we meet our customers' needs. Net Promoter Score (NPS) measures the proportion of our customers who think we do an excellent job against those who think we are average or worse.

Target

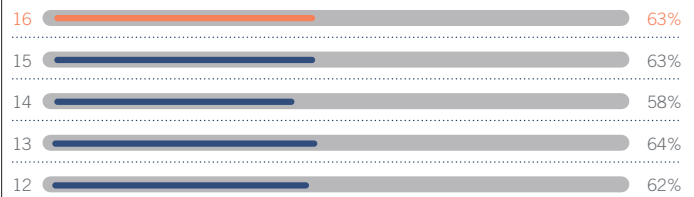
Sustainable improvements in the NPS over time.

Performance

In 2016, the NPS score was stable on the high level achieved in 2015. We see this as a good performance and the Strategic Priority around the customer should only work to improve this in the future.

NET PROMOTER SCORE

63% 



READ MORE ABOUT OUR CUSTOMER INITIATIVES
PAGE 28

CUSTOMER

CUSTOMER ACTIVITY

Measure

Utility order intake and off-hire rate.

Relevance

The Utility order intake and utilisation rate are influenced by a wide range of factors but taken in context, they can be an indicator of how our strategy, sales approach and pricing are being received in the market. We track new orders won (MWs) and the off-hire rate, which is the number of MWs that off-hire during the year, divided by the number of MWs on-hire at the beginning of the year.

Target

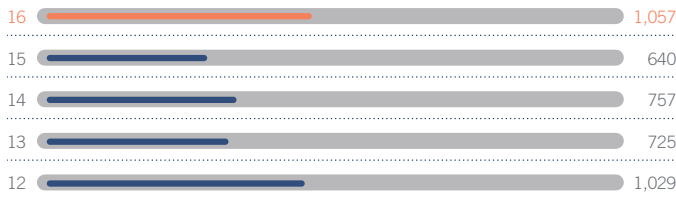
We aim to increase our order intake on an annual basis, subject to market conditions; our off-hire rate is often outside our control, however we aim to keep it as low as possible, noting that the historic average is around 30%.

Performance

During 2016, we had an order intake of over 1GW. While we believe some of this may be a result of the lower oil price impacting the affordability of our diesel engines, it also coincides with the implementation of our business priorities which have focused on customer, efficiency and technology.

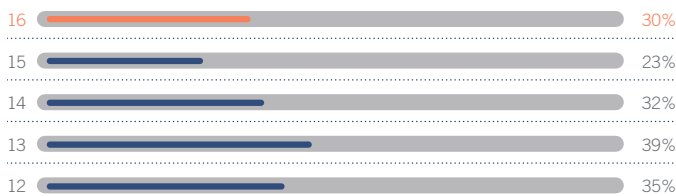
POWER SOLUTIONS UTILITY ORDER INTAKE

1,057MW ▲



POWER SOLUTIONS UTILITY OFF-HIRE RATE

30% ▲



READ MORE ABOUT OUR CUSTOMER INITIATIVES
PAGE 28

TECHNOLOGY

FLEET SIZE AND COMPOSITION

Measure

Total power fleet size (in MW), split between engine type (Diesel, Diesel G3+, Gas, Next Generation Gas (NGG), HFO).

Relevance

Our strategy is to grow ahead of the market. To remain competitive we need to lower the total cost of energy to our customers. The best way to do this is through more fuel efficient engines or alternative sources of energy.

Target

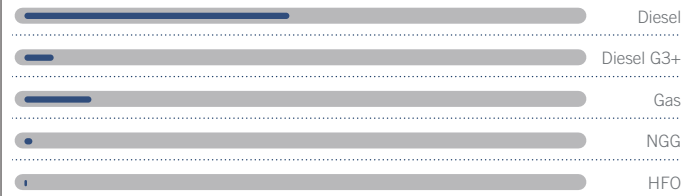
Increasing proportions of our market leading products in fuel efficiency, the diesel G3+ and Next Generation Gas engine. Additionally, an increasing proportion of our new medium speed HFO engine, in line with market demand.

Performance

In 2016, we upgraded 267 diesel sets to the G3+, produced over 200MW of our Next Generation Gas engine and started production of our HFO product.

POWER FLEET COMPOSITION

9,666MW



READ MORE ABOUT OUR TECHNOLOGY INITIATIVES
PAGE 28

How we performed – our key performance indicators continued

EFFICIENCY

CAPITAL ACTIVITY

Measure

Rental Solutions utilisation; Industrial utilisation; Utility utilisation, order intake and off-hire rate.

Relevance

We are a capital intensive business and in order to generate strong returns on our capital investment our fleet needs to be well utilised. Across our businesses we use physical utilisation as a metric (average MWs on-hire divided by the total fleet size in MW).

Target

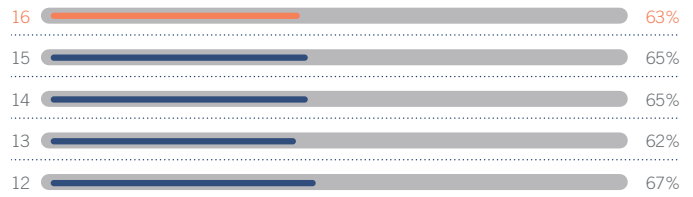
In our Rental Solutions and Power Solutions Industrial businesses we are targeting utilisation of between 60-70%, whilst in our Power Solutions Utility business we target over 80%.

Performance

In our Utility business we had a strong order intake, and so ended 2016 very close to our target utilisation levels. The utilisation level of our diesel fleet in the last quarter of the year was actually at 83%, above our target. Rental Solutions had a difficult year, with the downturn in oil related sectors in North America impacting the utilisation level.

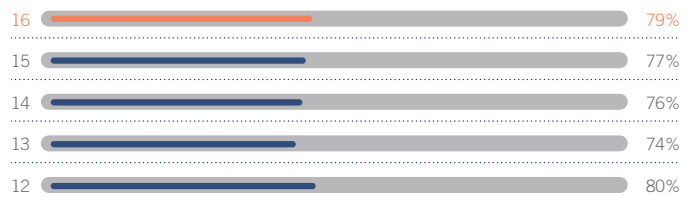
POWER SOLUTIONS INDUSTRIAL UTILISATION

63% ▼



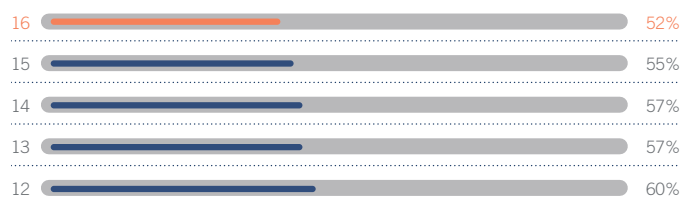
POWER SOLUTIONS UTILITY UTILISATION

79% ▲



RENTAL SOLUTIONS UTILISATION

52% ▼



READ MORE ABOUT EFFICIENCY
PAGE 29

KEY



Metrics that are used for remuneration

PEOPLE

SAFETY

Measure

Lost Time Injury Frequency Rate (LTIFR).

Relevance

Rigorous safety processes are absolutely essential if we are to avoid accidents or incidents which could cause injury to people and damage to property and reputation. The main KPI we use to measure safety performance is Lost Time Injury Frequency Rate (LTIFR) which takes the number of lost time injuries and divides by the number of man hours worked. A lost time accident is a work related injury/illness that results in an employee's inability to work the day after the initial injury/illness.

Target

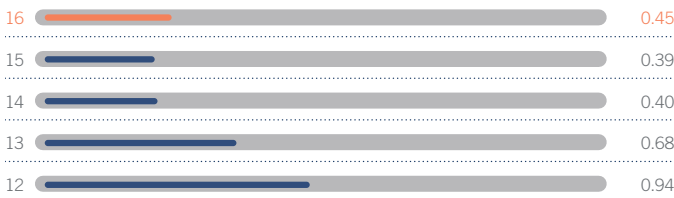
Continued reduction in accident rates.

Performance

During 2016, the LTIFR rate increased. In our investigations we found the majority of the increase related to manual handling activities and so we have been working with an external service provider to develop a company specific manual handling programme, which should reverse this trend.

LOST TIME INJURY FREQUENCY RATE

0.45



READ MORE ABOUT HEALTH & SAFETY
PAGE 66

EMPLOYEE SATISFACTION

Measure

Employee turnover.

Relevance

It is the attitude, skill and motivation of our people which makes the difference between mediocre and excellent performance. We monitor permanent employee turnover as a reasonable proxy for how employees feel. It is measured as the number of employees who left the Group (other than through redundancy) during the period as a proportion of the total average employees during the period.

Target

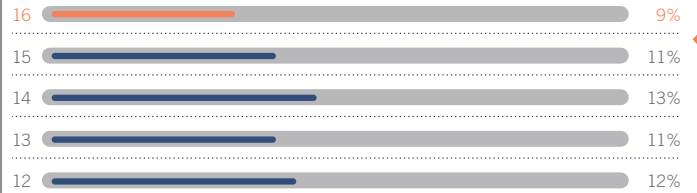
We aim to keep permanent employee turnover below historic levels in order to retain the skill base that we have developed.

Performance

This year employee turnover was 2% lower than the prior year.

EMPLOYEE TURNOVER

9%



READ MORE ABOUT OUR PEOPLE
PAGE 29

How we performed – our key performance indicators continued

GROUP FINANCIAL PERFORMANCE

REVENUE GROWTH

Measure

Revenue growth excluding the impact of currency movements and pass-through fuel.

Relevance

As a business that is exposed to different cycles, we look at revenue growth over time and compare this to how the market has performed in order to deliver Shareholder value. This is calculated as the adjusted revenue growth over the previous year.

Target

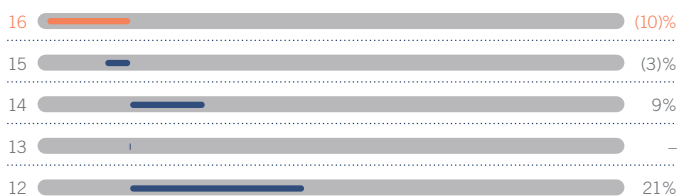
Our medium-term strategy is to grow ahead of our markets.

Performance

Revenue declined in Utility as a result of the off-hire of a large contract in Mozambique at the start of 2016, as well as repricing in our Argentina contracts. In Rental Solutions revenue declined with the downturn in oil related sectors in North America. For more details refer to the Performance Management Statement on page 40.

ADJUSTED REVENUE GROWTH

(10%) ▼



READ MORE ABOUT OUR MARKETS
PAGE 12

OPERATING PROFIT MARGIN

Measure

Adjusted operating profit margin, i.e. pre-exceptional items and excluding pass-through fuel.

Relevance

Our business has a large fixed cost base due to our fleet, therefore strong operating profit margins demonstrate variable cost control and leverage of the fixed asset base. This is calculated as adjusted operating profit divided by adjusted revenue.

Target

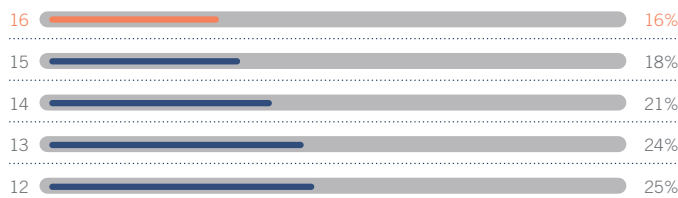
Our medium-term strategy is for Group operating profit margins to be around 20%.

Performance

The Operating Profit Margin was impacted by the revenue impacts of Utility off-hires and repricing in Argentina, as well as lower pricing in oil related sectors in North America. Refer to Performance Management Statement on page 40.

ADJUSTED OPERATING PROFIT MARGIN

16% ▼



READ MORE ABOUT OUR STRATEGY
PAGE 27

KEY



Metrics that are used for remuneration

GROUP FINANCIAL PERFORMANCE

RETURN ON CAPITAL EMPLOYED +

Measure

Adjusted return on capital employed (ROCE), i.e. pre-exceptional items.

Relevance

In a business as capital intensive as Aggreko's, profitability alone is not an adequate measure of performance: it is perfectly possible to be generating good margins, but poor value for Shareholders, if assets (and in particular, fleet) are being allocated incorrectly. We calculate ROCE by dividing operating profit pre-exceptional items for a period by the average of the net operating assets as at 1 January, 30 June and 31 December.

Target

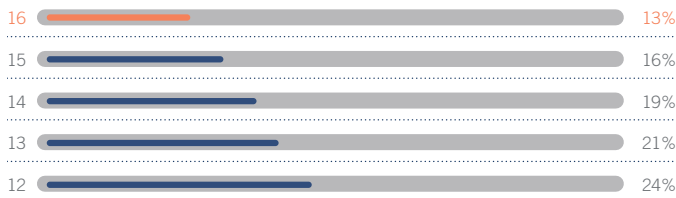
Our medium-term target is for ROCE to be around 20%.

Performance

Performance is explained in the Performance Management Statement on page 40.

RETURN ON CAPITAL EMPLOYED

13% ▼



READ MORE ABOUT OUR OPERATING ASSETS
PAGE 48

EARNINGS PER SHARE +

Measure

Adjusted EPS, i.e. pre-exceptional items.

Relevance

We believe that EPS, while not perfect, is an accessible measure of the returns we are generating as a Group for our Shareholders, and comprises both revenue growth and trading margins. So, for the Group as a whole, the key measure of short-term financial performance is diluted EPS, pre-exceptional items. EPS is calculated based on profit attributable to equity Shareholders (adjusted to exclude exceptional items) divided by the diluted weighted average number of Ordinary Shares ranking for dividend during the relevant period.

Target

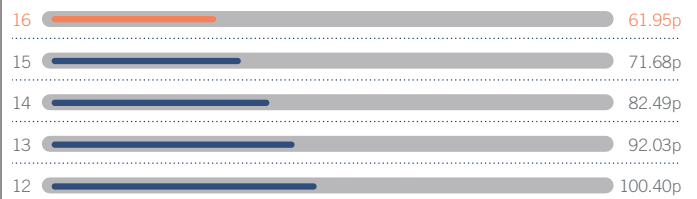
Whilst we are exposed to different cycles and EPS varies accordingly, we aim to grow EPS in line with our strategic aims.

Performance

Performance is explained in the Performance Management Statement on page 40.

DILUTED EPS

61.95p ▼



READ MORE ABOUT OUR EARNINGS PER SHARE
PAGE 145

Group performance review

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

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

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

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

During the year, the Group incurred exceptional costs of £49 million (2015: £26 million) which are split: Rental Solutions £40 million (2015: £10 million), Power Solutions Utility £6 million (2015: £11 million) and Power Solutions Industrial £3 million (2015: £5 million). £30 million of the charge in Rental Solutions relates to the impairment of assets used in the Oil & Gas sector in North America, with the remaining costs across the Group relating to the focus on our business priorities and are explained on page 45.

Pre-exceptional items the Group operating margin was 16% (2015: 18%), Group operating margin post-exceptional items was 13% (2015: 16%). Rental Solutions margin pre-exceptional items was down eight percentage points (down thirteen percentage points on a post-exceptional basis) reflecting the decline in North America referred to above. Power Solutions Industrial margin on a pre and post-exceptional item basis was down three percentage points reflecting the incremental benefit from the European Games in the prior year numbers. Power Solutions Utility margin was up seven percentage points on a pre-exceptional items basis (up eight percentage points post-exceptional items) driven by: higher utilisation; lower indirect tax costs; lower service material costs and a lower depreciation charge. This lower depreciation charge related to transformers and switchgear, the useful lives of which were adjusted as a result of our annual fleet review (refer to page 48 for more details). Of this margin increase there were some one-off benefits, notably in indirect tax and service material costs, with an underlying increase in the margin of four percentage points.

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

The Group delivered profit before tax and exceptional items of £221 million (2015: £252 million). Diluted earnings per share (DEPS) pre-exceptional items was 61.95 pence, 14% lower than the prior year. Profit before tax and post-exceptional items was £172 million (2015: £226 million) and diluted earnings per share post-exceptional items was 48.86 pence (2015: 63.45 pence).

DIVIDENDS

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

CASH FLOW AND BALANCE SHEET

During the year, we generated an operating cash inflow of £388 million (2015: £461 million). The reduction in operating cash inflow is mainly driven by working capital outflows of £119 million. The majority of the working capital outflow is due to an increase in trade debtors in our Power Solutions Utility business and inventory relating to the production of our medium speed HFO and gas products (this movement is explained in more detail in the Financial Review on page 48). Fleet capital expenditure was £241 million (2015: £237 million), of which £46 million was invested in our next generation gas fleet, £15 million in our new HFO product and £51 million to continue the refurbishment programme of our diesel fleet to the more fuel efficient, higher output G3+ engine, which now makes up around 25% of the Power Solutions Utility diesel fleet.

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

OUTLOOK

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

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

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

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

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

BUSINESS UNIT PERFORMANCE REVIEW

RENTAL SOLUTIONS

	Revenue				Operating Profit			
	2016	2015	Change	Change excl. currency	2016	2015	Change	Change excl. currency
Pre-exceptional items £ million	629	618	2%	(8)%	52	102	(50)%	(55)%
Operating margin pre-exceptional items					8%	16%		
Post-exceptional items £ million	629	618	2%	(8)%	12	92	(88)%	(89)%
Operating margin post exceptional items					2%	15%		

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

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

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

Revenue in our North American business excluding currency was down 18%. The decline that affected us from quarter two 2015 in upstream Oil & Gas continued through 2016 in the shale basins, offshore Gulf of Mexico and the Canadian Oil Sands. We continue to service all these markets and see an ongoing market opportunity especially if the oil price stabilises at current relatively higher levels. The team continues to identify opportunities to balance utilisation and pricing in this changing environment,

however the utilisation of the specialist equipment that we use in the shale basins remains at sub-optimal levels. As a result we have reviewed the carrying value of these small gas generators and have taken an impairment charge of £30 million (more details are included in the Financial Review on page 45). In addition, we have taken the recent decision to close three depots and further reduce headcount to right size our Oil & Gas cost base which will generate savings of £2.5 million. Our Petrochemical & Refining sector also had a weak year with revenues declining 18%, following a strong year of 25% growth in 2015.

In our Australia Pacific business, revenue excluding currency increased 11% driven by a four-month 108MW emergency response contract in Tasmania. The business also secured a 20MW contract for two years in South Australia and deployed 21MW of gas engines to the Granny Smith goldmine in April 2016, for a 10-year contract.

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

Group performance review continued

POWER SOLUTIONS

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

Operating margin

Industrial	12%	15%
Utility excl. pass-through fuel	29%	22%
Total Power Solutions excl. pass-through fuel	24%	20%

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

Operating margin

Industrial	11%	14%
Utility excl. pass-through fuel	28%	20%
Total Power Solutions excl. pass-through fuel	23%	18%

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

Revenue excluding the impact of currency in our Industrial business unit decreased 9% with rental revenue down 7% and services revenue down 15%. The comparatives included revenue from the European Games, excluding this, revenue was in line with the prior year. On a geographic basis we continued to see growth in Eurasia and Africa and a steady performance in the Middle East. In Eurasia we saw growth across both the diesel and gas markets, with strong order intake in gas. Order intake across Eurasia in 2016 was 299MW (2015: 125MW). Our revenues in the Middle East were down in Qatar, Saudi Arabia and the UAE largely offset by good growth in Bahrain and Oman. These performances were offset by more difficult trading conditions in Asia and Latin America, in particular Singapore, Brazil and Chile. Since we began implementing our business priorities we have closed five depots in Latin America, with a further six locations downsized. In addition, we have reduced headcount and the fleet size. Despite the action we have already taken excluding the European Games margins have remained static since 2014 and we are continuing to look at the infrastructure to support this business as we explain in the update of our business priorities on pages 27 to 31.

Our Utility business saw revenue excluding currency and pass-through fuel decrease by 13% driven by the off-hire of 173MW of our gas-fuelled plants in Mozambique at the beginning of the year and a reduction in pricing in Argentina following contract extensions. Operating margin pre-exceptional items increased to 29% (2015: 22%) driven by higher utilisation, lower indirect tax costs, lower service material costs and a lower depreciation charge, related to transformers and switchgear, the useful lives of which were adjusted as a result of our annual fleet review (refer to page 48 for more details). Operating margin post-exceptional items was 28% (2015: 20%).

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

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

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

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

The overall Utility debtor book is discussed on page 48, however the most challenging payment situation in 2016 has been in Venezuela given its dependency on oil export revenues. However, discussions with both our customers (PDVSA and Corpoelec) are regular and constructive and latterly we have received significant payments from both customers in December and January and converted \$19 million of the PDVSA overdue balance into a debt instrument (more details are contained in Note 17 to the Accounts).

Financial review

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

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

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

CURRENCY TRANSLATION

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

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

(Source: Bloomberg)

RECONCILIATION OF ADJUSTED MOVEMENT TO REPORTED MOVEMENT

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

REVENUE

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

OPERATING PROFIT

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

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

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

EXCEPTIONAL ITEMS

The definition of exceptional items is contained within Note 1 of the Accounts. An exceptional charge of £19 million before tax was recorded in the year to 31 December 2016 in respect of the Group's business priorities implementation. These costs include employment costs, professional fees, severance costs and facility closure costs directly related to the implementation.

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

INTEREST

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

TAXATION

Tax Strategy

We operate in an increasingly complex global environment, doing business in around 100 countries, many of which have uncertain or volatile tax regimes. To ensure that our tax affairs are correctly and consistently managed, Aggreko's tax strategy is applied to all taxes, both direct and indirect in all countries in which we operate. Whilst our current tax strategy has been in place for a number of years, it is reviewed and revalidated annually and would be revised as appropriate to reflect any material changes within the Group or in tax legislation.

Our strategy is to ensure that we pay, in a timely manner, the appropriate amount of tax commensurate with the activities performed in each country in which we operate.

In particular, we recognise the importance of the tax we pay to the economic development of the countries in which we operate. We aim to be transparent in terms of the geographic spread of where we pay tax with a breakdown provided in figures 1-3 below.

In applying the strategy, we undertake to comply with the applicable tax legislation in all countries in which we operate and, where appropriate, we will seek to utilise any available legislative reliefs.

OUR APPROACH TOWARDS DEALING WITH TAX AUTHORITIES

We seek to build good working relationships with local tax authorities based on trust, respect and professionalism. We will proactively engage, either directly or through local advisers, with the authorities to ensure that our business and tax positions are understood and to confirm our tax positions in a timely manner.

Financial review continued

TAX GOVERNANCE

Our tax governance framework is encompassed within a set of documented policies and procedures covering the application of the strategy and operational aspects of tax. Ultimate responsibility for tax risk and tax operations rests with our Chief Financial Officer with day-to-day responsibility delegated to the Director of Tax and the tax function. To ensure that we fully understand our tax obligations and keep up to date with changing legislation and practice, advisory and technical support is provided by large accounting firms with which the Group has a long association. The use of our auditors for advisory work is not permitted.

APPROACH TO TAX RISK

The Group's appetite for risk, including tax risk is reviewed regularly by the Group Risk Committee and is ratified annually by the Board. Given the risk profile of many countries in which we operate, we seek to structure our tax affairs in a way that has a low degree of risk. Only the Director of Tax is permitted to consider any tax planning opportunities and permission to implement any planning must be obtained from the Board or Finance Committee as appropriate. We do not actively seek to implement any tax planning that is not driven by commercial aims or where the sole aim is to deliver tax benefit.

TAX MANAGEMENT AND PROVISIONING

Given the complex, uncertain and often volatile nature of the tax environment in many of the countries in which we operate, local compliance and governance is a key area of focus. This is particularly so for our Power Solutions business, where we may only be in a country for a temporary period. While we will always seek to manage our tax affairs to agree and confirm our tax positions in a timely manner, it can often take some time to settle our tax position and uncertainties may exist with respect to complex or changing legislation. We may therefore need to create tax provisions for any potential uncertain or contentious tax positions. These provisions are based on reasonable estimates of the possible outcomes and management then uses its judgement to determine the appropriate level of provision taking into account that differences of interpretation may arise depending on a number of different factors.

As at 31 December 2016, we had tax provisions totalling £39 million of which £37 million is in respect of direct taxes and £2 million for indirect taxes (2015: £61 million, £48 million for direct and £13 million for indirect taxes). The reduction in provisions between 2015 and 2016 is as a result of closing out historic exposures in the Middle East, settling a tax technical dispute in the UK and settling our tax affairs for 2014 and 2015 in Indonesia under a tax amnesty. The remaining provisions are principally held to manage the tax impact of potential historic tax exposures largely in connection with long running contracts in Africa, an ongoing dispute in Asia following a change in interpretation of legislation and potential transfer pricing risks faced by the Group on challenges from various tax authorities as to the basis on which we transact internationally across the Group. In order to ensure that all potential risks are properly understood and mitigated, we ensure that our local tax filings are made on a timely basis, appropriate advice is taken and that we proactively work with local tax authorities when issues arise.

¹ 2015 amounts have been restated to include VAT and payroll taxes collected in North America.

The risk that the application of management judgements and estimates in our tax forecasting fails to represent a true and fair view of our tax position is an area that receives significant focus from management, tax advisers and the external auditors. In order to mitigate this, our tax position is internally reviewed four times per year by the Group tax team and any unanticipated variances to the forecast are reconciled and explained. The tax position of the legal entity that contracts the majority of the Power Solutions work and so contributes the largest proportion of our tax charge is reviewed monthly. In addition to the work done by our external auditors to confirm the appropriateness of our tax provisioning, tax is a matter that is regularly considered and discussed by the Audit Committee. Our Internal Audit team also periodically reviews management's assessment on the effectiveness of tax controls defined on the Group risk register and will also consider any relevant tax risks through their location based core assurance programme and report these to management as appropriate.

LEGISLATIVE CHANGE

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

We are closely following developments arising as a result of the UK's decision to leave the EU. Our review work undertaken so far, shows that Brexit will have little impact for our business and we will continue to monitor both of these areas.

Taxes Paid

In 2016, Aggreko's worldwide operations resulted in direct and indirect taxes of £215 million (2015: £217 million¹) being paid to tax authorities in the various countries where we operate. This amount represents all corporate taxes paid on operations, payroll taxes paid and collected, import duties, sales taxes and other local taxes.

FIGURE 1:
TOTAL TAXES PAID BY REGION (£M)

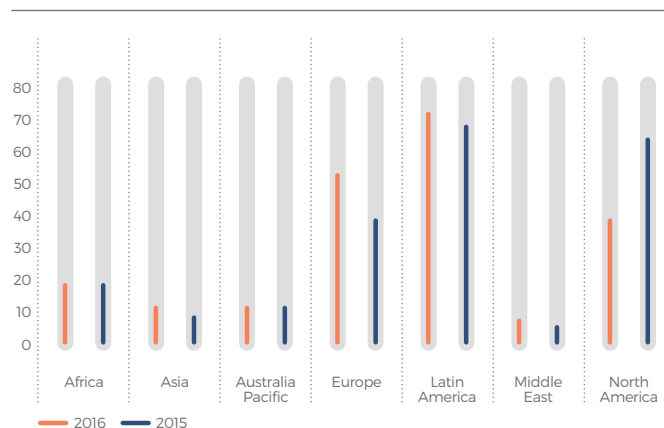
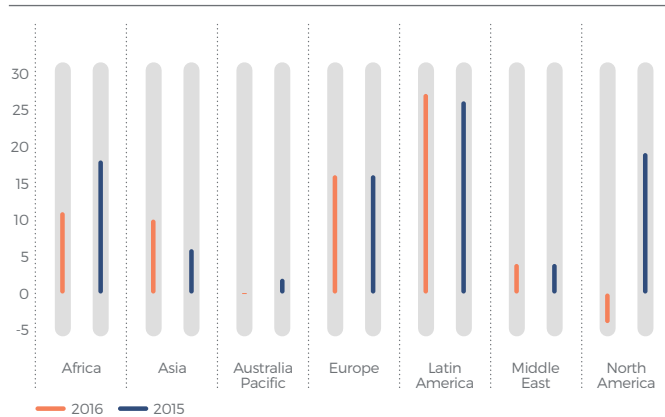
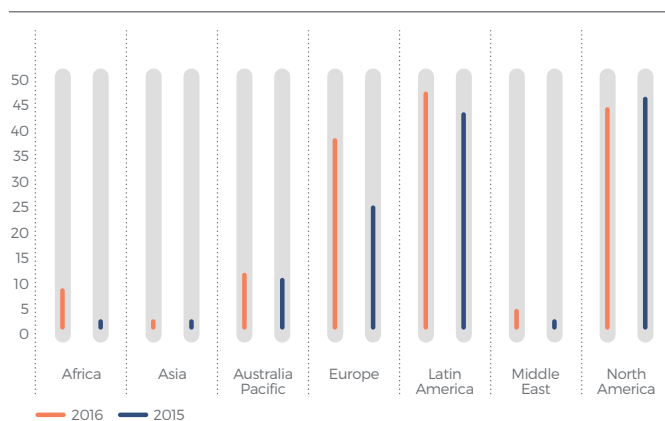


FIGURE 2:
TOTAL CORPORATE TAXES PAID AND COLLECTED BY REGION (£M)



As a result of a reduction in post-exceptional profit before taxation (PBT) from £226 million to £172 million corporate taxes paid in 2016 decreased by £27 million to £64 million. In addition to the overall reduction in PBT driving down corporate tax paid, the movement is also driven by one off cash tax payments in Africa in 2015 that did not repeat in 2016; the inclusion of WHT paid in Asia included in 2016 for the first time as confirmation of payment was received and the reduction in North America principally driven by a large tax refund that was received following retrospectively enacted legislation extending the accelerated tax depreciation regime.

FIGURE 3:
TOTAL INDIRECT TAXES PAID AND COLLECTED BY REGION (£M)



Overall our indirect tax costs have increased by £25 million to £151 million paid in 2016. The main contributors to the increase were currency controls in Mozambique which delayed VAT refunds due resulting in an increase in Africa; the level of VAT refunded to us in the UK reduced due to lower level of purchasing at our manufacturing plant and increased sales tax payments in Argentina as a result of signing new contracts with YPF and as a result of the weakening Peso.

Tax Charge

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

Further information, including a tax reconciliation of the current year tax charge, is shown at Note 10 in the Annual Report and Accounts.

Looking beyond 2016, the effective tax rate will depend principally on whether there are any changes in tax legislation in the Group's most significant countries of operation, the geographical mix of profits and the resolution of open issues.

Reconciliation of Income statement tax charge and cash tax paid

The Group's total cash taxes borne and collected were £215 million, reflecting £151 million of non-corporate taxes and £64 million of corporate taxes. The latter cash tax figure differs from the post-exceptional tax charge reported in the income statement of £47 million by £17 million with the two figures reconciled below:

	£ million
Cash taxes paid	215
Non-corporate taxes	(151)
Corporate tax paid	64
Movements in deferred tax	(20)
Differences relating to timing of tax payments - US	13
Differences relating to timing of tax payments - Argentina	(6)
Other differences relating to timing of payment of taxes	(4)
Post-exceptional corporate tax charge per income statement	47

CAPITAL STRUCTURE & DIVIDENDS

The objective of Aggreko's strategy is to deliver long-term value to Shareholders whilst maintaining a balance sheet structure that safeguards the Group's financial position through economic cycles. Given the risk profile of the Group we believe gearing of around one times net debt to EBITDA is appropriate, recognising from time to time it may be higher for a period of time as investment opportunities present themselves. From a capital allocation perspective our priority is to invest in organic growth. As well as investing organically, there are opportunities for growth through acquisition, both for scale and capability including adjacencies such as temperature control and loadbanks. Acquisitions are subject to our disciplined capital allocation process and will have to meet appropriate hurdle rates of return. Whilst the priorities are investment to generate growth we recognise the importance of maintaining the dividend. Finally, as and when the opportunity arises, we will look at returning surplus capital to Shareholders. The retained earnings of the Company as at 31 December 2016 are £428 million and the majority of these earnings are distributable.

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

Financial review continued

CASH FLOW

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

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

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

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

The Power Solutions Utility bad debt provision at 31 December 2016 was \$63 million. This was \$71 million at December 2015, however, this balance included \$11 million relating to one of our customers in Venezuela (PDVSA) where we have signed \$19 million of private placement notes that are now required to be disclosed under other receivables rather than trade receivables (this is explained in Note 17 of the accounts).

NET OPERATING ASSETS

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

£ million	2016	2015	Movement	Movement excl. the impact of currency
Rental fleet	1,203	1,049	15%	(5)%
Property & plant	106	90	17%	2%
Inventory	247	189	30%	10%
Net trade debtors	454	320	42%	20%

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

PROPERTY, PLANT AND EQUIPMENT

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

ACQUISITION OF DRYCO LLC

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

SHAREHOLDERS' EQUITY

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

Movements in Shareholders' equity	£ million	£ million
As at 1 January 2016		1,115
Profit for the financial year		
post-exceptional items	125	
Dividend ²	(69)	
Retained earnings		56
Employee share awards		8
Purchase of treasury shares		(8)
Re-measurement of retirement benefits		(29)
Currency translation		220
Movement in hedging reserve		1
Other		5
As at 31 December 2016		1,368

² Reflects the final dividend for 2015 of 17.74 pence per share (2015: 17.74 pence) and the interim dividend for 2016 of 9.38 pence per share (2015: 9.38 pence) that were paid during the year.

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

PENSIONS

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

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

The main assumptions used in the IAS 19 valuation for the previous two years are shown in Note 30 of the Annual Report & Accounts. The sensitivities regarding these assumptions are shown in the table below.

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

TREASURY

The Group's operations expose it to a variety of financial risks that include liquidity, the effects of changes in foreign currency exchange rates, interest rates, and credit risk. The Group has a centralised treasury operation whose primary role is to ensure that adequate liquidity is available to meet the Group's funding requirements as they arise, and that financial risk arising from the Group's underlying operations is effectively identified and managed.

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

Liquidity and funding

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

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

Net debt amounted to £649 million at 31 December 2016 (2015: £489 million) and, at that date, undrawn committed facilities were £402 million. The maturity profile of the borrowings is detailed in Note 18 in the Annual Report & Accounts.

Interest rate risk

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

Foreign exchange risk

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

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

Credit risk

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

Insurance

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

THE POWER TO HELP



rocket testing



DARYL POOL / MANAGER, TECHNICAL SERVICES



I'm used to variety as an Aggreko engineer but this was probably my biggest challenge to date. We used 400 tonnes of chillers, six air handlers and a warehouse that moved on rails to cool a 235-foot rocket to 33 degrees Fahrenheit. This meant NASA could test the rocket in low temperatures and make sure it was ready to launch whatever the weather.



Overview

Business strategy

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Risk factors that could affect business performance

Risks

The Group recognises the importance of identifying and actively managing the financial and non-financial risks facing the business. We want our people to feel empowered to take advantage of attractive opportunities, yet we want them to do so within the risk appetite set by the Board. It is important that we have in place a robust, repeatable risk management framework to facilitate this.

APPROACH TO MANAGING RISK

Following on from the work completed in 2015 to revise and refresh our approach to risk management, this year we have focused on embedding the improved process. Our risk management framework delivers an effective and efficient approach to the management of risk, whilst making a positive contribution to effective decision-making and business growth.

The Group's Register of Principal Risks is the foundation upon which the Group's risk management process is built. This is compiled based upon registers of principal risks held within our two Business Units and our Central Functions. A Group Risk function has been established to facilitate the effective and consistent implementation of the risk framework and a Group Risk Committee was established during the year.

The Group's risk appetite has been reviewed and refreshed by the Group Risk Committee during 2016 and approved by the Board. We continue to monitor management of risk against this appetite and will review our risk appetite annually.



READ MORE ABOUT OUR APPROACH TO MANAGING RISK, ROLES AND RESPONSIBILITIES
PAGES 55 TO 60

RISK APPETITE

The Group has financial targets in place and is focused on growing the business; we are willing to accept higher levels of risk where we deem the likelihood of success to be achievable and the level of reward commensurate but within clear boundaries as set by the Executive and approved by the Board.

Risk appetite has been articulated for each of the risk categories in the Risk Categorisation Model and has been communicated to management to guide the consideration as to whether further risk mitigation activities are required for specific risks identified.

FOCUS DURING THE YEAR

In 2016 we focused our risk management efforts on further embedding the framework into the business. Risk ownership has improved and actions are being taken to increase the effectiveness of preventative measures and mitigating activities.

BREXIT

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

RISK MANAGEMENT FRAMEWORK



1

IDENTIFY

Identify the risk events or missed opportunities which could have a material impact on the ability of Aggreko to meet its business objectives.

2

PRIORITISE

Prioritise risks based on the impact to the business should they occur and the likelihood of occurrence both before and after consideration of control, design and operation. Impact scoring is determined by considering several factors: Financial; HSE; Operational; Reputational; and Regulatory.

3

ASSESS

Assess each risk to determine whether further actions are required to effectively manage the risk to within the Group's risk appetite. Where necessary, further actions are captured and tracked to completion.

4

MONITOR

Monitor each risk using relevant KPIs, where available and through regular management review of actions identified.

RISK CATEGORISATION MODEL

Any risk identified within the business can be categorised within the following model. The model assists with the identification and consolidation process and is the basis for how we articulate our risk appetite.

Strategic Risk	Operational Risk	Hazard Risk	Compliance Risk	Financial Risk
Risks related to the Company's ability to deliver on business priorities.	Risks arising from people, processes and systems impacting upon efficient and effective operations.	Risks related to the wellbeing of our people and the wider stakeholders with whom we interact.	Risks related to non-compliance with government and regulatory requirements in the jurisdictions in which we operate.	Risks which might impact upon our ability to meet our financial expectations and obligations.
<ul style="list-style-type: none"> • People, Organisation & Culture • Mergers & Acquisitions • Technology • Market Dynamics 	<ul style="list-style-type: none"> • Asset Life Cycle • Service Delivery • Supply Chain • Contractual • Information Technology • Information Security 	<ul style="list-style-type: none"> • Health & Safety • Security • Environment 	<ul style="list-style-type: none"> • Ethics • Corporate Governance • Laws and Regulations 	<ul style="list-style-type: none"> • FX and Interest Rate Volatility • Liquidity and Funding • Credit Risk • Tax • Financial Management and Control

Risk summary

KEY TO RISK SUMMARY TABLE



	Risk	Primary strategic area affected	Primary KPIs impacted	Change in 2016
STRATEGIC RISK				
RISKS RELATED TO THE COMPANY'S ABILITY TO DELIVER ON OUR STRATEGIC PRIORITIES				
Market conditions – Rental Solutions	Challenging market conditions reduce volume and profitability in our Rental Solutions business.		<ul style="list-style-type: none"> Revenue growth Margins Returns Capital efficiency 	
Market dynamics – Power Solutions	Changes in market dynamics result in major contracts maturing without equivalent replacement.		<ul style="list-style-type: none"> Fleet size and composition Capital efficiency 	
Change management relating to our strategic priorities	Failure to deliver the expected benefits from our strategic priorities.		<ul style="list-style-type: none"> Revenue growth Margins Returns 	
Talent management	Failure to attract, retain and develop key employees.		<ul style="list-style-type: none"> Employee satisfaction 	
Technology – market introduction	Ineffective new product market introduction hinders growth.		<ul style="list-style-type: none"> Fleet size and composition Capital efficiency Revenue growth 	
OPERATIONAL RISK				
RISKS ARISING FROM PEOPLE, PROCESSES AND SYSTEMS IMPACTING UPON EFFICIENT AND EFFECTIVE OPERATIONS				
Cyber Security	A cyber security breach leads to a loss of data, a loss of data integrity or a disruption to operations.		<ul style="list-style-type: none"> Revenue growth Customer loyalty Earnings per share 	
HAZARD RISK				
RISKS RELATED TO THE WELLBEING OF OUR PEOPLE AND THE WIDER STAKEHOLDERS WITH WHOM WE INTERACT				
Security	A security incident occurs which affects our people, our assets or our operations.		<ul style="list-style-type: none"> Fleet size and composition Safety Revenue growth 	
Health & Safety	A health and safety incident occurs which results in serious illness, injury or death.		<ul style="list-style-type: none"> Safety 	
Environment	An environmental incident occurs due to a failure in project execution.		<ul style="list-style-type: none"> Customer loyalty Revenue growth Safety Employee turnover 	
COMPLIANCE RISK				
RISKS RELATED TO NON-COMPLIANCE WITH GOVERNMENT AND REGULATORY REQUIREMENTS IN THE JURISDICTIONS IN WHICH WE OPERATE				
Failure to conduct business dealings with integrity and honesty	An employee or person acting on our behalf makes a payment which is or is perceived to be a bribe.		<ul style="list-style-type: none"> Customer loyalty Revenue growth Operating profit margin 	
FINANCIAL RISK				
RISKS WHICH MIGHT IMPACT UPON OUR ABILITY TO MEET OUR FINANCIAL EXPECTATIONS AND OBLIGATIONS				
Taxation	Unanticipated tax liabilities in developing countries.		<ul style="list-style-type: none"> Earnings per share 	
Failure to collect payments or to recover assets	Non-payment by customers or the seizure of assets.		<ul style="list-style-type: none"> Capital efficiency Margins Returns 	

Principal risks and uncertainties

The Directors have carried out a robust assessment of the principal risks and uncertainties facing Aggreko, including those which would threaten our business model, our future performance, and our solvency and liquidity. These are as set out over the following pages. This list is not exhaustive; our operations are large and geographically diverse and the list might change, as something that seems immaterial today assumes greater importance tomorrow.

The order in which they are presented is aligned to our risk categorisation model.

STRATEGIC

MARKET CONDITIONS – RENTAL SOLUTIONS		
EXECUTIVE RESPONSIBLE: BRUCE POOL, PRESIDENT RENTAL SOLUTIONS		
Risk	Background and impact	Mitigation
Challenging market conditions reduce volume and profitability in our Rental Solutions business.	North America is the largest Area in Rental Solutions and Oil & Gas and Petrochemical & Refining are its largest market sectors, so any change in market conditions for these sectors has a significant impact on Rental Solutions revenue and profit.	<ul style="list-style-type: none"> Implementation of our strategic priorities, including a revised business model for the Rental Solutions business aligned to our key sectors and development of our sales force capabilities. Reorganisation of our business in North America including realignment of the sales force around customer sectors to improve diversification. Development of our Temperature Control business (including acquisitions in this area) help to offset slower growth in power. Global footprint and fleet homogeneity allows us to move fleet between businesses. In-house manufacturing of equipment enables us to quickly adjust capital expenditure to react to downturns. Market monitoring and analysis using external data where appropriate to reflect economic conditions in future forecasts.

Changes during 2016: As noted in our commentary on performance in the Rental Solutions business on page 41, this risk caused a significant impact in 2016. The lower oil price reduced the demand for temporary power from customers in the Oil & Gas sectors, particularly in the North American market. In future we anticipate that any future impact would be lower as these conditions have been factored into our future forecasts. The higher the oil price, the lower we expect the impact of this risk to be.

Read more about Rental Solutions performance on page 41.

MARKET DYNAMICS – POWER SOLUTIONS		
EXECUTIVE RESPONSIBLE: NICOLAS FOURNIER, MANAGING DIRECTOR POWER SOLUTIONS		
Risk	Background and impact	Mitigation
Changes in market dynamics result in major contracts maturing without equivalent replacement.	<p>A change in market dynamics could have a material effect on revenues and profit.</p> <p>The impact of low commodity prices on the economies of developing countries has reduced their capacity to pay for temporary power.</p> <p>Customer buying power has increased as a result of increased competition for power projects.</p>	<ul style="list-style-type: none"> As part of the change programme running within the business, there are specific initiatives to improve the sales capability within the Power Solutions business whilst reducing the overall cost base to allow us to remain competitive. Technology improvements make our offering more competitive as we improve fuel efficiency and provide alternative fuel technology allowing us to reduce the overall cost of energy. Project pipeline and fleet utilisation form a part of the monthly business reviews. Diverse customer base to minimise exposure to any single geography.

Changes during 2016: We have been successful in signing extensions in Bangladesh and Venezuela during 2016. In addition, we have taken on 1,057MW of new orders over the course of 2016. The successful implementation of our business priorities will stand us in good stead to continue to adequately mitigate this risk area. In January 2017, we announced that the Government of Argentina had extended 174MW of our fixed site contracts (originally 180MW) until 31 December 2017. 214MW of our standby contracts (originally 270MW) were also extended until the end of February or March 2017. However, the outlook for our contracts in Argentina remains uncertain.

Read more about Power Solutions performance on page 42.

Principal risks and uncertainties continued

STRATEGIC CONTINUED

CHANGE MANAGEMENT RELATING TO OUR STRATEGIC PRIORITIES

EXECUTIVE RESPONSIBLE: TOM ARMSTRONG,
GROUP CHIEF INFORMATION OFFICER & PROGRAMME DIRECTOR



Risk	Background and impact	Mitigation
Failure to deliver the expected benefits from our strategic priorities.	<p>The market environment in which we operate has become more challenging. In recognition of a need to evolve, we have outlined a number of business initiatives which we are undertaking in order to better position the Group for the future.</p> <p>If we do not successfully execute these in a timely and sustainable manner, it could result in a material impact on projected future revenue and profit.</p>	<ul style="list-style-type: none"> • The programme continues to have senior leadership focus and sponsorship. • A programme management office is in place with executive management leadership providing challenge, assurance and risk oversight. • Formal project management disciplines, appropriate resourcing and management reporting of each initiative are in place.

Changes during 2016: We have made good progress towards delivery of the business initiatives identified previously and have good governance in place to ensure the initiatives are fully delivered. However, we recognise the criticality of the phase we are in, hence the heightened risk identified.

Read more about Strategic Priorities on page 27.

TALENT MANAGEMENT

EXECUTIVE RESPONSIBLE: ANNA FILIPOPOULOS, GROUP HUMAN RESOURCES DIRECTOR



Failure to attract, retain and develop key employees.	<p>Aggreko knows that it is people who make the difference between great performance and mediocre performance. This is true at all levels within the business.</p> <p>We are keenly aware of the need to attract the right people, establish them in their roles and manage their development.</p> <p>Failure to do so could result in loss of productivity and intellectual capital, increased recruitment costs and lower staff morale.</p>	<ul style="list-style-type: none"> • Talent management review which covers the management population and fosters people development. • Succession planning exercise completed during 2016. • We reward people well for good performance and have in place a Long-term Incentive Plan.
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Changes during 2016: Group staff turnover (excluding redundancies) is lower than last year. However, staff turnover has increased in a couple of key areas of the business and we are taking action to address this. During 2016, we continued with our plans to complete a comprehensive talent management and succession planning review and have taken steps to address opportunities for improvement which the review identified.

Read more about People on page 23.

TECHNOLOGY – MARKET INTRODUCTION

EXECUTIVE RESPONSIBLE: NICOLAS FOURNIER, MANAGING DIRECTOR POWER SOLUTIONS



Ineffective new product development and market introduction hinders growth.	<p>New product development and its introduction into our fleet is one of our key business initiatives. We are continuing to evolve our product offering to include: engines with greater fuel efficiency (e.g. Next Generation Gas); alternative fuel technology (e.g. Heavy Fuel Oil); and renewable technology (e.g. Diesel/Solar hybrid).</p> <p>To introduce new products effectively we need to ensure that we understand the markets where there is likely to be demand. In addition, we need to develop the appropriate expertise to successfully commission and operate our fleet, whilst ensuring that the technical capability of our sales teams is appropriate to adequately manage customer expectations.</p>	<ul style="list-style-type: none"> • Rigorous new product introduction process operating to identify and resolve any product performance issues prior to roll out. • Market intelligence gathered and utilised to formulate a marketing strategy for new products. • Training delivered to the sales team on the product, market opportunities and commercial risks associated with new technology. • Sales champions identified for new technology in each region. • Monitoring of pipeline conducted on a monthly basis.
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Changes during 2016: 2016 saw considerable focus on and investment in the development of our HFO and NGC offerings which are due to be introduced to the market in 2017.

Read more about the technology developments taking place as part of our Strategic Priorities on page 28.

OPERATIONAL

CYBER SECURITY

EXECUTIVE RESPONSIBLE: TOM ARMSTRONG,
GROUP CHIEF INFORMATION OFFICER & PROGRAMME DIRECTOR



Risk	Background and impact	Mitigation
<p>A cyber security incident leads to a loss of data, a loss of data integrity or a disruption to operations.</p>	<p>A cyber security incident may be caused by an external attack, internal attack or by user error.</p> <p>Such an incident may lead to the loss of commercially sensitive data, a loss of data integrity within our systems or the loss of financial assets through fraud.</p> <p>A successful cyber attack on our systems could also result in us not being able to deliver service to our customers. As a result, we could suffer reputational damage, revenue loss and financial penalties.</p>	<ul style="list-style-type: none"> IT security lead appointed, responsible for the IT security plan. A cyber security forum has been formed to monitor relevant risks and controls in this area. Cyber security health check review completed by a third-party expert with results implemented through the security plan. Suite of security technology in place including antivirus and malware software, firewalls, email scanning and internet monitoring. Monthly monitoring and regular review of user privileges.

Changes during 2016: The incidence of cyber security breaches continues to increase globally. We have strengthened our incident response capabilities through the retention of a third-party provider. Our cyber security forum is now in place and is overseeing several improvement initiatives in this area.

HAZARD

SECURITY

EXECUTIVE RESPONSIBLE: CHRIS WESTON, CHIEF EXECUTIVE OFFICER



Risk	Background and impact	Mitigation
<p>A security incident occurs which affects our people, assets, or our operations.</p>	<p>The risk that a security incident occurs which adversely impacts upon the wellbeing of our people, the security of our assets, affects our reputation or our ability to generate revenue.</p>	<ul style="list-style-type: none"> The Group Security team under the direction of the Group Head of Security provides guidance and direction on the appropriate security requirements for our operations. The Group Security team monitors the security environments in the countries in which we operate and ensures that the appropriate risk mitigation measures are in place. Employees have access to information on what is required for them to be adequately equipped for the security environment in which they operate. The Group Security team monitors alerts from independent security information providers on any incidents which may affect our staff. Security risks are monitored closely by the Executive management team with monthly briefings provided by the Head of Security. Specific security plans are created for locations in High Risk Areas. In some cases, insurance against losses has been procured.

Changes during 2016: The overall level of risk has not materially changed in the year, however, we continued to face specific security challenges in Iraq, Libya, Venezuela and Yemen. In addition, we are cognisant of the increased threat from terrorism across our areas of operations.

Principal risks and uncertainties continued

HAZARD CONTINUED

HEALTH & SAFETY

EXECUTIVE RESPONSIBLE: CHRIS WESTON, CHIEF EXECUTIVE OFFICER



Risk	Background and impact	Mitigation
A health and safety incident occurs which results in serious illness, injury or death.	<p>We have a number of staff operating in high risk locations. Aside from those security considerations, issues facing personnel include: poor road infrastructure, a lack of availability of healthcare and exposure to contagious diseases. We also operate within high risk customer sites such as offshore oil and wind platforms and at mine sites.</p> <p>Operationally, the business of the Group involves transporting, installing and operating large amounts of heavy equipment, which produces lethal voltages or very high pressure air and involves the use of millions of litres of fuel. All of these could cause serious damage to our people and third parties if not handled with appropriate caution.</p>	<ul style="list-style-type: none"> • We have a proactive operational culture with health and safety at the top of our agenda. Our global policy has been communicated across the organisation in all languages. • HSE management system including KPIs which are reviewed by the Board on a regular basis. • We work very closely with our customers, employees and health and safety authorities, to evaluate and assess health and safety risks to ensure that health and safety procedures are developed and rigorously followed. • Where health matters are of concern, we implement stringent testing procedures and restrict access to our sites. • Comprehensive site induction materials are provided to all visitors and staff rotating into a new country. • Defensive driving training is provided in high risk countries whilst journey management is an important part of our HSE system. • Our equipment is subject to rigorous testing prior to it being utilised. Comprehensive training materials are compiled and communicated to relevant staff.

Changes during 2016: No material changes in 2016. We have rolled out an online risk identification tool which allows tracking of health and safety risks and incidents to allow improvements to be made. As our new fleet is developed, risk assessments have been conducted in order to identify any specific health and safety considerations.

Read more about Health and Safety on page 66.

ENVIRONMENT

EXECUTIVE RESPONSIBLE: CHRIS WESTON, CHIEF EXECUTIVE OFFICER



An environmental incident occurs due to a failure in project execution.	<p>We are committed to exploring new ways of reducing our impact on the environment by reducing emissions and improving efficiency. We comply with all air quality regulatory requirements for emissions and have a technology roadmap, looking at bio-fuels, fuel cells and hybrids. Aggreko and its customers handle a considerable quantity of diesel fuel on a daily basis. Despite our best efforts, there remains a possibility that accidental fuel spills could occur with a resultant environmental impact.</p> <p>This may be caused by an equipment failure or human error.</p>	<ul style="list-style-type: none"> • Equipment designed to minimise the risk of fluid spillage and to quickly alert operators when a spillage may have occurred. • All equipment is subject to regular review and maintenance. • HSE representatives monitor spill levels and identify risk areas in order that proactive preventative steps can be taken. • Spill prevention procedures are in place in all Aggreko sites where large quantities of fuel are stored. • Following any spillage, an incident report is compiled and any learnings communicated across the Group.
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Changes during 2016: No material changes in 2016. We have operated well within our target during 2016 and have plans in place to further improve our equipment design and spill response plans.

Read more about Environmental Management on page 66.

COMPLIANCE

FAILURE TO CONDUCT BUSINESS DEALINGS WITH INTEGRITY AND HONESTY



EXECUTIVE RESPONSIBLE: PETER KENNERLEY, GROUP LEGAL DIRECTOR & COMPANY SECRETARY

Risk	Background and impact	Mitigation
<p>An employee or person acting on our behalf makes a payment which is or is perceived to be a bribe.</p>	<p>The scale and global nature of much of our business exposes us to risks of unethical behaviour.</p> <p>This risk is particularly relevant due to the following factors:</p> <ul style="list-style-type: none"> • We operate in several countries with perceived high levels of corruption; • We participate in tenders for high value contracts involving public procurement; and • Our business model involves the use of third-party sales consultants/agents in some countries where we do not have a permanent presence. <p>We are aware of the potential reputational and financial impact of such behaviour and we have in place a robust compliance programme to mitigate our exposure to this risk.</p>	<ul style="list-style-type: none"> • Anti-bribery and corruption framework designed in line with UK Government guidance and implemented across the Group. • Ethics policy in place with which employees, agents and sales consultants are required to comply. • Training of employees and third-party sales consultants on anti-bribery and corruption policies and procedures. • Board-level leadership through our Ethics Committee which oversees the compliance policies and procedures and aims to foster a culture of integrity and honesty in all of our business dealings. • Due diligence undertaken on sales consultants and agents. Once appointed we regularly monitor their performance, audit payments and refresh due diligence at least every two years. • Head of Compliance and Internal Audit monitor compliance with policy requirements in this area. • An independent whistle-blowing system is in place which allows employees to report concerns confidentially and anonymously. All reports received are fully investigated.

Changes during 2016: We have continued to strengthen our compliance programme in 2016 having delivered online training to all employees and face-to-face training with the senior management teams and completed the roll out of the Supplier Code of Conduct.

Read more about Ethics and Integrity on page 69.

Principal risks and uncertainties continued

FINANCIAL

TAXATION

EXECUTIVE RESPONSIBLE: CAROLE CRAN, CHIEF FINANCIAL OFFICER



Risk	Background and impact	Mitigation
Unanticipated tax liabilities in developing countries.	<p>Due to Aggreko's extensive geographic footprint we are exposed to tax risk as follows:</p> <ul style="list-style-type: none"> We fail to understand our responsibilities with respect to registration, tax filings and/or the extent of our liabilities. We may be subject to taxation that we did not anticipate when we began working in some developing countries where tax regimes may be subject to frequent change and there is a lack of precedent or guidance. 	<ul style="list-style-type: none"> Group Tax Director supported by regional tax teams across the business. Local external tax advisers are consulted before and subsequent to entry into a new jurisdiction to allow us to identify specific tax/customs requirements and to appropriately manage our tax affairs. The Group Tax team is involved in the review of all proposals which would involve operating in a new country. Regular monitoring of compliance obligations within the countries in which we operate.

Changes during 2016: Although there have been changes in the level of risk (both positive and negative) in some of the jurisdictions in which we operate, overall our net risk remains broadly similar to that of last year.

FAILURE TO COLLECT PAYMENTS OR TO RECOVER ASSETS

EXECUTIVE RESPONSIBLE: CAROLE CRAN, CHIEF FINANCIAL OFFICER



Non-payment by customers or the seizure of assets.	<p>The Group has some large contracts in emerging market countries where payment practices can be unpredictable or where their liquidity has been adversely affected by a fall in commodity prices. There is a risk that we do not obtain payment for a large project (or combination of projects) and/or that a material value of assets are confiscated.</p> <p>We take a rigorous approach to credit risk management and to date have not suffered a significant loss.</p> <p>A customer's non-payment would result in an increased bad debt provision or write-off of the debt. Should our assets be seized, we would also lose future revenue and profit associated with that equipment whilst having to write off its residual value.</p> <p>A related risk is that of excessive delays in customer collections impacting cash flows.</p>	<ul style="list-style-type: none"> Regular monitoring of the risk profile and debtor position for large contracts. Mitigation techniques will vary from customer to customer, but include obtaining advance payments, letters of credit, and in some cases insurance against losses. The scale of our business and the deliberate diversity of our customer portfolio makes it less likely that any bad debt or equipment seizure would be material to the Group's balance sheet.
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Changes during 2016: Our risk in this area has risen slightly in 2016 with debtor days increasing since a year ago. However, we have not suffered a significant loss in this area during 2016 and have made progress with the most challenging of the overdue debt in Venezuela.

ASSESSMENT OF PROSPECTS AND VIABILITY

Demand for Aggreko's services is created by events with the nature of the demand differing by country and therefore we address the market through our two business units, as described earlier. The Rental Solutions business is linked to local economies and commodity cycles and varies in size and nature from country to country. The Power Solutions Industrial business is driven by local economies in developing markets whilst Power Solutions utilities is driven by growth of mini-projects work and shortfalls in permanent capacity caused by:

- Ageing power infrastructure;
- Hydro-shortages;
- Social pressures; and
- Economic growth.

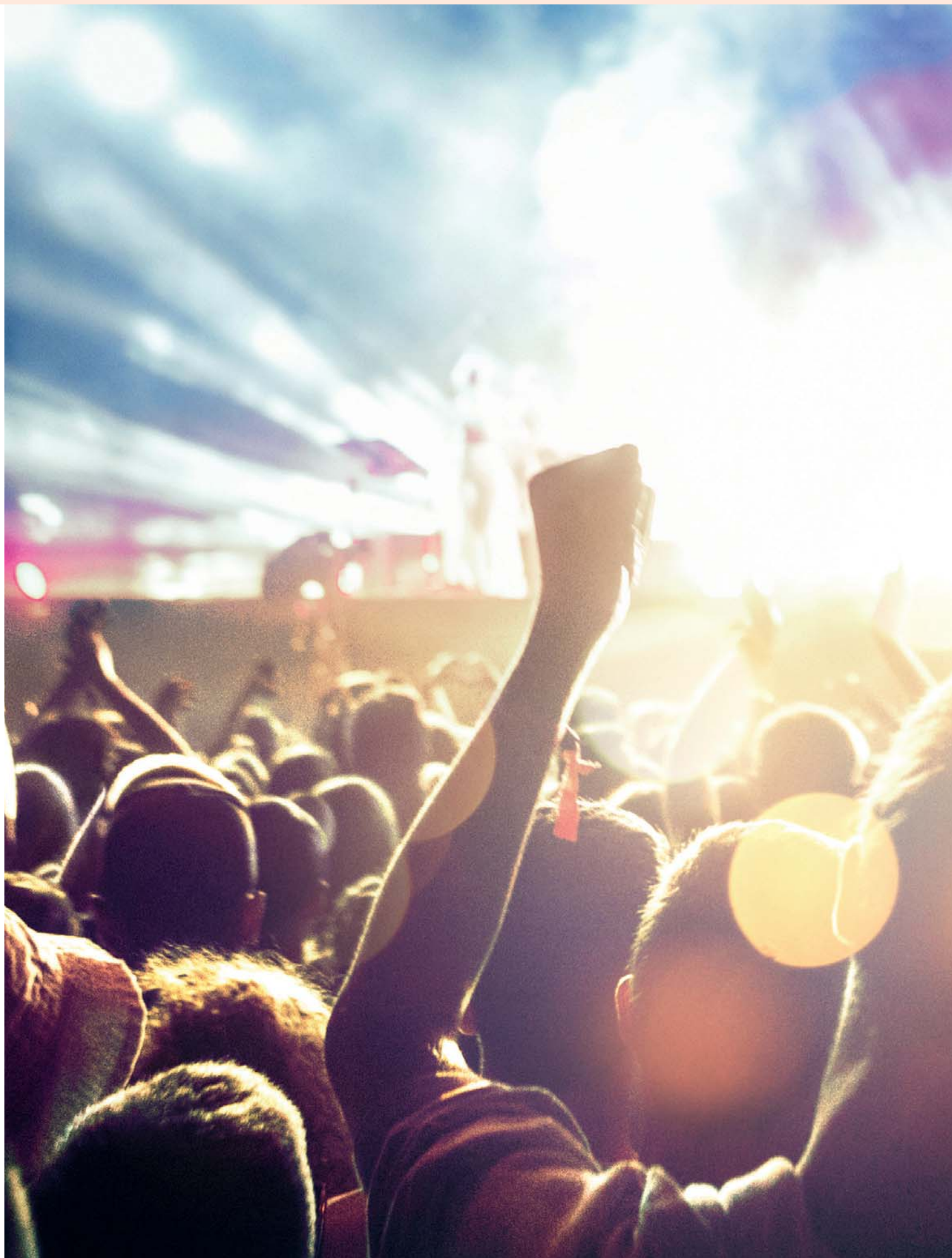
The factors which could affect Aggreko's growth are discussed regularly by both the Executive Committee and the Board. The 12 principal risks, which the Board concluded could affect business performance are set out on the previous pages.

With the above as background, the Board approached the viability assessment as follows:

- It took the decision to carry out the assessment over a three-year period to 2019. Although the prospects of the Group are considered over a longer period, three years was deemed appropriate because:
 - The Group's funding requirement can be forecast with sufficient accuracy over the viability period.
 - The Group expects to be able to arrange sufficient finance to meet its funding requirements over the viability period.
 - Our historical Power Solutions Utility off-hire rate of 30% suggests an average contract life cycle of three years. Rental Solutions and Power Solutions Industrial typically provide little to no visibility given the shorter-term hire periods relative to Power Solutions Utility.
- It stress-tested the Group's strategic plans out to 2019 by modelling scenarios linked to its principal risks.
- In order to reflect the possibility that more than one principal risk might affect the business at one time a combination scenario was also modelled.

The results of this stress-testing showed that, due to the diversity of our business and strength of our balance sheet, the Group would be able to withstand the impact of these scenarios occurring over the period by making adjustments to its operating plans within the normal course of business.

Based on the results of this analysis, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year period of their detailed assessment.



THE POWER TO

keep the beat

GREG SHEPHERD / EVENTS PROJECT MANAGER



In May 2016 we ran the power for the Eurovision song contest in Sweden, using only vegetable oil as a fuel source. We knew that the environmental impact meant a lot to the organisers and using our technologically superior fleet, we were able to offer a unique, completely sustainable solution which met all of their needs.

Making a massive difference

The power to make things happen

Aggreko's role in society

We live in a world reliant on electricity; it is an essential part of everyday life. The UN estimates that one in five people still lack access to modern electricity and states that energy is central to nearly every major challenge and opportunity the world faces today. For example, power helps ensure survival in hospitals and educate children in schools, whilst also helping to improve people's quality of life through simple appliances such as air conditioning units and fridges. At Aggreko, we believe in the positive impact of power and the ability to control temperature. We believe it opens up opportunity and creates potential for individuals, communities, industries and societies all over the world. Together and over time, we believe our services can make a massive difference.



I have gained lots of technical knowledge and experience from Aggreko . . . they have also given us safety advice that we can apply in our normal life.

HTET YE SWE / MECHANICAL TECHNICIAN,
MYINGYAN, MYANMAR

In our Power Solutions Industrial and Rental Solutions businesses, we provide electricity, heating and cooling to individual businesses across many sectors, whilst our Power Solutions Utility business typically provides electricity to government utilities to support a country's grid infrastructure; in each case we act as a catalyst for business and economic growth. We also service the sport and entertainment industry and have powered some of the world's most famous events, such as the Olympics and the FIFA World Cup.



READ MORE ABOUT OUR ACTIVITIES IN 2016 AT
WWW.AGGREKO.COM

It is important that we conduct ourselves with integrity at all times. We are committed to ensuring we conduct our business dealings ethically and safely and we aim to minimise our impact on the environment whilst working to support our customers and their communities.

THE POWER TO MAKE THINGS HAPPEN: TRANSFORMING A COMMUNITY

In 2015 Aggreko installed 95MW of gas power to the Myingyan district in Myanmar. The site provides reliable and constant electricity to a district that would normally experience intermittent power failure during the dry season. This has supported the local community and economic needs, including schools and one of the country's largest steel mills. Furthermore, through employing local people we are implementing an effective knowledge transfer programme to up-skill the local workforce and provide them with transferable skills for the future.

A year on, we spoke directly to local people about the benefits of having Aggreko working alongside them. First, having reliable electricity has meant that they can use appliances such as fridges and air conditioning, which has improved quality of life. Previously they used candles and cooked with firewood, which caused poor air quality and was a fire risk. Second, having electricity also means that the school can provide air conditioning and therefore remain open when it is very hot, improving education levels. Third, electricity has benefited businesses too, leading to increased productivity and income. Finally, those technicians that work for Aggreko have directly benefited from technical training, improved foreign language skills and safety tips to use in their everyday life.



OUR APPROACH TO SUSTAINABILITY

Sustainability reporting is an evolving process and one that we are developing. During the year, we appointed a manager who is responsible for sustainability reporting and messaging. Following this, we undertook a benchmark study to understand where we need to prioritise our activity. We are in the early stages of developing our approach to sustainability, particularly in “Our People” and “Social Contribution”. The Group is committed to ensuring that our success also brings long-term social and economic benefits to the communities and countries where we operate and we are now working on a plan for implementation during 2017.

RESPONDING TO OUR CUSTOMERS

The provision of electricity, heating and cooling are essential activities in our global economy; however, they come with challenges, particularly environmental challenges. We are committed to growing our business and supporting our customers. As a consequence of the fuel sources that we use in our products, it is inevitable that some of our activities will have an impact on the environment.

Our equipment and processes are designed to comply with applicable laws, regulations and industry standards wherever we operate in the world. We innovate both in response to customer demand and to improve the efficiency of our products and therefore reduce their environmental impact where we can.

As fuel is the greatest element of cost in producing power, particularly diesel, we have worked to improve the fuel efficiency of our diesel engines and continue to do so under our strategic priorities. In the last couple of years we have introduced new technology for our customers in the Oil & Gas sector whereby we are able to take the gas by-product from wells and rather than burn it as a waste product, use it to run our gas generators. A growing area of our business is supporting low-carbon emissions generation such as wind and hydro; renewable energy is intermittent and we help to make these solutions viable.

WHAT MATTERS MOST

There are four areas of sustainability focus within the business:



HEALTH, SAFETY AND ENVIRONMENTAL MANAGEMENT

Priorities

- Ensure the health and safety of our people and others at work
- Minimise our environmental impact
- Be accountable and transparent with regards to our environmental footprint

Outcome for the business

- Maintain our reputation for consideration of health, safety and environmental matters
- Gain commercial benefit

READ MORE ABOUT HSE
PAGE 66



ETHICS AND INTEGRITY

Priorities

- Ensure we operate with integrity and honesty
- Make sure that we are in compliance with laws and regulations

Outcome for the business

- Maintain our reputation for integrity

READ MORE ABOUT ETHICS AND INTEGRITY
PAGE 90



SOCIAL CONTRIBUTION

Priorities

- Engage with local communities and work in partnership
- Recruit, train and develop local people
- Participate in activities that make a difference

Outcome for the business

- Build business longevity
- Gain new talent for the organisation

READ MORE ABOUT SOCIAL CONTRIBUTION
PAGE 69



OUR PEOPLE

Priorities

- Promote equal opportunities
- Provide career and personal development through engagement
- Ensure security whilst at work
- Operate with due regard for human rights

Outcome for the business

- Attract and retain the best people

READ MORE ABOUT PEOPLE
PAGE 23

Making a massive difference continued



HEALTH, SAFETY AND ENVIRONMENT

CONTEXT

Our activities, the generation of electricity, cool air and heat, while essential to the global economy, produce waste and greenhouse gases and can present risks to the health and safety of our operational teams and others. We are committed to minimising these wherever possible, which not only reduces harm to the environment and keeps people safe, but helps us to gain commercial benefit.

OUR APPROACH

Aggreko's equipment is designed to function in all environments. By careful design and use of the most suitable technology, we manage all of our operations in such a manner to ensure minimal negative impact on our people, our neighbours and the environment in which we operate. We take a robust approach, considering each element of Health, Safety and the Environment in our product design, system design, client interfaces and employee training.

HSE POLICY

The Executive Director with overall responsibility for HSE is Chris Weston, Chief Executive Officer, and our commitment to HSE is reflected in our Global Health & Safety and our Environment Policy Statements. Our CEO is supported by the Group Head of HSE, whose responsibility is to ensure that the HSE policy, standards and procedures are effective and implemented throughout Aggreko. Each business lead is also accountable for HSE in their area. The Board and the Executive Committee are committed to ensuring that the necessary organisation exists and resources are available to facilitate the achievement of our HSE goals, which are monitored on a monthly basis.

We recognise our responsibility to understand and effectively manage any risks associated with our operations, which could potentially affect people and the environment. Aggreko is committed to monitoring and ensuring the effectiveness of designed control measures and taking action as appropriate. Furthermore, Aggreko complies with legal requirements as a minimum and takes a transparent approach to the reporting and investigation of any incidents that may occur.

SAFETY

A rigorous approach to risk management is absolutely essential if we are to avoid accidents which could cause injury to people and damage to property and reputation. Through the organisation's risk management process we have identified key HSE risk factors and have put mitigating actions in place.

Our Energy Safety Rules are designed to ensure that anyone working on our equipment and systems is safeguarded from the potential hazards associated with energy sources. All operational employees undertake detailed training to ensure understanding of the hazards and the necessary control measures required to work on our equipment and systems safely. Each employee must attain a level of achievement suitable to their responsibilities before being allowed to work unsupervised.

Through detailed analysis of our workplace injuries, we have identified a need to improve our approach to managing manual handling activities. We have engaged a recognised world leader in this area to help Aggreko develop an in-house programme to reduce manual handling injuries.

We recognise that best practice in safety management requires the right culture and to allow us to better understand and manage this critical element, we will be using the Health & Safety Laboratory's safety climate survey, to ensure that we maintain the right approach to managing HSE.

Aggreko monitors safety performance relating to workplace injuries using "Lost Time Injury Frequency Rate" (LTIFR), where any injury resulting in a lost working day beyond the day of the accident is included. Our LTIFR for 2016 was 0.45, (2015: 0.39). We are disappointed with the increase in lost time injuries reported this year and it goes against the positive downward trend in our LTIFR over the five years. The increase has been largely driven by an increase in manual handling incidents, so we have put in place a manual handling training programme for Q1 2017 to improve employee understanding and awareness of the importance of correct manual handling.



READ MORE ABOUT OUR SAFETY RISKS
PAGE 57

EMISSIONS-TO-AIR

Emissions-to-air are an inevitable by-product of hydrocarbon fuelled engines. Over the years, as engines have become more efficient and legislation to limit emissions has become stricter, emissions have reduced sharply. Aggreko works in cooperation with the manufacturers of engines in order to meet new emission requirements.

It is essential for us to manage emissions-to-air and to ensure that we meet new emissions requirements in order to enable us to continue operating in a number of countries. It is equally important that we play our part in helping to reduce the global environmental impact of burning hydrocarbons.

CARBON DIOXIDE EMISSIONS

In 2016, 99% of our greenhouse gas emissions came from the operation of our fleet. Three main factors drive our emissions: the fuel type our customers use; the pattern of their usage; and the fuel efficiency of our fleet.

We are constantly exploring new ways of reducing emissions from our fleet and increasing fuel efficiency. Over the last few years have gradually increased the use of more environmentally friendly gas fuelled generators. Gas generators now represent 10% of our fleet. Natural gas is a fossil fuel, but it is more environmentally friendly, with emissions of sulphur dioxide that are negligible in comparison to coal or oil and levels of NO_x and CO₂ that are significantly lower. Where gas fuel is essentially a by-product of production, such as in US shales, or derived from a biological source, we can help reduce CO₂ and greenhouse gas.

In addition to the work we have undertaken developing natural gas-powered generators, we are regularly reviewing product technologies, looking for advances that we can adopt into our product portfolio. We have a technology roadmap that is looking at bio-fuels and fuel cells and we are currently developing a solar-diesel hybrid generator.

On page 119 we have set out a more detailed analysis of our greenhouse gas emissions for 2016 and 2015 in the format required by the Companies Act 2006.



READ MORE ABOUT OUR GREENHOUSE GAS EMISSIONS
PAGE 119

EXHAUST GASES AND PARTICULATES

In an increasing number of countries, air quality regulations stipulate emission standards for new equipment. Generally, countries allow mobile equipment already operating to continue to do so for its useful life; this is called "grandfathering".

All our engine suppliers produce engines which comply with the latest emissions standards and we gradually introduce these new engines to our fleet. Our generator range to meet USA engine emissions for the Tier 4 Interim level is complete, with 700 units in use. The next step in the USA legislation programme to reduce emissions is called Tier 4 Final and we have now introduced the first 150 generators into our rental fleet in line with this stringent specification. The European engine emissions regulations are different to the USA and the current level in the EU is referred to as Stage 3a. We also have a complete product range of generator products to meet this standard.

We continue to work closely with engine manufacturers and primary technology developers to derive appropriate solutions for these requirements.

To further reduce emissions-to-air for specific projects, we have developed an after-treatment that can be applied to our existing fleet at our customers' request. In Japan we have used a special unit to reduce NO_x by 90%, in order to meet Japanese air quality standards. This technology can be readily applied globally as an operational bolt on to our standard equipment.

REFRIGERANT EMISSIONS

In accordance with the timelines set out by the Montreal protocol, Aggreko has phased out chlorofluorocarbon (CFC) plant from its temperature control rental fleet and is in the process of phasing out hydrochlorofluorocarbon (HCFC) plant. Hydrofluorocarbon (HFC) product, the replacement for CFC and HCFC, is available across our full equipment range and has been adopted as standard for all new fleet.

MINIMISING NOISE

Noise pollution is another important environmental factor that we take very seriously. We aim to provide helpful solutions to our customers, minimising the noise associated with producing power, heat or cool air.

We have built a competitive advantage through a fleet that minimises external noise. This is done through the use of custom-built acoustic enclosures as well as high performance isolation and attenuation systems. In addition, in designing a Power Solutions Utility site, we aim to position the equipment such that the noise it does produce has the least effect on the immediate environment.

WASTE AND RE-CYCLING

In the normal course of our business, we regularly have to replace consumables such as engine oil and filters. If these are not appropriately disposed of, they can cause environmental damage such as leakage into the ground water and contamination of the local water supplies. If left unattended, they are also unsightly and typically not biodegradable. Therefore, it is imperative that we remove and safely dispose of our waste products.

These are normally returned to our service centres where they are safely disposed of, or re-cycled where appropriate. On our project sites we have procedures in place to collect waste on-site and then site-specific arrangements are made for the safe handling of these items. We commit to returning our project sites to the condition in which we found them, and therefore work very hard to minimise the impact we have.

Making a massive difference continued

STATEMENT ON UNITED NATIONS PARIS CONFERENCE

The United Nations Climate Change Conference held in 2015 resulted in a global agreement to pursue efforts to limit the increase in global temperature to 1.5°C and we acknowledge the ratification of the Paris Agreement on Climate Change.

To support this, most countries have already outlined how they propose to control their emissions of greenhouse gases typically for the period up to 2030. For many developing countries the commitments made are conditional on receiving funding.

Overall in the energy sector the agreement will increase the emphasis on:

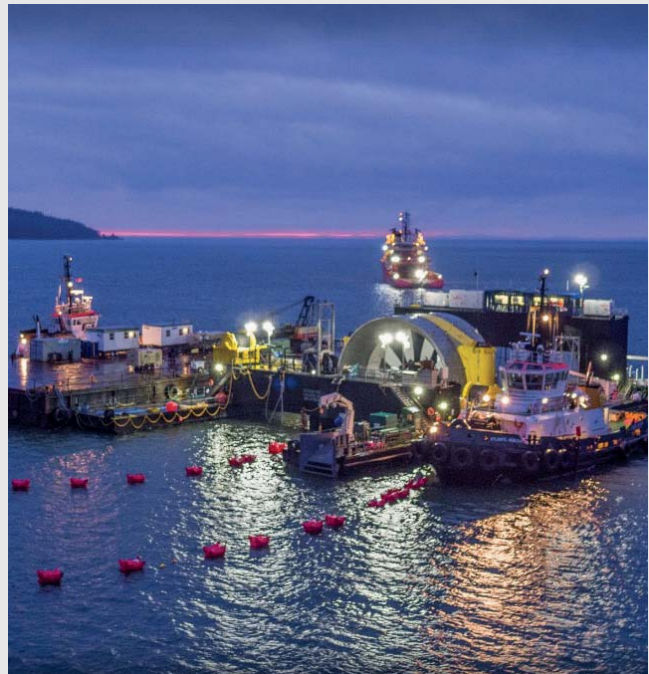
- Reducing greenhouse gas emissions from burning fossil fuels by:
 - more efficient generation and distribution;
 - the increased use of natural gas (that has a lower carbon ratio than diesel or coal);
- Renewables including solar, wind and biogas as part of the energy mix; and
- Stopping highly polluting practices like flaring gas and either processing the gas for general use or burning it in a controlled and therefore cleaner way to produce power.

There are likely to be some local legislation and incentives to drive these changes. For many developing countries the priority will remain providing affordable power and accessing the associated social and economic benefit.

We will continue to work with our customers both in the developed and developing markets to provide solutions that will support their commitments to lower emissions.

CASE STUDY: HARNESSING TIDAL ENERGY

The Canadian marine industry has very strict requirements regarding the use of power generation on marine vessels. We have used our experience to work with our customer in the Bay of Fundy to provide power equipment for the transportation, placement, testing and commissioning of its 2MW tidal turbine. This cutting edge technology is designed to capture energy from the highest tides in the world by using huge turbines resting on the sea floor and once commissioned, will provide clean energy to the people of Nova Scotia.



This is North America's first successful grid-connected tidal turbine, an innovative step towards a lower carbon future.



ETHICS & INTEGRITY

CONTEXT

Aggreko conducts its business with integrity and honesty. We are proud that we have a reputation for conducting business fairly and professionally. Maintaining these values in all of our business dealings is key to our success.



READ MORE ABOUT OUR APPROACH TO ETHICS AND INTEGRITY PAGE 90



OUR PEOPLE

CONTEXT

People are our greatest asset; their passion and commitment are a critical contributor to our success. We are focused on providing an environment in which we provide our people with the power to make things happen.



READ MORE ABOUT OUR PEOPLE PAGE 23



SOCIAL CONTRIBUTION

CONTEXT

Aggreko is fortunate to work in a wide variety of countries and our social contribution is one way of giving back to the community. It's about supporting the communities in which we work, whilst being respectful of different cultures.

OUR APPROACH

Each year, Aggreko engages in a number of initiatives which support the communities in which we work. During 2016, Aggreko contributed to a range of charitable, community and disaster relief organisations. Our policy encourages employees to support local initiatives, particularly those relating to children's welfare, education and social health projects, and is based on giving donations to many organisations which are involved with the communities in which we work. During the year, we undertook an audit of our community investment and we have identified a number of areas for improvement. A community investment strategy is being developed for implementation in 2017.

COMMUNITY INVESTMENT

We actively engage in supporting the local communities we work in and we do this in a number of ways. We are proactive in recruiting locally from the community; for example, in Myingyan in Myanmar, 77% of the workforce is comprised of local staff. We provide extensive on-the-job training for new recruits and give them the skills to become technicians. We also get the benefit of highly skilled staff, trained on our own equipment. It helps us build relationships in the local community which are very important when we might be operating a contract for a number of years. Our charitable donations are largely focused on the education and wellbeing of children.

CASE STUDY: 10 YEARS SUPPORTING BOOK AID

This year is the 10th year that Aggreko has supported Book Aid International, a charity promoting literacy in Africa. Book Aid has provided hundreds of thousands of books to schools and libraries across the continent. In celebration of this milestone, a number of people from across the business helped pack boxes with some of the 10,000 books we've committed to fund in the 10th anniversary year, which will be sent to 10 African countries including Cameroon, Kenya, Tanzania, Uganda, Zambia and Zimbabwe.



Over the last 10 years, Aggreko have made it possible to send over 150,000 books to Africa - but that's not all - they have helped refurbish libraries and train teachers.



Chairman's introduction



KEN HANNA
CHAIRMAN



This year the Board has focused on supporting our strategy and ensuring we have the right governance framework in place to successfully execute that strategy

Compliance with the UK Corporate Governance Code

Aggreko is committed to maintaining high standards of corporate governance; it is the way we do business and it is at the core of everything we do. Summarised on the page opposite and explained in detail throughout this report, we have described the key elements which we believe are essential for good corporate governance. We follow the UK Corporate Governance Code (the "Code"), as published by the Financial Reporting Council in September 2014 and are pleased to report that Aggreko has complied in full with all relevant provisions of the Code throughout the year. We are also in compliance with the 2016 version of the Code, which will apply to Aggreko's financial year ending December 2017.

OVERVIEW

2016 has been another challenging year for Aggreko. We have had to deal with continuing low oil prices, commodity weaknesses and re-pricing of several legacy contracts. All of these factors have caused downward pressure on the Group's financial performance. It takes time to adjust to these pressures, but the Board and I are in agreement that our strategic priorities of customer, technology, efficiency and people will position Aggreko for a strong financial performance in the future.

HOW GOVERNANCE SUPPORTS OUR STRATEGIC PRIORITIES

Delivering on our strategic priorities is crucial to our success. The Board has focused on supporting our strategy by ensuring we have the right governance framework in place to monitor the execution of our strategic priorities. During the year, the Board received regular updates from the Programme Management Officer on each strategic priority and took time out from the usual Board calendar to spend a day focusing on strategy, identifying key actions to ensure we deliver on those priorities. We also agreed on a new set of strategic KPIs, designed to measure success against each of our priorities of customer, technology, efficiency and people. You can read more about our new KPIs on page 34.

THE BOARD IS PLEASED WITH THE INITIATIVES LAUNCHED IN 2016 THAT ARE DELIVERING AGAINST OUR STRATEGIC PRIORITIES.



**READ MORE ABOUT THESE INITIATIVES
PAGES 27 TO 31**

BOARD CHANGES

In March 2017, we were delighted to announce the appointments of Barbara Jeremiah and Miles Roberts as Non-executive Directors.

Barbara is currently a Non-executive Director of two North American based companies, Russel Metals and Allegheny Technologies, having recently retired as Chairwoman of Boart Longyear, a US based company in the minerals drilling sector. Barbara brings extensive international non-executive experience largely in the US and Australia together with an executive career in the mining, exploration and energy industries. Barbara will join the Ethics, Nomination and Remuneration Committees.

Miles brings substantial international business experience as a Chief Executive and Finance Director. Miles is currently Chief Executive Officer of DS Smith Plc, a FTSE international packaging group with operations in nearly 40 countries. Prior to this, Miles was Group Chief Executive of McBride plc, having served as the Group Finance Director before that. An engineer by background and also a chartered accountant, Miles will join the Audit and Nomination Committees.

In April 2016, after almost nine years of service, Robert MacLeod stepped down from the Board. During his time with Aggreko, Robert performed a vital role as Audit Committee Chairman, overseeing our external audit tender process and making a valuable contribution to the Board as Non-executive Director. I would like to thank Robert for his service and contribution to Aggreko and wish him well for the future.

FORMATION OF A GROUP RISK COMMITTEE

This year the Board agreed to establish a Group Risk Committee under the chairmanship of our Chief Financial Officer and made up of the Executive Committee members. Although the Board retains overall responsibility for our risk framework, the Group Risk Committee performs an important role, focusing on embedding the risk framework within the management teams and ensuring key controls are in place for each of our principal risks. I am pleased with the work of the Group Risk Committee to date; you can read more about their role and interaction with the Board and Audit Committee during 2016 on page 82.

THE GROUP RISK COMMITTEE PERFORMS AN IMPORTANT ROLE IN EMBEDDING OWNERSHIP OF THE RISKS WITH OUR MANAGERS.

BOARD EVALUATION

I personally conducted the Board evaluation this year, through individual meetings with each Board Member, the Rental Solutions President, Managing Director for Power Solutions and Company Secretary. We focused on the issues raised last year by the externally facilitated review in relation to competitors, market landscape, risk, succession and talent management. We also looked at Board meeting effectiveness. The review concluded that we have made good progress against the actions in relation to competitors, market landscape and risk,

though further work was required around succession and talent management. We anticipate that the work to refresh our culture will make an impact following the launch of our refreshed culture in Q2 2017 and we agreed some further actions which we will report on next year. The review also found that Board meetings were effective and well run, with good relationships between members and open debate. We did identify some administrative areas for efficiency improvements and agreed actions for 2017. You can read more about the Board evaluation on page 81.

DIVIDEND

The Board is pleased to recommend a final dividend for the year ended 31 December 2016 of 17.74 pence (2015: 17.74 pence). When added to the interim dividend of 9.38 pence this results in a full year dividend of 27.12 pence (2015: 27.12 pence).

LOOKING AHEAD TO 2017

The Board will continue to closely monitor progress against our strategic priorities of customer, technology, efficiency and people, ensuring that they are supported by appropriate governance structures. These priorities are an investment in our future and will protect Aggreko's position as the leading global provider of power, heating and cooling that is efficient, modular and mobile.

Finally, I would like to thank our employees for the unwavering commitment and hard work during a challenging year.

LEADERSHIP

Your Board rigorously challenges strategy, performance, responsibility and accountability to ensure that every decision we make is of the highest quality.



READ MORE ABOUT OUR LEADERSHIP
PAGE 75

ACCOUNTABILITY

All of our decisions are discussed within the context of the risks involved. Effective risk management is central to achieving our strategic objectives.



READ MORE ABOUT OUR ACCOUNTABILITY
PAGE 82

EFFECTIVENESS

Your Board continuously evaluates the balance of skills, experience, knowledge and independence of the Directors. We ensure that all new Directors receive a tailored induction programme and we scrutinise our performance in an annual effectiveness review.



READ MORE ABOUT OUR EFFECTIVENESS
PAGE 80

RELATIONS WITH SHAREHOLDERS

Maintaining strong relationships with our Shareholders, both private and institutional, is crucial to achieving our aims. We hold events throughout the year to maintain an open dialogue with our investors.



READ MORE ABOUT SHAREHOLDERS' RELATIONS
PAGE 84

REMUNERATION

Having a formal and transparent procedure for developing policy on remuneration for Executive Directors is crucial. Our remuneration policy aims to attract, retain and motivate by linking reward to performance.



READ MORE ABOUT OUR REMUNERATION
PAGE 94

Our Board



KEN HANNA
Chairman

Appointed:
Non-executive Director in October 2010 and
Chairman in April 2012.



Experience

Ken has international experience, bringing financial and leadership expertise to Aggreko. He possesses knowledge of many different business sectors and is an experienced senior executive and leader, promoting robust debate and a culture of openness in the Boardroom.

Ken is also currently Chairman of Inchcape Plc and Chairman of Shooting Star CHASE Charity. Until 2009, Ken spent five years as Chief Financial Officer of Cadbury Plc. He has also held positions as Operating Partner for Compass Partners, Group Chief Executive at Dalgety Plc, Group Finance Director of United Distillers Plc and Group Finance Director of Avis Europe Plc. He is also a fellow of the Institute of Chartered Accountants.



RUSSELL KING
Senior Independent Director

Appointed:
Non-executive Director in February 2009 and
Senior Independent Director in April 2014.



Experience

Russell brings international experience, acquired across a number of sectors including mining and chemicals, together with strong experience in strategy.

An experienced Non-executive Director, Russell currently sits on the boards of Spectris Plc as Senior Independent Director and Remuneration Committee Chairman and Interserve plc as Senior Independent Director. He is also Chairman of Hummingbird Resources plc. Prior to this, Russell spent eight years at Anglo American Plc, latterly as Chief Strategy Officer and spent 20 years in senior roles at ICI.



CHRIS WESTON
Chief Executive Officer

Appointed:
January 2015.

Experience

Chris has experience at a senior level in the energy industry, proven leadership skills in a large international business and has consistently succeeded in driving performance and growth in his career.

Prior to his appointment as Chief Executive Officer in January 2015, Chris was Managing Director, International Downstream at Centrica plc, where he was the Executive Director responsible for the Group's largest division. In this role Chris was operationally responsible for both British Gas in the UK and Direct Energy in the USA. He joined Centrica in 2001 after a successful career in the telecoms industry, working for both Cable & Wireless and One.Tel. Before that, Chris served in the Royal Artillery. He has a BSc in Applied Science, as well as an MBA and PhD from Imperial College London. Chris was also appointed as a Non-executive Director of the Royal Navy in January 2017.



CAROLE CRAN
Chief Financial Officer

Appointed:
June 2014.

Experience

Carole has corporate finance and accounting experience acquired over a number of years in senior financial roles with considerable exposure to emerging markets. Carole was appointed to the Board as Chief Financial Officer on 1 June 2014. Having joined Aggreko in 2004, her previous roles include Group Financial Controller and Director of Finance. A key member of the senior management team, Carole has worked to align financial strategies with the strategic direction of the business. Carole was also appointed as a Non-executive Director of Halma plc on 1 January 2016.

Prior to joining Aggreko, Carole spent seven years at BAE Systems, in a range of senior financial positions, including four years in Australia. Carole is also a chartered accountant, having trained at KPMG whilst working in their audit divisions in the UK and Australia.



DAME NICOLA BREWER
Non-executive Director

Appointed:
February 2016.



Experience

Nicola Brewer brings extensive geo-political and diplomatic experience to Aggreko, having worked in many of the developing regions in which we operate.

Nicola is currently Vice Provost at University College London, responsible for international strategy. She is a trustee of Prince Harry's southern African charity, Sentebale. In her previous diplomatic career, she worked in Mexico, India and France, was a member of the Foreign and Commonwealth Office Board from 2004 to 2007, and was High Commissioner to South Africa, Lesotho and Swaziland from 2009 to 2013. As a member of the board of the Department for International Development, she supervised all UK bilateral aid programmes in Africa, Asia, Eastern Europe, the Middle East and Latin America.



UWE KRUEGER
Non-executive Director

Appointed:
February 2015.



Experience

Uwe brings expertise of the engineering, services and renewable energy sectors. He is a physicist with a PhD and an honorary professorship from the University of Frankfurt and an honorary PhD from Heriot-Watt University. Most of his career has been spent leading engineering and consulting organisations.

Uwe is currently Chief Executive Officer of WS Atkins plc. He also sits on the boards of SUSI Partners AG and Ontex S.A. and lectures at the University of Frankfurt on renewable energy. Before joining WS Atkins plc, Uwe was Chief Executive Officer of Oerlikon, Senior Advisor at Texas Pacific Group, President of Cleantech Switzerland, and held various senior leadership positions at Hochtief AC.

KEY TO COMMITTEE MEMBERSHIP



Audit



Remuneration



Nomination



Ethics



DIANA LAYFIELD
Non-executive Director

Appointed:
May 2012.



Experience

Diana brings extensive international experience and detailed understanding of how to operate successfully across emerging markets, particularly in Africa and Asia. She also brings experience in sales, technology and strategy.

Diana is Vice President, Next Billion Users at Google Inc, developing products and services for users in emerging markets, and in Fintech. Before joining Google, she was Chief Executive, Africa Region for Standard Chartered Plc and held a number of senior leadership roles over 11 years at Standard Chartered. Prior to Standard Chartered, Diana was Chief Executive Officer of Finexia Ltd, a technology firm, and a consultant with McKinsey & Co, an international strategy consulting firm. Diana has a BA from the University of Oxford and a Master's degree in International Economics and Public Administration from Harvard University.



BARBARA JEREMIAH
Non-executive Director

Appointed:
March 2017.



Experience

Barbara brings extensive international Non-executive experience largely in the USA and Australia together with an executive career in the mining, exploration and energy industries.

An experienced Non-executive Director, Barbara currently sits on the Board of Russel Metals and Allegheny Technologies having recently retired as Chairwoman of Boart Longyear, a US based company in the minerals drilling sector. Until her retirement in 2009, Barbara spent over 30 years in a number of roles in Alcoa Inc. (now demerged into Alcoa and Arconic Inc.), the world leader in the production of aluminium and related products. Her roles in Alcoa included Assistant General Counsel, VP Corporate Development and Executive VP in charge of strategy and M&A. Barbara is an American citizen with a BA in political science and is a qualified lawyer.



IAN MARCHANT
Non-executive Director

Appointed:
November 2013.



Experience

Ian brings knowledge of the domestic and international energy markets, along with a substantial understanding of associated strategic, financial and regulatory issues. Until his retirement in June 2013, Ian spent 21 years at SSE Plc, most recently as Chief Executive, and prior to that as Finance Director.

Ian is an experienced Non-executive Director, currently serving as Chairman of John Wood Group Plc and former Chairman of Infinis Energy Plc. He is also Chairman of Maggie's Cancer Charity, a Member of the Prince's Council of the Duchy of Cornwall, Honorary President of RZSS, Chairman of the advisory board of the Centre of Energy Policy at Strathclyde University and former Chairman of Scotland's 2020 Climate Group.



MILES ROBERTS
Non-executive Director

Appointed:
March 2017.



Experience

Miles brings extensive international business experience both as a Chief Executive and Finance Director.

Miles is currently Chief Executive Officer of DS Smith Plc, a FTSE international packaging group with operations in nearly 40 countries. Prior to joining DS Smith Plc in 2010, Miles was Group Chief Executive of McBride plc having previously been Group Finance Director. Prior to this, Miles worked for Costain Group plc and Vivendi UK. He also has non-executive experience, having served on the boards of Poundland Group plc as Senior Independent Director and Care UK plc as a Non-executive Director. Miles has a degree in Engineering and is also a chartered accountant.

PETER KENNERLEY
Company Secretary

Appointed:
October 2008.

Peter is our Group Legal Director & Company Secretary.

Further details appear on page 74.

Other Directors who served during 2016:

ROBERT MACLEOD
Non-executive Director and
Chairman of the Audit Committee
until 28 April 2016.

**BOARD ATTENDANCE
IN 2016**

Name of Director	Board meetings		% attended
	A	B	
Ken Hanna	6	6	100%
Chris Weston	6	6	100%
Carole Cran	6	6	100%
Nicola Brewer	6	6	100%
Russell King	6	6	100%
Uwe Krueger	6	6	100%
Diana Layfield	6	6	100%
Robert MacLeod ¹	2	2	100%
Ian Marchant	6	6	100%

A - maximum number of meetings Director could have attended.
B - actual number of meetings Director attended.
¹ Robert MacLeod retired from the Board on 28 April 2016.

Our Executive Committee

The Executive Committee operates under the direction and authority of the Chief Executive Officer; it is responsible for supporting him in all aspects of his role. Each member has been assigned individual responsibility for the principal risks and uncertainties outlined in the Strategic Report. They also sponsor and have overall accountability for delivering against the initiatives designed to underpin our strategic priorities of customer, technology, efficiency and people to enhance our existing competitive advantages.

1 CHRIS WESTON

Chief Executive Officer

Appointed: January 2015.
Tenure with Aggreko: 2 years.

Full biography appears on page 72.

2 CAROLE CRAN

Chief Financial Officer

Appointed: June 2014.
Tenure with Aggreko: 12 years.

Full biography appears on page 72.

3 NICOLAS FOURNIER

Managing Director,
Power Solutions

Appointed: November 2015.
Tenure with Aggreko: 1 year.

Nicolas has responsibility for the leadership of the Power Solutions business and overseeing the delivery of our strategic priorities (Customer, Efficiency and Technology) within Power Solutions.

4 TOM ARMSTRONG

Group Chief Information Officer
& Programme Director

Appointed: August 2015.
Tenure with Aggreko: 15 years.

Tom has responsibility for the implementation of our strategic priorities (Customer, Technology, Efficiency and People) programme designed to enhance our competitive advantage and deliver sustainable growth. Tom is also responsible for the Programme Management Office (PMO).

5 DAN IBBETSON

Group Business
Development Director

Appointed: October 2016.
Tenure with Aggreko: 8 years.

Dan has responsibility for global business development, M&A coordination and Group strategy. This new position on the Executive Committee will provide a critical focus on securing growth and maximising opportunities into the future.

6 BRUCE POOL

President,
Rental Solutions

Appointed: December 2015.
Tenure with Aggreko: 18 years.

Bruce has responsibility for the leadership of the Rental Solutions business and Group Sales & Marketing. He is also responsible for overseeing the delivery of our strategic priorities in relation to Customer and Efficiency within Rental Solutions.

7 ANNA FILIPOPOULOS

Group Human
Resources Director

Appointed: April 2016.
Tenure with Aggreko:
less than 1 year.

Anna has responsibility for human resources and internal communications, focusing on talent and leadership development, employee engagement and culture. She is responsible for overseeing the delivery of the strategic priority in relation to People.

8 VOLKER SCHULTE

Group Manufacturing and
Technology Director

Appointed: August 2015.
Tenure with Aggreko: 2 years.

Volker is responsible for building on our current engineering capability in Dumbarton and focusing on enhancing our product strategy, product development and product management with the objective of delivering market leading products to our customers.

9 PETER KENNERLEY

Group Legal Director &
Company Secretary

Appointed: October 2008.
Tenure with Aggreko: 8 years.

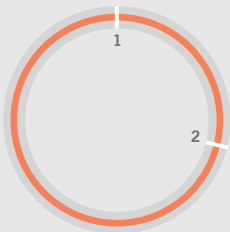
Peter has overall responsibility for the management of legal and ethical risk and for supporting the Board in setting and maintaining standards of corporate governance.



Leadership

DIVERSITY METRICS AT 31 DECEMBER 2016

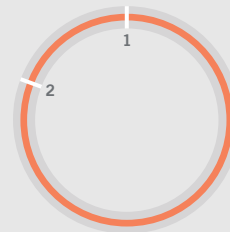
Executive/Independent Non-executive composition of Board



	No.	%
Executive	2	29%
Non-executive*	5	71%

* As required by Code provision B.1.2, this calculation excludes the Chairman when looking at the Independent Non-executive composition of the Board.

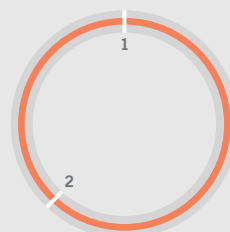
Gender of senior management*



	No.	%
Male	56	81%
Female	13	19%

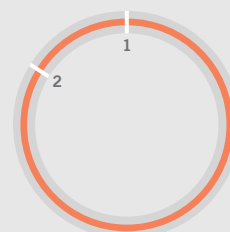
* We have selected the composition of our Senior Leadership Team as we believe this to be a better reflection of our senior management structure than the composition of our subsidiary companies, which is made up of 96 males and 11 females. The Senior Leadership Team is made up of direct reports of the Executive Committee and other key roles.

Gender of Board



	No.	%
Male	5	62%
Female	3	38%

Gender of permanent employees



	No.	%
Male	5,207	84%
Female	974	16%

Tenure of Non-executive Directors



	No.	%
0-3 years	2	40%
3-6 years	2	40%
6-9 years	1	20%

Nationality diversity of permanent employees*



	%
European (inc. Russia)	28%
North American	20%
Latin American	19%
Asian	17%
African	10%
Australian	5%
Middle Eastern	1%

* There are 106 nationalities across Aggreko's permanent employees.

Sector experience of Board

Customer	88%	Energy	75%	Operational	63%
Finance	50%	Geo-politics/diplomacy	25%	Technology	13%

How we divide up our responsibilities

Chairman	Responsible for leading the Board, its effectiveness and governance. Setting the agenda to take full account of the issues and concerns of the Directors and ensuring the links between the Shareholders, Board and management are strong.
Chief Executive Officer	Responsible for the day-to-day leadership, management and control of the Group, for recommending the Group strategy to the Board and ensuring that the strategy and decisions of the Board are implemented via the Executive Committee.
Chief Financial Officer	Responsible for the day-to-day management of the financial risk of the Group and providing general support to the Chief Executive Officer including the operational performance of the business and chairing the Group Risk Committee.
Senior Independent Director	Provides a sounding board for the Chairman, acts as an intermediary for the other Directors when necessary and is available to meet with Shareholders.
Independent Non-executive Directors	Constructively challenge the Executive Directors and monitor the delivery of the Group strategy within the risk and control environment set by the Board.
Company Secretary	Supports the Chairman and Chief Executive Officer and is available to all Directors for advice and support. Informs the Board and Committees on governance matters and responsible for development of corporate governance policies.

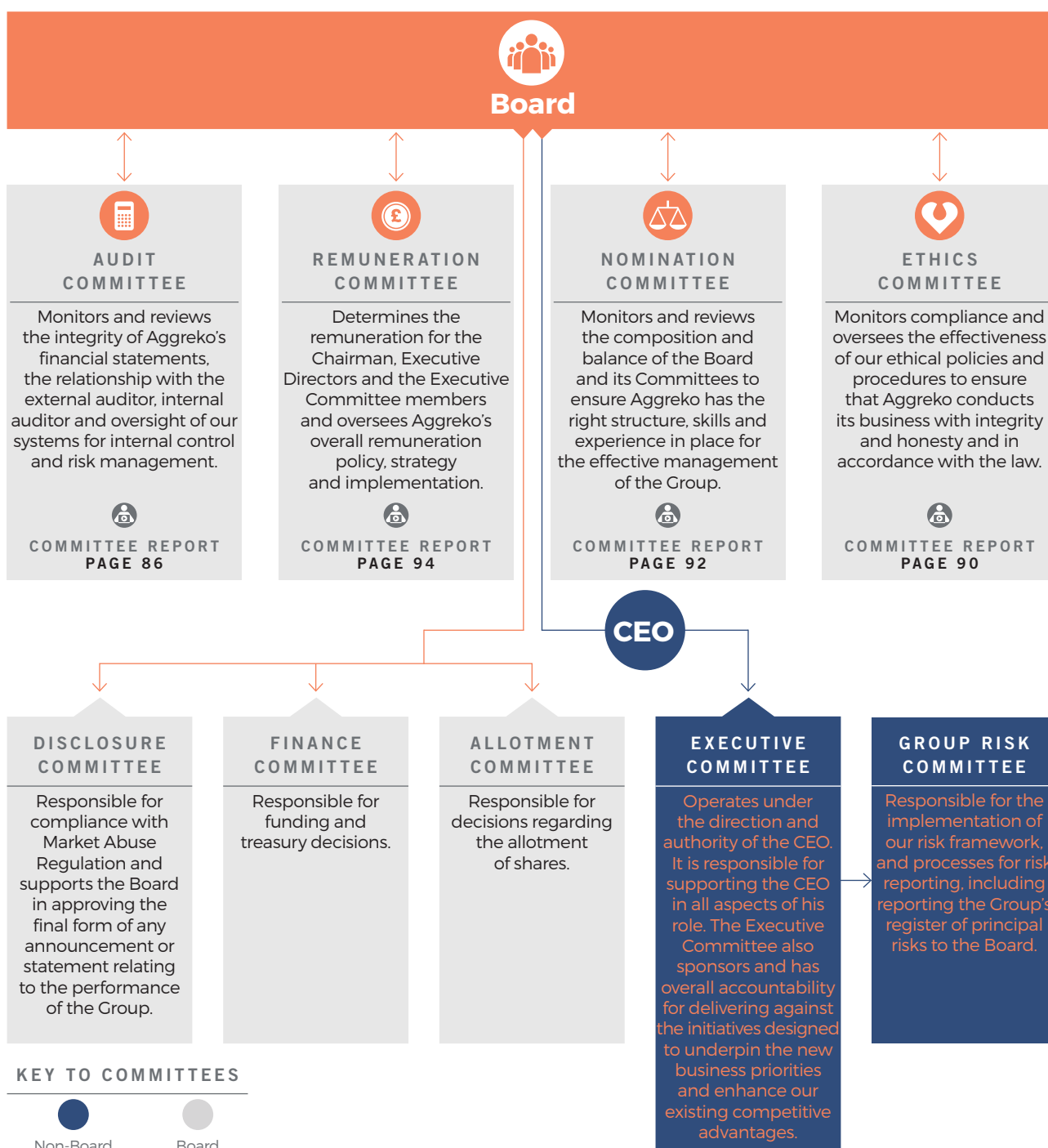
Leadership continued

ROLE OF THE BOARD AND COMMITTEES

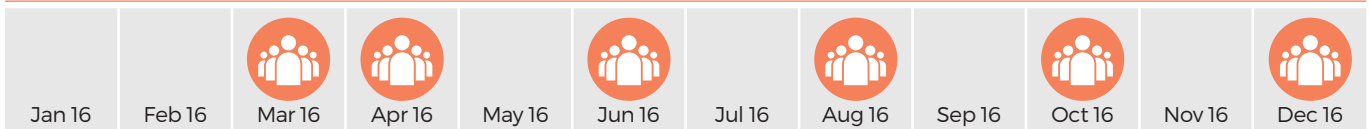
The Board is responsible for the long-term success of the Group. It sets our strategy and oversees its implementation, ensuring decisions made reflect our risk appetite. It provides leadership and direction and has responsibility for corporate governance and the overall financial performance of the Group. The Board is supported in this role by its principal committees, outlined in the table below.

To retain control of key decisions, the Board has a schedule of matters reserved for the Board that only it can approve, with other matters, responsibilities and authorities delegated to its Committees.


 READ OUR SCHEDULE OF MATTERS RESERVED FOR THE BOARD:
IR.AGGREKO.COM/INVESTORS



BOARD MEETINGS IN 2016



BOARD MEETINGS

In 2016, the Board held six scheduled meetings and one ad hoc meeting. The ad hoc meeting was held by telephone in September to ensure the Board was kept up to speed on material developments. At each scheduled meeting the Board received reports from:

- The CEO on strategic, operational and business developments and health and safety;
- The CFO on the performance of the business, capital structure, fleet, budget, treasury and investor relations; and
- Each of the Board Committees on matters discussed at their meetings.

The Board also received reports on our ethics compliance framework and new technology and product updates.

In addition to the regular items, the key areas of focus were:

Topic	Activity/Discussion	Actions arising	Progress
Strategy	Monitor progress against our strategic priorities.	One day strategy review session.	Identified and agreed areas of focus within Rental Solutions, Power Solutions, distributed energy and technology to assist in delivering against our priorities. Added people to our strategic priorities.
		Received regular updates from the Programme Management Office on progress against the strategic priorities and initiatives underpinning them.	Customer: approved and launched a new CRM system and online web presence. Technology: approved customer field trials of next generation gas and HFO products. Developing prospects for our solar-diesel hybrid product. Efficiency: approved and rolled out new site performance management tool, allowing us to move towards condition based maintenance in 2017. Generated procurement based savings of c£20 million.
		Review KPIs.	New set of strategic KPIs approved to monitor progress against our strategic priorities.
	Monitor opportunities for acquisitions.	Refreshed and agreed our M&A strategy. Reviewed a number of opportunities in 2016.	Bolt-on acquisition of DRYCO, a specialist in moisture control, drying, heating and cooling applications within the shipping, manufacturing, food processing, construction and industrial painting industries.



READ MORE ABOUT OUR BUSINESS PRIORITIES PAGE 27 AND OUR KPIs PAGE 34

Risk management and internal control	Review the Group risk register, risk appetite and effectiveness of the risk management process to ensure we have a robust risk management framework which delivers an effective and efficient approach to risk management and positively contributes to effective decision making.	Following the detailed review in 2015, continue to monitor best practice and refine the risk management framework as appropriate.	Approved the establishment of a Group Risk Committee, chaired by our CFO and made up of the Executive Committee members to assist with oversight of our risk management process and to further embed risk management within our management teams. Ensured that our principal risks are aligned to key controls and form part of the assurance and internal audit programme. Reviewed our principal risk register in June and December.
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Leadership continued

In addition to the regular items, the key areas of focus were:

Topic	Activity/Discussion	Actions arising	Progress
Risk management and internal control continued	Monitoring legacy contracts.	Regular updates from Power Solutions Managing Director.	Detailed analysis undertaken on the macroeconomic background, power market and power strategy in countries such as Argentina, with significant legacy contracts. Close monitoring of tenders and successes with modelling of different scenarios for our current contracts.



READ MORE ABOUT OUR RISKS
PAGE 52

Leadership and employees	Succession planning.	Review succession plans in place for Executive Committee, Senior Leadership Team and direct reports.	Executive off-site meeting held with focus on team development. New succession plans approved.
	Employee engagement and culture.	Review culture and agree plan to refresh.	Reviewed Executive Committee work on employee purpose, values and behaviours. Launch of culture refresh planned for early 2017.
		Review all employee share save arrangements.	Approved all employee share save offer.
	Ongoing training and development for Board members.	Encourage interaction between Board members and employees across the Group. Induction for Nicola Brewer.	Board visit to Houston head office and Pearland in June 2016. Board workshop at Manufacturing and Technology site in Dumbarton in April 2016 on the design and launch plan for the new medium speed HFO engine. Induction complete.



READ MORE ABOUT
NICOLA BREWER'S INDUCTION
PAGE 80



READ MORE ABOUT OUR
VISIT TO NORTH AMERICA
PAGE 79

Governance	Discussed format for Board evaluation in 2016.	Agreed format for Chairman's review with one to one sessions with each Board member.	Completed implementation of the action points identified as part of the 2015 review. Agreed 2017 action plan for the Board.
	Impact of new Market Abuse Regulation.	Reviewed existing policies and processes to assess ability to comply with the new regulation.	Adopted new policies and procedures for monitoring and handling of inside information. Provided training to Directors and employees affected by the new regulation.



READ MORE ABOUT OUR BOARD EVALUATION
PAGE 81

Shareholders	Strong engagement with stakeholders and investors.	Actively support engagement opportunities and understand investor views.	Reviewed the outcome of the investor audit, which gathered detailed feedback from our Shareholders. Technology "teach in" at Manufacturing and Technology facility in Dumbarton in September 2016. This gave investors and analysts an overview of our technology agenda and current progress against it. Sought views from our main Shareholders on a new remuneration policy. The new policy will be put to Shareholders for approval at the AGM in 2017.
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READ MORE ABOUT OUR SHAREHOLDER ENGAGEMENT PROGRAMME
PAGE 84

Governance in action:

Board meeting in North America, June 2016

Site visits give the Board key insights into the business; at least one meeting each year is held at a location outside London or Glasgow to give the Directors an opportunity to review operations and meet local employees.



Aggreko's Pearlland facility in Texas, North America

In June 2016, the Board met in Houston, the head office location for our Rental Solutions business. During their visit, the Directors received presentations from the Rental Solutions President and management team in North America and a detailed update on progress against our strategic initiatives in the Rental Solutions business. There were also presentations from the management team for temperature control and Aggreko Process Services; an engineering team within temperature control whose purpose is to resolve process bottlenecks associated with temperature issues. The Board also hosted a dinner with the Rental Solutions management team to give the Board an opportunity to engage with the presenters informally.

The Board also visited our Pearland facility for a "management walk" to learn about safety at the site. They also met with some of the local employees based there, to hear their views about working for Aggreko and answer questions.

Aggreko's Pearland facility is a 13 acre site, housing our largest service centre in the North American business, as well as national temperature control repair and support centre, Aggreko Process Services and a training facility. Pearland has the largest temperature control testing capacity in the Americas with four test stands totalling 2,500 tons of capacity and the service centre generates the largest revenue in the North America business. There are over 100 employees working at this site and it was one of Aggreko's first locations in North America. Pearland's business sectors include Petrochemical Refineries, Building Services and Construction and Events hosted in or around Houston.

As part of Nicola Brewer's induction process, Nicola also visited our offices at New Iberia with Ken Hanna. During discussion groups with employees, Ken explained his role as Chairman and answered questions, whilst Nicola gave her thoughts on joining Aggreko. The visit included a tour of the major repair facility and an introduction to some of the new products being developed for the North American business, including the first Tier 4 diesel oil-free air compressor. Ken and Nicola also visited the local service centre, discussed some of the challenges facing this business with employees and toured the Rental Centre, learning about the initiatives underway at the Rental Centre to improve administrative efficiencies. Finally they visited the Remote Operations Centre.

KEY PRIORITIES FOR 2017

- Continue to closely monitor the work of the Programme Management Office to ensure the initiatives underpinning the strategic priorities deliver the expected benefits within the agreed timescales.
- Monitor the roll out of the re-branded culture around the organisation to ensure all employees are aware of the launch and understand their role in embedding the culture into the organisation.
- Receive regular updates from the Group Risk Committee to ensure this Committee provides the intended level of support on risk management and integrated assurance.
- Plan a board visit to Southern Africa to provide key insights into the Power Solutions business in Africa for the Board, engage with local employees and visit a local site.
- Implement the actions identified in the 2016 board evaluation.
- Ensure thorough induction programmes for Barbara Jeremiah and Miles Roberts.

Effectiveness

Induction, development and support

We make sure that all new Directors receive a full, formal and tailored induction on joining the Board. We also plan our Board calendar to ensure that Directors are able to visit different business locations and are briefed on a wide range of topics throughout the year. These topics range from those with particular relevance for our business, such as world energy demand, to more general matters such as developments in corporate governance. We recognise that our Directors have a diverse range of experience, and so we encourage them to attend external seminars and briefings that will assist them individually.



My induction programme was extremely comprehensive. It helped me to learn about the different aspects of the business and absorb its culture. This enabled me to start contributing to Board discussions more quickly and confidently.

DAME NICOLA BREWER

Non-executive Director

GOVERNANCE IN ACTION:

NICOLA BREWER'S INDUCTION

Our induction programme aims to give new Non-executive Directors a thorough grounding in Aggreko's business, on a Group and business unit basis, areas of significant risk and a clear understanding of their role and responsibilities. Key elements include meeting the Executive Directors, senior management in the Group and senior management within the business units and spending time with the Company Secretary to ensure an understanding of directors' duties, conflicts of interest, corporate governance, Board procedures, Group policies and the use of our electronic Board packs.

Visiting our main sites for briefings on Group strategy and the business units forms an important part of the induction process. During Nicola Brewer's induction to Aggreko, Nicola visited a number of locations around the Group.



China - Shanghai

Nicola met with the North Asia management team, receiving an overview of their business, visiting the Shanghai Depot and meeting with an equipment supplier.

Scotland - Dumbarton

As part of a Board visit to the Manufacturing and Technology site, Nicola attended a workshop on the design and launch plan for the new medium speed HFO engine.



UAE - Dubai

Nicola met with the Middle East management team for an overview of the business and went on a site tour of the Jebel Ali office and depot.

North America - Houston, Pearland and New Iberia

See page 79 for information on the Board's visit to Houston and Pearland and Nicola's visit to New Iberia.

THIS YEAR'S BOARD EVALUATION EXERCISE

In line with the UK Corporate Governance Code, we undertake a formal and rigorous annual evaluation of our own performance and that of our Committees and individual Directors each year.

We operate a three-year cycle of Chairman's review, Company Secretary's review and externally facilitated review. Aggreko's last externally facilitated evaluation took place in 2015, so this year the review was carried out by the Chairman.

Board evaluation framework

Step one

- | | | |
|---------------------------------|---|--|
| Briefing and preparation | <ul style="list-style-type: none"> The Chairman presented a paper to the Board outlining the proposed evaluation process for 2016. | <ul style="list-style-type: none"> Key areas of focus for the 2016 evaluation included: <ul style="list-style-type: none"> Our response to the three main topics raised last year (strategic issues, risk and control, succession and talent management). Board and meeting effectiveness. |
|---------------------------------|---|--|

Step two

- | | |
|-------------------------------|--|
| One to one discussions | <ul style="list-style-type: none"> The Chairman conducted one to one discussions with each member of the Board, the Company Secretary, Managing Director for Power Solutions and President for Rental Solutions. Both the Managing Director for Power Solutions and President for Rental Solutions regularly attend Board meetings. |
|-------------------------------|--|

Step three

- | | | |
|--|---|--|
| Presentation of findings and discussion | <ul style="list-style-type: none"> The Chairman prepared a draft discussion document on the key areas discussed. | <ul style="list-style-type: none"> The Board discussed the findings as a group, noted progress made against the actions for 2016 and agreed actions for 2017. |
|--|---|--|

Step four

- | | | |
|---|--|---|
| Insights, conclusions and actions for 2017 | <p>Good progress has been made against the three main topics raised last year.</p> <p>Strategic issues (including competitiveness and market landscape)</p> <ul style="list-style-type: none"> We have reviewed the market landscape, our competitors and implications for our strategy. We received regular updates on technology in 2016, including updates on the progress of HFO and solar diesel, with further items scheduled for 2017. New strategic KPIs were approved in 2016, further information can be found on page 34. <p>Risk and control</p> <ul style="list-style-type: none"> Group Risk Committee established. Risk register reviewed in June and December. <p>Succession and talent management</p> <ul style="list-style-type: none"> Although some progress had been made and the appointment of a new Group HR Director had made a good impact, actions remained ongoing in relation to succession and talent management and further actions were agreed for 2017. Successful Board visits to Dumbarton, Houston and Pearland in 2016. | <ul style="list-style-type: none"> The evaluation also examined the current workings of the Board to identify potential improvements. <p>Board and Meeting Effectiveness</p> <ul style="list-style-type: none"> Well run meetings allowed time for discussion of the issues, debate was respectful and the Board was balanced. Good relationship between Board members and the attendance at meetings of the Power Solutions Managing Director and Rental Solutions President was valuable. Some constructive points were raised in relation to Board meeting administration, actions were agreed to improve efficiency for 2017. |
|---|--|---|

Accountability

Risk management and internal control

The Board is responsible for the Group's risk management framework and internal control systems. The Group operates defined internal control systems across finance, operations and compliance, with key controls identified and assessed across the year. Group Risk, Group Internal Audit and internal control teams operate within the business to monitor and assess the effective operation of these controls. The Board, via the Audit Committee and our new Group Risk Committee, monitors the internal control systems on an ongoing basis. The process is designed to manage rather than eliminate risk, and can only provide reasonable and not absolute assurance against material misstatement or loss.

Following an extensive update in 2015, the Board has focused on embedding the improved risk management process into the Group. This year the Board has spent some time challenging the alignment of key controls to our principal risks and ensuring the effectiveness of those controls by reviewing them as part of our assurance and internal audit programme. For example, the Internal Audit team has undertaken audit reviews around the change management relating to our strategic priorities, providing challenge over the effectiveness of controls and identifying opportunities for improvement.

The objective of our risk framework is to provide the Board, Audit Committee and Executive Committee with a useful management tool to capture, assess and proactively manage the risks we face. Our risk management process also ensures that we take account of our business model and strategy to ensure alignment with our risk appetite, framework and controls. In turn, this enables us to fully comply with the UK Corporate Governance Code requirement for a viability statement.

GROUP RISK COMMITTEE:

To ensure sufficient oversight of our risk management process and to further embed it within our management teams, we formed the Group Risk Committee in 2016. This Committee is chaired by our CFO, Carole Cran, and is attended by our Executive Committee members. The Group Risk Committee met twice in 2016.

The Group Risk Committee's primary role is the implementation of our risk framework. This includes review of the Group Register of Principal Risks, with challenge given to the prioritisation and management of individual risks as appropriate. In future, the Group Risk Committee will also oversee efforts to align assurance activity across the Group. Following each meeting, reports are made to the Audit Committee and Board. The reports to the Audit Committee focus on the effectiveness of the control environment for our risks. The reports to the Board focus on agreeing the register of principal risks and any changes to the risk management framework, including proposals for amendments to the risk appetite.

RISK APPETITE:

Our approach to risk appetite has been developed in line with the UK Corporate Governance Code. By articulating the type and level of risk we are willing to take in order to achieve our strategic objectives, we aim to support consistent, risk-informed decision making across the Group. We have defined our risk appetite for each of the categories of risk as shown on page 53 of this report. Our risk appetite has been incorporated into our risk management framework and the Group Risk Committee and Board monitor whether we are operating within our appetite through review of a series of agreed metrics and a review of the register of principal risks.

RISK MANAGEMENT FRAMEWORK:

A full review of the Group register of principal risks was completed during June and July 2016 for our interim reporting. This exercise was undertaken again at the year end. Details of the process the Board has in place to identify, evaluate and manage principal risks can be found in the risk section of the Strategic Report. This process has been in place for the period under review and up to the date of approval of the Annual Report and Accounts. In addition, we monitor the effectiveness of the risk management framework and internal control systems on an ongoing basis. No significant failings or weaknesses have been identified. Further detail on the process for monitoring the effectiveness of our risk management framework and control environment can be found in the Audit Committee Report.

GOVERNANCE IN ACTION: FAIR, BALANCED AND UNDERSTANDABLE REPORTING

The Board recognises its responsibility to present a fair, balanced and understandable assessment of Aggreko in all of our reporting obligations. This responsibility covers the Annual Report and extends to the interim report and other regulatory announcements.

The Directors consider this Annual Report, taken as a whole, to be fair, balanced and understandable, providing the information necessary for Shareholders to assess the Company's position and performance, business model and strategy. In arriving at this position, the Board asked the Audit Committee to review and confirm the process we have in place to support this assessment. The Audit Committee confirmed that we have a robust approach in place to support the fair, balanced and understandable assessment.

For the 2016 Annual Report, this process included:

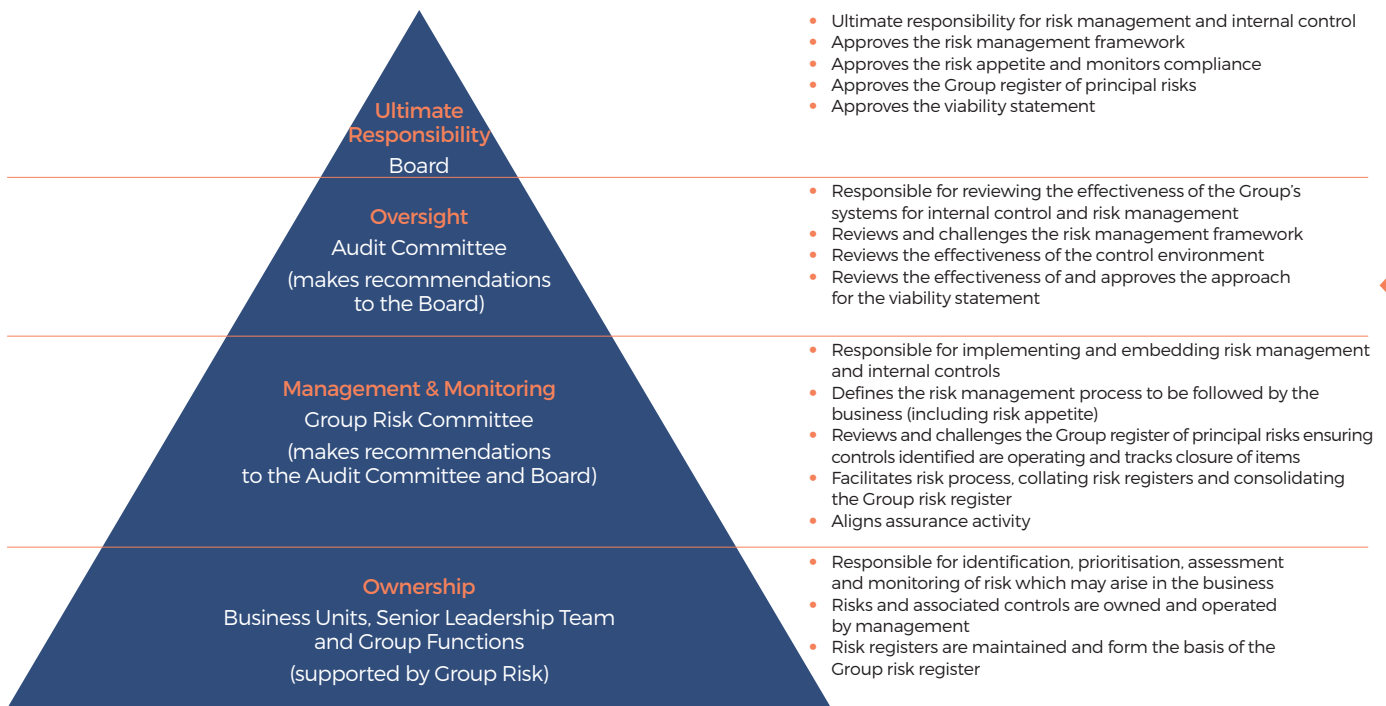
- Comprehensive management and statutory accounts processes, with written confirmations provided by the regional senior management teams on the "health" of the financial control environment;
- Detailed reviews of the Annual Report and Accounts undertaken at different levels of the Group and by the senior management team that aim to ensure consistency and overall balance;
- A verification process, involving our internal audit team, dealing with the factual content of the Annual Report;
- A key accounting judgements paper covering contract and tax provisions, along with a summary of any changes in our accounting policies for 2016; and
- Both the Audit Committee and Board received an early draft of the Annual Report to enable time for review and comment.

"The Directors consider this Annual Report, taken as a whole, to be fair, balanced and understandable."



READ MORE IN OUR AUDIT COMMITTEE REPORT
PAGE 86





RISK MANAGEMENT FRAMEWORK – ROLES AND RESPONSIBILITIES



READ ABOUT OUR RISKS AND VIABILITY STATEMENT
PAGE 52

Relations with Shareholders

SHAREHOLDER ENGAGEMENT CALENDAR 2016

 MARCH	 APRIL	 MAY	 JUNE
Roadshows in the UK following the preliminary results announcement Citi Business Services Conference	Roadshows on the east coast of the USA & Canada AGM	Bank of America Merrill Lynch Business Services Conference Conference calls and meetings with investors following the first quarter trading update	Technology Capital Markets Day in Dumbarton








WHAT OUR SHAREHOLDERS HAVE ASKED US ABOUT THIS YEAR

Power Solutions Utility pipeline and prospects
Legacy contracts and key extensions in Power Solutions Utility
Exposure to Oil & Gas and emerging markets
Strategic priorities
Performance outlook
Organisational changes and morale
Cash flow, capital expenditure, debt and dividend cover
Shareholder returns

KEY TO COMMITTEE ACTIVITIES

- 
Interim results
- 
Full year results
- 
Trading update
- 
Investor meetings
- 
AGM
- 
Site visit

SHAREHOLDER ENGAGEMENT CALENDAR 2016

  AUGUST	  SEPTEMBER	 OCTOBER	 NOVEMBER	 DECEMBER
<p>Interim year financial results</p> <p>Conference calls and meetings with investors following the interim results</p> <p>Roadshows on the east coast of the USA & Canada following the interim results</p>	<p>Roadshows in the UK and France following the interim results</p> <p>Rental Solutions investor visit with Barclays</p>	<p>Roadshow on the west coast of the USA</p>	<p>Conference calls and meetings with investors following the third quarter trading update</p>	<p>Credit Suisse European Business Services and Transport Conference</p>

Understanding what analysts and investors think about us, and in turn, helping these audiences understand our business, is a key part of driving our business forward and we actively seek dialogue with the market. We do so via investor roadshows, attending investor conferences, hosting capital markets days and our regular reporting. The Board receives regular updates on the views of Shareholders through briefings and reports from Investor Relations, the Chief Executive Officer, Chief Financial Officer and the Company brokers. In addition, our Senior Independent Director, Russell King, is available to meet Shareholders if they wish to raise any issues separately.

Results and other news releases such as contract wins and changes to our strategy are published via the London Stock Exchange's Regulatory News Service (RNS). Any announcement published via RNS is also available on the Group's Investor Relations website at ir.aggreko.com/investors; a subscription service is available for interested parties to receive these updates by email. We continually seek to enhance our communications and alongside the publication of this report we have refreshed our corporate and investor relations websites.

The Group has an office in London, where the Investor Relations team is based, and maintains ongoing relations with analysts and investors through telephone calls and meetings. Throughout 2016, we have continued to maintain open and transparent communication with analysts and investors through meetings, presentations, conferences and site visits. In June 2016, we hosted a capital markets day on our technology strategic priority, at our Manufacturing and Technology facility in Dumbarton, Scotland.

During the year, the Investor Relations team and senior management conducted almost 460 meetings, met or spoke to over 400 institutions and participated in seven conferences. Meetings are conducted by at least one of the Chairman, Chief Executive Officer, Chief Financial Officer or a member of the Investor Relations team and these meetings occurred in a number of key locations around the world; during the year we met investors in the UK, USA, Canada and France. In future we aim to include broader management in investor meetings throughout the year, to allow investors to gain a broader perspective of management and the business.

During the year, the Chairman of the Remuneration Committee held a number of consultations with Shareholders around the development of the new remuneration policy, Long Term Incentive Plans and general performance of the business.

Read more about our new remuneration policy and Long-Term Incentive Plans on page 94.

We also enjoy meeting and engaging in discussion with our private Shareholders at the Company's Annual General Meeting (AGM). The 2017 AGM will be held in Glasgow on Thursday, 27 April 2017.



READ MORE ABOUT OUR STRATEGY PAGE 27

Audit Committee report



IAN MARCHANT
AUDIT COMMITTEE CHAIRMAN



The role of the Audit Committee is to ensure the integrity of the Group's financial reporting and provide oversight of our systems for internal control and risk management

AREAS OF ACTIVITY IN 2016

- Oversaw the transition of external auditor responsibilities from PricewaterhouseCoopers to KPMG to ensure independence was maintained and a successful 2016 external audit.
- Provided oversight on the effectiveness of our risk management process, ensuring effective controls were in place for each risk.
- Reviewed and agreed approach to accounting policies for product development expenditure and the impact of new accounting standards.
- Reviewed our cyber security arrangements with the Chief Information Officer and agreed actions, including employee training, for 2017.
- Managed the transition of responsibilities for the Chairmanship of the Committee from Robert MacLeod to Ian Marchant.

MEMBERS IN 2016

	Meetings attended
Ian Marchant – Audit Committee Chairman from 29 April 2016	✓ ✓ ✓
Robert MacLeod – Audit Committee Chairman until 28 April 2016 ¹	✓
Russell King – Senior Independent Director	✓ ✓ ✓
Diana Layfield – Non-executive Director	✓ ✓ ✓

¹ Robert MacLeod retired from the Board on 28 April 2016.

AREAS OF FOCUS FOR 2017

- Continue to monitor the status of internal audit actions.
- Continue risk management oversight with presentations scheduled from the Directors of Finance for Power Solutions and Rental Solutions and Group Treasurer on treasury risk management.
- Review our terms of reference to take account of the 2016 update to the UK Corporate Governance Code and rule changes to the Disclosure and Transparency Rules, both of which will apply to our 2017 year end.

INTRODUCTION BY IAN MARCHANT, AUDIT COMMITTEE CHAIRMAN

Ensuring the integrity of the Group's financial statements and determining whether the judgements taken by management are appropriate, are key to the workings of the Committee. This report provides an overview of the significant issues we considered. This report also shares some insight into the work we have undertaken this year to assess the independence and effectiveness of the external auditor and oversee the Group's systems for internal control and risk management.

The Committee is currently made up of three Independent Non-executive Directors, including myself as Chairman. I have been a member of the Committee since November 2013 and was appointed as Chairman of the Committee in April 2016. I am a chartered accountant and, prior to my appointment as Chief Executive of SSE (2002 to 2015), I served as Finance Director of SSE for four years and of Southern Electric for two and a half years. As a Committee, we bring an appropriate balance of financial and accounting experience, together with a deep understanding of Aggreko's business and market sector. Diana Layfield and I are the members of the Committee identified with recent and relevant financial experience.

In 2016 we held three scheduled meetings. The meetings are aligned to the Group's financial reporting timetable, to allow sufficient time for full discussion of key topics and enable early identification and resolution of risks and issues. We invited the Chairman, Chief Executive Officer and Chief Financial Officer to attend our meetings in 2016, together with the Group Financial Controller, Director of Internal Audit and the KPMG Audit Partner.

ROLE OF AUDIT COMMITTEE

- Monitor the integrity of the financial statements, including reviewing significant financial reporting issues and judgements alongside the findings of the external auditor.
- Review the effectiveness of the Group's systems for internal control, financial reporting and risk management.
- Advise the Board on the effectiveness of the fair, balanced and understandable review of the Annual Report.
- Oversee the relationship with the external auditor, external audit process, nature and scope of the external audit, including their appointment, effectiveness, independence and fees.
- Oversee the nature and scope of internal audit, ensuring coordination with the activities of the external auditor.

MAIN ACTIVITIES OF THE AUDIT COMMITTEE DURING THE YEAR

FINANCIAL REPORTING

During the course of the year, the Committee met with the external auditors and management as part of the 2016 Annual and Interim Report approval process. We reviewed the draft financial statements and considered a number of supporting papers, including: information presented by management on significant accounting judgements to ensure all issues raised have been properly dealt with; key points of disclosure and presentation to ensure adequacy, clarity and completeness; external audit reports; documentation prepared to support the viability statement and going concern statements given on pages 61 and 132; and information presented by management on the process underpinning the fair, balanced and understandable assessment and confirmation made by the Board on page 83.



Areas of focus

- We reviewed and agreed the accounting for product development expenditure. As part of the strategic priorities review, the Board concluded that a lower cost of energy is critical to most of our customers and our investment in technology is a key enabler in this area. Therefore, the Board increased investment in product development work, resulting in an intangible asset of £5 million for development expenditure being recognised. More detail is included in the accounting policies on page 134 and in Note 30.A2 to the Accounts on page 159.
- We reviewed the impact of IFRS 15, a new accounting standard applying to revenue for contracts with customers, effective for accounting periods on or after 1 January 2018. The main changes we expect from adopting IFRS 15 are included on page 132.
- We reviewed the appropriateness of the carrying value of specialist property, plant and equipment for the Oil & Gas market in North America. Given the continued decline in the Oil & Gas sector in North America, management reviewed the carrying value of small gas generators used in this market. We reviewed management's assumptions and rationale for an impairment review, examining the recoverable amount of the

assets compared to the carrying amount, projected future cash flows and key assumptions and sensitivities for the impairment assessment. KPMG also explained their audit process to test the impairment assessment. We agreed that an impairment charge of £30 million was appropriate. More details are included in Notes 7 and 15 to the Accounts on pages 142 and 147.

- We reviewed the European Securities and Markets Authority guidelines on Alternative Performance Measures to ensure our disclosures were fully compliant with the new guidance.

KPMG carried out their work using an overall materiality of £11 million, as stated in their report on page 122, and confirmed to the Committee that there were no material unadjusted misstatements. We also agreed with the external auditor that they would inform us of any unadjusted misstatements above £0.5 million, as well as misstatements below that amount that warranted reporting for qualitative reasons. None were reported to the Committee. The Committee also reviewed the coverage of internal audit and external audit from a risk and geographic perspective. Following completion of the above steps, we agreed to recommend the approval of the 2016 Annual and Interim Reports to the Board.

The primary areas of judgement considered by the Committee in relation to the 2016 Annual Report were:

Area of judgement	Reporting issue	How did the Audit Committee address the judgement?	Conclusion and outcome
Contract provisions – Power Solutions Utility	One of the biggest risks facing the Group is non-payment by customers under some of the larger contracts in our Power Solutions Utility business. Contract receivables and associated specific provisions within Power Solutions Utility is a key risk for the Group, and one of the areas of particular external audit focus. The Group policy is to consider each significant debtor and customer individually, within the relevant environment to which it relates, taking into account a number of factors, in accordance with accounting standards.	The Committee addressed contract provisions by considering an accounting judgements paper at the August 2016 and March 2017 meetings, which was tabled by the Chief Financial Officer. This detailed the latest position of debtors outstanding at the half year and year end and gave an assessment of the likelihood of collecting future payments. We discussed in detail the main movements in provisions and assessed the adequacy of all of the provisions. KPMG reported on these contract provisions at both the August 2016 and March 2017 meetings in the context of the half year review and the year end audit respectively. In addition, the Committee is aware that the Board and Executive Committee receives a report on contract exposures each month and has assessed the Group's processes for calculating and regularly monitoring contract risk provisions.	We concluded that the judgements and estimates were reasonable and appropriate. Overall the contract provision agreed for 31 December 2016 was \$63 million, \$8 million lower than 31 December 2015. This movement is explained on page 48. More information on our risk profile and mitigation for failure to collect payment or to recover assets can be found on page 60.
Direct and indirect tax provisions	The Group's tax strategy is to manage all taxes, both direct and indirect, such that we pay the appropriate amount of tax in each country where we operate whilst ensuring that we respect the applicable tax legislation and utilise where appropriate any legislative reliefs available. However, given the varied, complex and often uncertain nature of tax rules in certain countries, in particular in those in which we have our Power Solutions business, we recognise that it makes sense to carry an appropriate level of provision for both direct and indirect taxes. The tax team monitors the status of tax risks monthly and in detail at the half and full year. This monitoring process together with consideration of any relevant legislative change is then used to determine the appropriate level of provisions.	The Committee addressed tax provisions by considering an accounting judgements paper at both the August 2016 and March 2017 meetings, which was tabled by the Chief Financial Officer. We discussed the changes to the provisions in detail and assessed their adequacy overall. KPMG reported on these provisions at the August 2016 meeting in the context of the half year review, and at the March 2017 meetings in the context of the year end audit. We have also monitored and assessed the Group's processes for calculating and regularly monitoring tax provisions.	We concluded that the judgements and estimates were reasonable and appropriate. Overall the tax provision agreed for 31 December 2016 was £39 million (2015: £61 million). More information on Aggreko's tax strategy and payments in 2016 can be found in the financial review on page 45. More information on our risks can be found on page 60.

Audit Committee report continued

EXTERNAL AUDITOR

The Committee is responsible for making recommendations to the Board in relation to the appointment of the external auditor. We also approve the audit plan, terms of engagement and fees and assess their effectiveness.

Audit plan

KPMG presented their audit plan at the August 2016 meeting and an update at the December 2016 meeting, setting out the scope and objectives of the audit together with an overview of the planned approach, an assessment of the Group's risks and controls and proposed areas of audit focus. In setting the audit plan, KPMG work with Internal Audit and management at a Group and business unit level to identify risk areas for the audit to determine where audit effort should be focused.

Tenure

KPMG were appointed by Shareholders as the Group's Statutory Auditor in 2016 following a formal tender process. The external audit contract will be put out to tender at least every 10 years. The Committee recommends the appointment of KPMG for 2017. We believe the independence and objectivity of the external auditor and the effectiveness of the audit process are safeguarded and strong. The Company has complied with the Statutory Audit Services Order for the financial year under review.

Effectiveness

As mentioned in our report last year, we identified the 2016 financial year as a potential period of increased audit effectiveness risk given the transition of the statutory auditor from PricewaterhouseCoopers to KPMG. The Committee met with KPMG on a number of occasions without management present and the Committee Chairman also maintained regular contact with the audit partner throughout the year. This enabled the Committee to closely monitor the transition of responsibilities, and ensure independence was maintained and a successful external audit of the 2016 Annual Report.

We also used an internal questionnaire sent to Committee members, the Business Unit Finance Directors and Group Functional Heads in December 2016; respondents were asked to rate KPMG effectiveness in a number of areas, including calibre of external audit firm, quality of processes, audit team, audit scope, communications, technical expertise and audit governance/independence. Results were collated and presented at the March 2017 meeting of the Committee for discussion. Management concluded that there had been appropriate focus and challenge on the primary areas of audit risk and assessed the quality of the audit process to be effective. The Committee concurred with this view.

The FRC's Audit Quality Review team selected to review the audit of Aggreko's 2015 financial statements as part of their 2016 annual inspection of audit firms. The focus of the review and their reporting is on identifying areas where improvements are required rather than highlighting areas performed to or above the expected level. The review refers to the work performed by our previous external auditor, PricewaterhouseCoopers. The Chairman of the Committee received a full copy of the findings and met with PricewaterhouseCoopers to close out the points raised by the review and reported back to the Committee on this discussion. The Committee reviewed the findings at their December meeting and agreed an action plan with KPMG to ensure that the matters identified by the AQR have been addressed in the audit of the 2016 financial statements where relevant.

Non-audit services

To safeguard the objectivity and independence of the external auditor from becoming compromised, the Committee has a formal policy governing the engagement of the external auditor to provide non-audit services. Non-audit services are normally limited to assignments that are closely related to the annual audit or where the work is of such a nature that a detailed understanding of the Group is necessary. Any proposal to use the external auditor for non-audit work requires prior approval of the Chief Financial Officer and depending on the nature of the service and fee involved, authorisation may also be required from the Committee Chairman or the Committee. At our March 2017 meeting, we updated our non-audit services policy to take account of a new FRC ethical standard, deleting the section of the policy in relation to permitted non-audit taxation work.

The non-audit services policy is available on our website at: ir.aggreko.com/investors/corporate-governance

Non-audit fees are monitored by the Committee and this year we were satisfied that all non-audit work undertaken was in line with our policy and did not detract from the objectivity and independence of the external auditor. The majority of the non-audit work carried out by KPMG during the year related to investor relations services and tax. As a percentage of the overall audit fee for the year, other assurance services and non-audit fees are 36% (2015: 16% (services provided by PricewaterhouseCoopers)). The increase in percentage for non-audit services provided by KPMG in 2016 relates to investor relations work provided by Makinson Cowell; no further work will be undertaken by Makinson Cowell in 2017. Further details of the fees paid to the external auditor are set out in Note 6 to the accounts on page 142.

RISK MANAGEMENT AND INTERNAL CONTROL

Aggreko's objective is to have a strong and regularly monitored control environment. The Board assumes ultimate responsibility for the effective management of risk across the Group, determining our risk appetite as well as ensuring that each business unit implements appropriate internal controls. The Board has delegated responsibility for oversight of risk management to the Committee. The Committee provides oversight by reviewing the effectiveness of the Group's systems for internal control, risk management and financial reporting. In 2016 we worked closely with the newly established Group Risk Committee, receiving regular reports from the Group Risk Committee, which enabled us to review and challenge the risk management framework, review the effectiveness of the control environment and approve the methodology for the viability statement. We also requested individual updates on countries receiving a low internal control score for their financial control environment, to understand the remedial actions in place. Those countries will be monitored closely in 2017 to ensure improvements are realised.

Internal Audit continue to play a key role in assisting the Committee and in 2016 we asked Internal Audit to provide assurance over management's assessment of the effectiveness of the operation of controls within the Group risk register. This assessment was based upon the results of audits undertaken across the year, by reflecting on the outstanding audit issue database and in cooperation with the business unit controls teams. No variances which would impact the risk scoring were identified in 2016. The Committee found this exercise useful and will ask Internal Audit to complete a similar exercise annually going forward.

Further detail on our risk management framework can be found in the accountability section of the Corporate Governance Report on page 82 and the risk section of the Strategic Report on page 52.

Financial control

A key area of focus for the Committee is the Group's financial controls. We aim to ensure that the same high standards are applied throughout the business with the framework set at Group level. Across the Group, there is a strong focus on training and development and this helps to underline the standards that we require. We then monitor this process through regular financial control reviews and a financial control checklist. This also enables us to set targets, identify and monitor areas for improvement.

We agreed financial control deliverables for 2016, these included embedding our financial control framework into the new business structure, meeting set targets for internal audit gradings and providing assurance to the Committee that financial controls are in place for applicable items on the Group Risk Register. At the end of the year, we reviewed progress for 2016 and agreed to adopt a revised financial controls checklist, focusing on critical controls, which we would closely monitor in 2017. Our financial control priorities for 2017 have been set after going through the following process:

- Setting out the key challenges for financial control and then reviewing the control environment and risk mitigation in place to help address these challenges;
- Reviewing the 2016 financial control checklist scores for all of our locations globally and cross referring them against the 2016 internal audit reports;
- The Financial Leadership Team reviewed the above data and analysis to set clear priorities for 2017; and
- The Chief Financial Officer then presented the priorities to the Audit Committee.

The key priorities for 2017 include actions to roll out the new financial controls checklist, establishing a new review process for month end and quarter end files, with close monitoring and additional support as required for our high risk locations, supporting the roll out of our new procurement policy and providing support to management in the closure of internal audit actions.

Viability statement

The Committee reviewed management's work in conducting a robust assessment of those risks which could threaten our business model and the future performance or liquidity of Aggreko, including our resilience to the threats of viability posed by those risks in severe but plausible scenarios. This assessment included stress and sensitivity analyses of these risks to enable us to evaluate the impact of a severe but plausible combination of risks. We then considered whether additional financing would be required in such eventualities. We also considered the review period and alignment with the Group's strategic plans and internal long-term forecasts. Based on this analysis, we recommended to the Board that it could approve the viability statement included on page 61.

INTERNAL AUDIT

Internal Audit undertakes financial, operational and strategic audits across the Aggreko Group using a risk based methodology and in accordance with the changing risk profile of the Company. The Committee reviewed and agreed the programme of 2016 internal audit work, including the proposed approach, coverage, and allocation of resources. We also reviewed progress, audit results and remedial actions during the year through reports at each meeting. In 2016, we closely monitored the status of internal audit actions, focusing on the proper closure of actions, making recommendations to management and requesting detailed updates where appropriate.

The Committee assessed the effectiveness of the internal audit function by reviewing their reports, progress against the 2016 plan, and meeting with the Director of Internal Audit without management being present. In line with the Institute of Internal Auditors' guidance, we undertook an external evaluation of Internal Audit in 2016. Although the review found internal audit to be effective, it was agreed that the balance between geographic and thematic audits should be addressed, with an increased focus on thematic audits in 2017.

SPEAKING UP

The Group Ethics Policy, supported by a separate Speaking Up Policy, encourages all employees to report any potential improprieties in ethical standards via our international whistle-blowing hotline. All matters reported are investigated and where appropriate, we ask Internal Audit to investigate the issue and report to us on the outcome. We also receive reports on hotline call volumes and the general nature and location of matters reported. We review these processes each year, and can confirm that they are appropriate for the size and scale of the Group.

Ethics Committee report



KEN HANNA
ETHICS COMMITTEE CHAIRMAN



The role of the Ethics Committee is to ensure that Aggreko conducts business with integrity and transparency and in accordance with the law

AREAS OF ACTIVITY IN 2016

- Approved the implementation of revised Gifts, Entertainment and Hospitality, Charitable Donations and Sponsorship policies.
- Reviewed the implementation of a new online ethics training programme for all employees and enhanced ethics training for senior management teams.
- Monitored the introduction of a Supplier Code of Conduct setting out the standards expected from suppliers to Aggreko.
- Instructed an independent maturity assessment of the compliance programme.
- Received briefings from the business units in relation to their approach to managing compliance risks within their respective business units.

MEMBERS IN 2016

	Meetings attended
Ken Hanna – Ethics Committee Chairman	✓ ✓ ✓
Diana Layfield – Non-executive Director	✓ ✓ ✓
Dame Nicola Brewer – Non-executive Director	✓ ✓ ✗
Ian Marchant – Non-executive Director ¹	✓

¹ Ian Marchant stepped down as a Member of this Committee in April 2017, following his appointment as Audit Committee Chairman.

AREAS OF FOCUS FOR 2017

- Oversee the full integration of the risk based due diligence into the supply chain processes.
- Oversee the full integration of risk based measures designed to manage modern slavery risks in the supply chain.
- Oversee the completion of a global risk assessment of bribery and corruption risks.



ETHICS COMMITTEE TERMS OF REFERENCE:
IR.AGGREKO.COM/INVESTORS

INTRODUCTION BY KEN HANNA, ETHICS COMMITTEE CHAIRMAN

Aggreko conducts its business with integrity, honesty and transparency. We expect all Aggreko employees, consultants and those acting on behalf of Aggreko to adopt these standards. We are proud that we have a reputation for conducting business fairly and professionally and we are committed to maintaining these values in all of our business dealings.

We recognise that our business is exposed to risks of unethical conduct because of the nature and value of many of our contracts and because standards of integrity are not consistent across all the countries in which we operate. However, we believe we have a robust compliance programme in place which allows us to manage these risks effectively.

The effectiveness of the compliance programme is monitored by the Ethics Committee.

The Ethics Committee is currently made up of two Independent Non-executive Directors, with myself as Chairman. I have been a member of the Committee since its first meeting in February 2011 and became Chairman of the Committee in April 2012.

In 2016 we held three meetings. We invited the Head of Compliance, Group Legal Director and Chief Executive Officer to attend all meetings.

ROLE OF ETHICS COMMITTEE

- Advise the Board on the development of strategy and policy on ethical matters.
- Advise the Board on steps to be taken to establish a culture of integrity and honesty in all of the Company's business dealings.
- Oversee the Company's policies and procedures for the identification, assessment, management and reporting of ethical risk.
- Oversee the Company's policies and procedures to prevent persons associated with the Company from engaging in unethical behaviour.
- Monitor and review the operation of the Company's ethics policies and procedures.
- Monitor and review all payments made to third-party sales consultants.

MAIN ACTIVITIES OF THE ETHICS COMMITTEE DURING THE YEAR

Ethics policies

In 2016, we introduced revised versions of our Gifts, Entertainment & Hospitality Policy, Charitable Donations Policy and Sponsorship Policy. These policies were amended to reflect the structural changes to the business following the reorganisation and to take account of recommendations made following a risk assessment and review of the effectiveness of the ethics policies. Whilst the policies were working well in ensuring that all employees comply with the high ethical standards expected throughout Aggreko, we introduced certain improvements to ensure that the policies remain robust and continue to meet the needs of the business. We provided training to all employees on the revised policies to ensure all employees remain alert to potential risks.

Ethics training

We are committed to providing regular training on ethical issues to employees in order to ensure that employees remain alert to risks and are regularly reminded of the standards expected by Aggreko. This approach applies equally to the Board as it does to all employees across the business. In 2016 we launched a new online ethics training course which has been successfully completed by all employees across the business. This online training was also supplemented by ethics workshops delivered by the Head of Compliance to the Board and senior management teams highlighting examples of potential areas of risk and discussing how to mitigate these risks. The Committee received briefings on the progress of this training throughout the business.

Third-party monitoring

We recognise that it is not just our employees who could be exposed to ethics risks but our third-party sales consultants are also exposed to risk. The conduct of our third-party sales consultants remains one of the most significant risks to Aggreko. The number of third-party sales consultants used by the business has reduced over the last few years but there is a continued requirement for third parties to help support some areas of the business. We have risk management measures in place which require all third-party sales consultants engaged by Aggreko to conduct business in compliance with the standards set out in our ethics policy and allow us to monitor compliance with these requirements. We also have controls in place in relation to the remuneration of sales consultants and we monitor all payments to sales consultants. At the first meeting of each year, we receive a briefing on all payments made to sales consultants during the prior year to ensure that the payments were appropriate and in line with policy requirements. We also received a briefing from the President for Rental Solutions and Managing Director for Power Solutions this year with a specific emphasis on understanding how they manage the potential risks associated with the use of third-party sales consultants.

We recognise that there are also other categories of third-party supplier relationships which potentially could also attract risk for the business. In response to this risk we introduced a Supplier Code of Conduct setting out the standards we require from all suppliers to Aggreko. All new suppliers to Aggreko are now required to confirm compliance with this Code of Conduct.

Effectiveness of the compliance programme

We are committed to ensuring that our compliance programme remains robust and is in line with best practice. In 2016 we instructed an independent maturity assessment on the compliance programme. This assessment has recently been completed and provided comfort that the programme is working well to effectively manage risk. The assessment highlighted some areas where further improvements could be introduced to enhance the compliance programme, which we will work to address in 2017.

AN OVERVIEW OF OUR COMPLIANCE PROGRAMME

Our compliance programme is coordinated by our full-time Head of Compliance with support from the business units and the central functions.

Our compliance programme has a number of elements designed to ensure that we effectively manage compliance risks:

Ethics Policy

Every employee receives a copy of the Ethics Policy when they join Aggreko. We also regularly require employees to complete a compliance statement confirming that they have complied with and will continue to comply with our Ethics Policy and the relevant laws as part of the online ethics training.

Training

Every employee receives training, which is refreshed every two years via our multi-lingual online ethics compliance training programme. This online training is supplemented by additional ethics workshops with senior management to ensure they remain alert to risks.

Third-party risks

All of our sales consultants are comprehensively reviewed before they are engaged by Aggreko and this exercise is refreshed at least every two years. Our sales consultants are contractually required to comply with our Ethics Policy and we require our sales consultants to confirm compliance with the policy annually. We also provide ethics training to our sales consultants to ensure they remain alert to potential risks. We also have controls in place in relation to the remuneration of consultants and we monitor all payments to sales consultants to ensure that the remuneration structure does not incentivise unethical behaviour.

As mentioned earlier in the report, we have also recently introduced a Supplier Code of Conduct with which we now require all new suppliers to confirm compliance.

Gifts, entertainment and hospitality

We have a clear approval process for gifts, entertainment and hospitality offered by, or given to, Aggreko employees. All gifts, entertainment and hospitality above a nominal value are recorded centrally and monitored by the Head of Compliance.

Sponsorship and charitable donations

We have a clear approval process for sponsorships and charitable donations made by Aggreko. All sponsorships and charitable donations require senior management approval and are recorded centrally and monitored by the Head of Compliance.

Speaking up

We encourage all employees to speak up if they have any concerns. We have an independent compliance hotline operated by an external agency. This multi-lingual hotline is available to all employees and allows any employee who has any concerns to report them on an anonymous basis. All reports are followed up, and we regularly analyse the types of reports we receive. Where appropriate, our Group Internal Audit team is asked to investigate the issue and report on the outcome.

Nomination Committee report



KEN HANNA
NOMINATION COMMITTEE CHAIRMAN



The Nomination Committee's role is to monitor and review the composition and balance of the Board and its committees to ensure Aggreko has the right structure, skills and diversity for the effective management of the Group

AREAS OF ACTIVITY IN 2016

- Oversaw a review of the succession plans for the Executive Committee and Senior Leadership Team.
- Completed the appointment and induction of Nicola Brewer as an Independent Non-executive Director.
- Recommended the extension of the appointments of two Independent Non-executive Directors.

MEMBERS IN 2016

	Meetings attended
Ken Hanna - Nomination Committee Chairman	✓ ✓
Nicola Brewer - Non-executive Director	✓ ✓
Russell King - Senior Independent Director	✓ ✓
Uwe Krueger - Non-executive Director	✓ ✓
Diana Layfield - Non-executive Director	✓ ✓
Robert MacLeod - Non-executive Director ¹	✓ ✓
Ian Marchant - Non-executive Director	✓ ✓

¹ Robert MacLeod retired from the Board on 28 April 2016.

AREAS OF FOCUS FOR 2017

- Review succession plans for the Board.
- Appointment and inductions for our new Independent Non-executive Directors.
- Identify a suitable candidate or candidates to succeed Russell King as Senior Independent Director and Remuneration Committee Chairman.



NOMINATION COMMITTEE TERMS OF REFERENCE:
IR.AGGREKO.COM/INVESTORS

INTRODUCTION BY KEN HANNA, NOMINATION COMMITTEE CHAIRMAN

Monitoring and reviewing the composition and balance of the Board and its committees is key to the role of the Committee. By doing so we ensure that Aggreko has the right structure, skills and diversity for the effective management of the Group.

The Nomination Committee is currently made up of all of the Non-executive Directors, each of whom is independent, in addition to myself as Chairman. I have been Chairman of the Committee since my appointment as Chairman of Aggreko in April 2012, although I would not chair the Committee when it is dealing with succession to the chairmanship of Aggreko. We also invited the Chief Executive Officer to attend our meetings in 2016.

In 2016 we held two formal meetings; the members also had several informal meetings and discussions on succession planning, reappointment of Directors and the search for new Non-executive Directors.

ROLE OF NOMINATION COMMITTEE

- Review the structure, size and composition (including skills, knowledge, experience, diversity and balance of Executive and Non-executive) of the Board and its Committees and make recommendations to the Board with regard to any changes.
- Identify and nominate for the approval of the Board, candidates to fill Board vacancies.
- Keep under review the time commitment expected from the Chairman and the Non-executive Directors.

MAIN ACTIVITIES OF THE NOMINATION COMMITTEE DURING THE YEAR

Reappointment of Directors

Since the Committee's last report, the Company has extended the terms of appointment for Ian Marchant and Russell King.

Russell King has served as a Non-executive Director since February 2009; we therefore reviewed his extension with particular care. We concluded that his tenure had not compromised his independence in any way, and it was important that we should retain his experience of Aggreko, both as Senior Independent Director and as Chairman of the Remuneration Committee, for a further year. We also considered the number and nature of Russell's other commitments – details of which are set out in his biography on page 72 – particularly his roles on the boards of three other listed companies. We were satisfied that Russell's other commitments do not detract from his ability to perform his role at Aggreko. In coming to this conclusion, we noted that: first, in our view, the companies involved are not unusually complex, nor are they in regulated sectors; second, his respective positions as chairman, senior independent director and remuneration committee chairman of those companies strengthen, rather than detract from, the experience he brings Aggreko; third, he has not missed a Board or Committee meeting within the last three years and has reduced his commitments in 2016. Moreover, he has in practice made an invaluable contribution to the Board and its commitments.

The Committee unanimously recommends the re-election of each of our Directors at our 2017 Annual General Meeting. In making this recommendation, we evaluated each Director in light of their performance, commitment to the role, and capacity to discharge their responsibilities fully, given their time commitments to other companies.

Appointment of Non-executive Directors

During the year, the Committee undertook a broad review of the non-executive profile of the Board, including skills, experience, tenure and diversity. We decided to search for two new Non-executive Directors to strengthen our Board overall and add to our succession planning. We appointed Lygon Group, an independent search firm with no other connection to Aggreko, to assist in identifying suitable candidates. In March 2017 we were delighted to announce the appointments of Barbara Jeremiah and Miles Roberts as Non-executive Directors.

Barbara is currently a non-executive Director of two North American based companies, Russel Metals and Allegheny Technologies, having recently retired as chairwoman of Boart Longyear, a US based company in the minerals drilling sector. Barbara brings extensive international non-executive experience largely in the US and Australia together with an executive career in the mining, exploration and energy industries. Barbara is also a qualified lawyer, with a BA in political science and will join the Ethics, Nomination and Remuneration Committees.

Miles brings substantial international business experience as a chief executive and finance director. Miles is currently chief executive officer of DS Smith Plc, a FTSE international packaging group with operations in nearly 40 countries. Prior to this, Miles was group chief executive of McBride plc, having served as the group finance director before that. An engineer by background and also a chartered accountant, Miles will join the Audit and Nomination Committees.

Succession planning

The Committee met with the Chief Executive Officer and Group HR Director to review succession plans. The focus of these discussions was to review our succession planning strategy and ensure robust plans were in place for the Executive Committee and their direct reports. The Committee reviewed profiles for these positions during the year, taking into account the needs of the business and identifying any gaps. The Committee will keep succession planning under close review in 2017 to implement the actions identified by the Board evaluation.

The Committee also monitors a schedule on the length of tenure of the Chairman and Non-executive Directors and the mix and skills of the Directors. The Committee is satisfied that adequate succession planning is in place for the Board and will keep succession planning under review.

Board composition and diversity

Our policy is to have a Board which represents a wide range of backgrounds, skills and experiences. We believe that a balanced Board is better equipped to consider matters from a broader perspective. Diversity is not just a matter of measurable statistics in relation to gender or ethnicity; diversity of outlook and approach is also important, though far harder to measure. We also need a range of skills from technical adherence and operational experience to governance and regulatory matters to understand the markets in which we operate. We also need a balance of long corporate memory and new insights from other fields. There needs to be both challenge and support too. When selecting new Directors, we take all these considerations into account, as well as professional background to ensure that we appoint the best people for the relevant roles.

Three out of eight of our Board roles at 31 December 2016 were held by women, but diversity is not simply a matter of gender. We recognise the benefits of greater diversity and will continue to take account of this when considering any particular appointment, although we do not set any particular targets. Diversity also extends beyond the Boardroom and we support management in their efforts to build a more diverse organisation. You can read more about our diversity statistics for the Group on page 75.

Annual remuneration statement



RUSSELL KING
REMUNERATION COMMITTEE CHAIRMAN



In revising the Remuneration Policy the Committee has focused on ensuring that executive incentives remain closely aligned with Company strategy and performance

AREAS OF ACTIVITY IN 2016

- Consulted with major Shareholders and governance bodies on new Remuneration Policy.
- Finalised framework for new incentive arrangements.
- Set targets for Annual Bonus Plan, both financial and personal/strategic objectives.

MEMBERS IN 2016

	Meetings attended
Russell King – Remuneration Committee Chairman	✓✓✓✓
Ken Hanna – Company Chairman	✓✓✓✓
Uwe Krueger – Non-executive Director	✓✓✓✓
Ian Marchant – Non-executive Director	✓✓✓✓

AREAS OF FOCUS FOR 2017

- Adjudicate outcomes for the 2016 Annual Bonus for financial and personal/strategic objectives.
- Set targets for the 2017 Annual Bonus Plan, both financial and personal/strategic objectives.
- Reflect feedback from Shareholder consultation in proposed amendments to incentive framework.
- Secure Shareholder approval for new Restricted Share Plan, new all-employee share option schemes and revised Remuneration Policy at the 2017 AGM.
- Approve targets for the 2017 grants under the Long-term Incentive Plan.
- Approve awards under the Long-term Incentive Plan and new Restricted Share Plan.

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INTRODUCTION BY RUSSELL KING, REMUNERATION COMMITTEE CHAIRMAN

During the last few years Aggreko has undergone a considerable amount of change both internally, as we have recruited a new leadership team, and externally, as we have responded to changing economic and competitive circumstances. During this time our Remuneration Policy has ceased to be aligned with the strategy of the business and the Committee therefore decided to conduct a full review of the Remuneration Policy a year earlier than required.

In conducting our review, we sought to continue our practice of clear alignment of executive reward with Shareholder value creation and incentivising management – whilst accepting that the reward mechanisms and targets used had to reflect the economic and market realities facing the business.

The Policy set out in this report is consistent with rewarding our executives for achieving the targets required of a business that is in transition from a period of extraordinary growth to one that has matured, albeit with a consistently strong competitive position and good growth and return potential over time. The Committee has been focused on ensuring that the Policy is very closely linked to, and supportive of, the Company's strategy. In this regard it reflects a number of factors:

- The new management team is very focused on returning the business to growth against a background of negligible LTIP vesting over the last four cycles, no significant bonus payments and no salary increases for Executive Directors for two years. The Committee needs to keep the management team motivated and ensure that we can attract further high quality talent;
- Market dynamics indicate lower returns as pre-2012 high margin legacy contracts come to an end, for example in Argentina; and
- The business strategy requires increased investment in corporate capabilities and more capital deployed in developing new products.

The Policy contains one new element, restricted shares, and a modification to the current elements, to both reflect the value in restricted shares, and the future financial targets for the business which result in lower ROCE. EPS will now be measured as a nominal growth target rather than growth above RPI, although the targets will be broadly similar at threshold.

- Reduced annual bonus potential from 175% of salary to 125% of salary paid in cash;
- Reduced LTIP awards from 300% to 200% of salary subject to three-year performance with phased vesting over three, four, and five years, with vesting for threshold performance set at 25% of maximum;
- The introduction of annual awards of restricted shares of up to 75% of salary with vesting subject to continued employment over three years and no share release until the fifth anniversary of the award. The Committee retains discretion to reduce or withhold outstanding awards in the event of exceptional circumstances, and can apply malus and clawback as with the LTIP;



- Increased personal shareholding requirements from 200% to 400% of salary; and
- Modified performance ranges for the LTIP expressed as nominal growth targets rather than growth above RPI. Threshold performance will be at a similar level, whereas the maximum has been reduced to reflect a growth profile consistent with a maturing business. The Committee will retain the flexibility to modify each of these targets for each new plan cycle during the policy period but for 2017 the targets will be:
 - EPS (75%) - average nominal EPS growth of 5% to 12% per annum; and
 - ROCE (25%) - 15% to 20% measured in final year of plan.

It is the Committee's view that the modifications made will greatly improve the linkage between remuneration and the Company's strategy without increasing the quantum of incentives at target (circa £2.4 million for the CEO) and that it will reduce the maximum (from circa £4.6 million to £4 million).

As Remuneration Committee Chairman I fully understand that our proposals might be viewed as non-standard but I am also convinced that they represent a very tailored and appropriate approach that ensures close alignment with rewarding the management for delivering growth in Shareholder value. For a Company like Aggreko with a highly capable leadership team guiding the business through a challenging period, I consider it important that we retain their enthusiasm, keep them motivated with incentives that are within reach, and enable us to continue to attract great talent globally.

OUR REMUNERATION STRATEGY

OUR AIM

The aim of Aggreko's remuneration policy is to reward executives for delivering the principal objective - delivering long-term value to our Shareholders.

Our reward package for Executive Directors comprises:

- a fixed element:
 - salary;
 - pension; and
 - benefits,

generally based on market median for companies of similar size and complexity

- a variable element:
 - annual bonus, based on demanding annual performance targets, both financial and personal;
 - long-term incentives, based on long-term strategic financial performance; and
 - restricted shares.



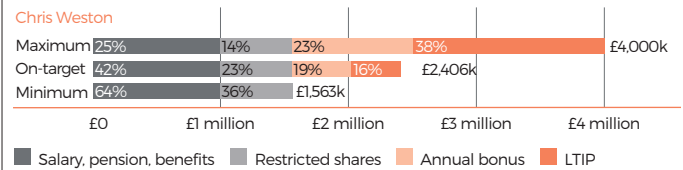
READ OUR REMUNERATION POLICY ON PAGE 99.

BALANCE OF ELEMENTS

We aim to balance these elements so that:

- the majority of executive remuneration is linked to Aggreko's financial performance;
- there is a heavier weighting on long-term performance than on short-term performance; and
- we use a balanced portfolio of measures which are designed to reflect our goal of delivering sustainable profit growth over the long term. We plan to achieve this by focusing on our four business priorities of the customer, technology, efficiency and people.

So for example, the potential future reward opportunities for the Chief Executive Officer are as follows:



READ THE FULL SCENARIO ANALYSIS FOR BOTH EXECUTIVE DIRECTORS ON PAGE 104.

OUTCOME FOR 2016

SINGLE FIGURE TOTAL PAY FOR EXECUTIVE DIRECTORS

The following table shows a summary of total remuneration for 2016 for each of the Executive Directors:

	Base Salary £	Benefits £	Annual Bonus £	LTIP					Total £
				PSP £	CIP £	Sharesave £	Pension £	Other £	
Carole Cran ¹	412,000	84,247 ²	107,120	-	16,149	-	82,400	-	701,916
Chris Weston ¹	750,000	25,035	202,500	-	-	-	225,000	706,620 ³	1,909,155

¹ Full details of the total remuneration and an explanation of each component are set out on pages 106 to 109.

² Owing to the significant amount of time spent in London, based on UK legislation, Carole Cran has established a second place of employment in London. As a result, any home to London office travel costs either reimbursed, or paid on Carole's behalf are taxable.

³ As explained on page 89 of our Annual Report 2015, Chris Weston was granted an award of shares on 30 March 2015. 50% of the shares were released on 1 April 2016.



READ THE FULL DETAILS IN THE ANNUAL REPORT ON REMUNERATION PAGE 106

Annual remuneration statement continued

OUR REMUNERATION COMMITTEE

Determining the remuneration for the Executive Directors and Executive Committee members is key to the workings of the Committee. We oversee Aggreko's overall remuneration policy, strategy and implementation to ensure that the policy is aligned with the key objectives of growing earnings and delivering strong returns on capital employed.

The Remuneration Committee is currently made up of four Independent Non-executive Directors, including myself as Chairman of the Committee. Peter Kennerley is secretary to the Committee. We also invite the Chief Executive Officer, Group HR Director and Group Reward Director to attend our meetings.

In 2016, we held four meetings of the Committee.

Our role is as follows:

- Determine and agree with the Board the policy for remuneration for the Chairman, Executive Directors and Executive Committee.
- Within the terms of the remuneration policy, determine the total individual remuneration package for the Chairman, each Executive Director and each member of the Executive Committee, including base salary, pension, benefits, annual bonus and long-term incentives.
- Determine, having taken appropriate legal advice, the level of any payment made to the Chairman, Executive Directors or members of the Executive Committee by way of compensation for, or otherwise in connection with, loss of office or employment.
- Approve the design of, and determine targets for, performance related pay schemes operated by the Company and approve the total annual payments made under such schemes.
- Review the design of all share incentive plans for approval by the Board and Shareholders. For any plan, determine each year the overall amount of awards, along with the individual awards to Executive Directors and members of the Executive Committee. In the case of any retention or new joiner awards to employees below the Executive Committee, retrospectively approve awards.
- Determine the policy for and scope of pension arrangements for each Executive Director and members of the Executive Committee.
- Oversee any major changes in employee benefits structures throughout the Group.
- Agree the policy for authorising claims for expenses from the Directors.

OUR REMUNERATION POLICY

This year we are asking Shareholders to approve a new remuneration policy which includes amendments to the structure of our variable pay (including seeking approval for a new Restricted Share Plan); annual bonus and long-term incentives. We explain the main changes on pages 97 and 98. We are also seeking Shareholder approval to replace the Company's existing all-employee Sharesave option schemes, which will expire in April 2017, with new Sharesave schemes. Full details of the new policy are set out in the Policy Report on page 99.

PERFORMANCE OUTCOMES FOR 2016

Performance and annual bonus

In line with our remuneration policy, Aggreko operates an annual bonus plan with the aim of focusing Executive Directors on achieving demanding annual targets relating to Company financial performance and personal/strategic objectives.

Chris Weston, Chief Executive Officer earned 27% out of a maximum 175% of salary, while Carole Cran, Chief Financial Officer earned 26% out of a maximum of 175% of salary.

I explain below how the Committee set bonus targets for 2016, how we assessed performance against those targets, and how we decided on the level of bonus to be paid.

For 2016, annual bonus payments were determined as to 80% based on financial performance and 20% based on personal/strategic objectives.

The 80% financial element was measured as follows:

- 75% against D-EPS; and
- 25% against operating cash flow.

The 20% personal/strategic element was based on personal objectives set individually for each Director by the Committee. Each included measurable improvements in safety indicators and agreed outcomes for set strategic objectives specific to their roles.

The financial measure to which we give most emphasis is D-EPS. The threshold D-EPS for 2016, at which level Executive Directors would start to receive bonus, was set at 56.51 pence, with target D-EPS at 59.48 pence. The actual outcome was 49.74 pence (on a constant currency basis), which meant that no bonus was payable for that element. We have set out the details of all of the 2016 targets and outcomes for the financial and personal/strategic objectives on pages 107 and 108, but in summary:

- as D-EPS fell short of budget, none of that element will be payable;
- as Group operating cash flow fell short of budget, none of that element will be payable; and
- each of the Executive Directors largely met their personal/strategic goals for the year.

Twenty-five percent of the bonus is deferred in Aggreko shares for three years.

Full details of the performance outcomes for the Annual Bonus are set out on page 107.



READ MORE AND SEE OUR BONUS ENTITLEMENT AND OUTCOME TABLES PAGE 107

Performance and LTIPs

In 2017 awards will vest under our previous LTIP Scheme, which was introduced in 2004. These are the last awards which will vest under this scheme and Carole Cran is the only Executive Director who participated in the scheme. Based on performance to 31 December 2016, she will receive the Minimum Match Award under the Co-Investment Plan.

The awards which vest in April 2017 were granted in 2014, and are subject to demanding performance conditions based on real (i.e. excluding inflation) D-EPS annualised growth of 3-10% and return on capital employed (ROCE) of 20-25% measured over a three-year period to 31 December 2016.

In summary, during that period real D-EPS showed no growth, and as a result, none of the shares subject to the D-EPS growth criterion will vest; average ROCE was 16% as against a target range of 20-25%, and similarly none of the shares subject to the ROCE condition will vest. Therefore, none of the performance element of the 2014 awards will vest; only the Minimum Match element, equivalent to 15% of salary at the time of grant will vest for Carole Cran. Further details of LTIPs which vested in 2016 are included in the table on page 109.

CHANGES IN REMUNERATION POLICY

This year we will be asking our Shareholders to approve a new remuneration policy for Executive Directors at our Annual General Meeting. I explain below the background to, and the reasons for, the proposed changes to the Company's executive remuneration policy.

CONTEXT FOR CHANGE

Aggreko's current remuneration policy was approved by Shareholders at the 2015 AGM and has governed the way we have paid our Directors over the last two years. Although we are able to operate the existing remuneration policy for an additional year, the Committee has taken the opportunity over the last few months to undertake a comprehensive review of our remuneration arrangements with the aim of ensuring that pay reinforces the Company's strategy, whilst continuing to motivate and retain executive talent at this critical time for Aggreko. The Committee has noted outcomes from the recent Investment Association Remuneration Working Group consultation and subsequent changes to the IA guidelines, and in particular the call for flexibility in determining a remuneration policy which is tailored to individual company circumstances.

Our proposal is considered by the Committee to be appropriate for Aggreko at this time; incentivising short and long-term performance through continued use of the annual bonus and Long-term Incentive Plan (LTIP) respectively (albeit with lower opportunities), and using awards of restricted shares and much higher personal shareholding requirements to strengthen Shareholder alignment and talent retention. Overall maximum variable pay would fall by 16%, whilst time horizons would be extended, with over 40% of variable remuneration only realisable after five years (cf. 20% currently).

During 2016, we consulted with the majority of our major Shareholders, representing over 50% of our issued share capital, on these proposed changes. The new remuneration policy and new Restricted Share Plan to be presented to Shareholders for approval at our 2017 Annual General Meeting take into account the feedback from these consultations.

Summary of proposed changes to short and long-term incentives

The Committee proposes the following changes to Aggreko Executive Director incentives:

- Increased minimum executive shareholding requirements; doubled from 200% to 400% of salary.
- Maximum annual bonus opportunities reduced from 175% to 125% of salary, payable in cash.
- Maximum annual LTIP opportunities reduced from 300% to 200% of salary, subject to three-year performance and vested shares (post tax) being released in three equal tranches, over three, four and five years. Vesting for threshold set at 25% of maximum.
- Annual awards of restricted shares of up to 75% of salary (i.e. equivalent to half the reduction in annual bonus and LTIP opportunities), to be awarded under a new Restricted Share Plan, with vesting subject to continued employment over a three-year period but no shares released to participants until the fifth anniversary of award. The Committee would also retain discretion to reduce or restrict vesting of outstanding awards in exceptional circumstances, including, in the event that the total annual dividend is less than the total dividend declared in respect of the immediately preceding financial year, or the Company has breached its net debt/EBITDA covenant as set out in its banking facilities, at the end of the financial year. Other exceptional circumstances if relevant would be the subject of consideration at the time of vesting. Malus and clawback would apply as with the annual bonus and LTIP.

No material changes are proposed to the policy regarding other elements of remuneration, such as salary, pension and benefits, at this time. Executive Director salaries were subject to the usual review process by the Committee at the end of the financial year. Details are provided on page 107.

In formulating this proposed approach to remuneration, the Committee carefully considered the advantages and shortcomings of the existing remuneration structure, as well as the purpose and link of each element to Aggreko's new strategy. The aim is to achieve a relatively simple, balanced incentive structure with measures and targets that incentivise Executives to really drive Shareholder value.

Annual bonus

The annual bonus structure has remained broadly consistent for a number of years, with the majority linked to Group financial performance, as measured by underlying D-EPS. An element based on personal/strategic performance was introduced in 2015 to recognise the importance of non-financial KPIs in enabling long-term sustainable profit growth. One-quarter of any bonus earned is currently deferred in Aggreko shares for three years.

Under our proposal for 2017, the maximum opportunity for Executive Directors will be reduced from 175% to 125% of salary, with any amount earned payable in cash. Shareholder alignment currently provided by the bonus deferral mechanism will be strengthened through annual awards of restricted shares which are realised by participants over a longer period (five versus three years), as well as higher personal shareholding requirements.

The annual bonus for 2017 will operate with financial performance – measured against D-EPS – accounting for 80% of the potential opportunity and the remaining 20% measured on performance against personal/strategic objectives. Further details can be found on page 112. It is intended that targets will continue to be disclosed on a retrospective basis to allow Shareholders to make an informed voting decision on the bonus structure and outcomes each year.

Annual remuneration statement continued

Long-term Incentive Plan (LTIP)

The LTIP was approved at the 2015 AGM following Shareholder consultation at the time. Changes approved included simplification through removal of the matching element, a reduction in maximum opportunity, the introduction of a mandatory post-vesting holding period, and the introduction of clawback provisions. Vesting of LTIP shares is based on three-year EPS and ROCE targets.

The purpose of the LTIP is to align the interests of management with those of Shareholders in growing the value of the business over the long term. Although the Committee believes that the LTIP can still help achieve this objective, business and broader economic circumstances are now very different to those faced a few years ago, and a policy which has the same EPS targets for each cycle is no longer considered appropriate.

Like many companies with a diverse global footprint, Aggreko is susceptible to external factors impacting performance, and the Committee has been conscious of the difficulty in setting robust stretching and achievable long-term targets. Going forward, we will be guided by Aggreko's new overriding goal of growing ahead of the markets in which we operate, at attractive margins and returns. The Committee also believes in the business case for reducing maximum bonus and LTIP opportunities.

The Committee proposes to reduce the maximum annual LTIP opportunity for Executive Directors from 300% to 200% of salary. Performance would continue to be measured against three-year underlying EPS and ROCE, with vested awards (post-tax) released to participants in equal tranches after three, four and five years. Threshold vesting would be 25% of the maximum award under each element, in line with market practice. The introduction of restricted shares will ease the difficulty with setting robust targets, promote Shareholder alignment, and incentivise participants to make the necessary changes to drive value over the next five years.

The Committee will set both the EPS growth targets and the ROCE targets for future awards each year. The EPS range is expressed as a nominal growth rate over the three-year performance period, while the ROCE target is an absolute value, to be delivered in the final year of the three-year plan.

In respect of the 2017 awards, the Committee is proposing an average nominal EPS growth performance range of 5% to 12% per annum. For ROCE the Committee is proposing a final year ROCE performance range of between 15% and 20%.

Restricted shares

The Committee proposes to introduce annual awards of restricted shares of up to 75% of salary to Executive Directors, complementing the 150% of salary reduction in annual bonus and LTIP. It is intended that restricted shares normally vest based on continued employment within the Group over a period of three years, at which time the shares will be owned by the Executive Directors, but will not normally be released until a further two years after vesting – a total period of five years. The Committee will also retain discretion to reduce or withhold awards in exceptional circumstances to ensure pay and performance remain aligned.

Consideration of restricted shares for Executive Directors is one of the proposals put forward by the IA Remuneration Working Group. The Committee believes that using restricted shares is appropriate at this time for Aggreko and that requiring the accumulation of meaningful holdings of shares will help strengthen Shareholder alignment and provide a clear link to absolute share price performance. A significant proportion of pay will also continue to be linked to short and long-term financial and non-financial performance indicators under existing incentives.

The proposed maximum annual restricted share opportunity is set at a level which broadly maintains the fair value of Executive Director remuneration, but which significantly reduces maximum realisable variable pay, and reduces the volatility in pay that we have seen at Aggreko over the last eight years. Additionally, the proposed holding period on the restricted share element will result in over 40% of the CEO and CFO's variable remuneration not being realised until five years, compared to 20% under the current structure.

Shareholding guidelines

To support shareholder alignment and ensure that Executive Directors hold meaningful interests in Aggreko shares, the Committee is proposing to double the personal shareholding requirements from 200% to 400% of salary. Executive Directors will be expected to achieve the guideline over a period of five years, and will be expected to retain at least 50% of vested incentives (post-tax) until such guidelines have been met.

Pay reviews for 2017

There have been no salary increases for Executive Directors for two years and none are proposed for 2017.

In conclusion

Notwithstanding current economic and market headwinds, Aggreko's priority remains delivering sustainable profit growth for the long term. We plan to achieve this by focusing on customers, technology and efficiency, underpinned by continuing investment in our people capability. We have exciting projects and developments in all these areas, and will continue to communicate these to Shareholders as we progress. The Committee sees the proposed remuneration arrangements as prudent at this stage in Aggreko's evolution, in this critical transition year, and an important contribution to maintaining the focus on short and long-term targets, and retaining the talent we need to deliver attractive Shareholder value growth.

Policy report

This section of our report describes each component of Aggreko’s remuneration policy for Directors and has been prepared in accordance with Part 4 of Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended). Subject to approval at the AGM, this policy will replace the current policy (which was approved by Shareholders at the 2015 AGM) and is expected to apply for three years from 27 April 2017.

Aggreko’s proposed new remuneration policy for Executive Directors

Fixed pay	
<p>BASE SALARY</p> <p>PURPOSE AND LINK TO STRATEGY</p> <p>To attract and retain talent by ensuring base salaries are competitive in the talent market(s) relevant to each individual.</p> <p>We aim to pay the market median for standard performance and within the market top quartile for top quartile performance, or to recruit outstanding candidates.</p> <p>OPERATION</p> <p>Base salaries are generally reviewed annually; in determining the appropriate level of adjustment, we take into account: Company performance; the individual’s responsibilities and contribution to the business; salary levels for comparable roles at relevant comparators; and salary increases more broadly across the Group.</p> <p>For the Chief Executive Officer and the Chief Financial Officer, the benchmark we use is the 20 companies either side of Aggreko in the FTSE based on the average market capitalisation over the previous 12 months.</p> <p>If we were to appoint other Executive Directors we would use a similar benchmarking approach but supplemented by market data from our advisers. This recognises that comparability is harder to gauge and less formulaic for these roles.</p> <p>OPPORTUNITY</p> <p>Any base salary increases are applied in line with the outcome of the annual review.</p> <p>The Chief Executive Officer will have the highest base salary of all Executive Directors, and the maximum salary for the Chief Executive Officer may be within the top quartile of Chief Executive Officer salaries for the FTSE+/-20 comparators.</p> <p>PERFORMANCE METRICS</p> <p>None, although continued good performance is a factor considered when reviewing salaries.</p> <p>PENSION</p> <p>PURPOSE AND LINK TO STRATEGY</p> <p>To provide relevant statutory benefits and be competitive in the market in which the individual is employed.</p> <p>OPERATION</p> <p>All Executive Directors are entitled to a defined-contribution pension. They can opt to take a cash payment in lieu of all or part of their pension.</p> <p>OPPORTUNITY</p> <p>Contributions of between 20% and 30% of salary per annum except where limited by local practice.</p> <p>For new hires, the pension contribution will be up to 20% of salary per annum.</p> <p>PERFORMANCE METRICS</p> <p>None.</p>	<p>BENEFITS</p> <p>PURPOSE AND LINK TO STRATEGY</p> <p>Designed to be competitive in the market in which the individual is employed. Expatriate and relocation packages designed to ensure a geographically mobile management population related to business needs.</p> <p>OPERATION</p> <p>Includes healthcare benefits, life assurance cover, a company car (or an allowance in lieu). Where appropriate, we would provide an expatriate package, including bearing the cost of any local taxes payable on any expatriate benefits, relocation costs, living allowances and school fees. The Company will also bear any UK tax that Executive Directors resident overseas incur as a result of carrying out their duties in the UK.</p> <p>Any reasonable business related expenses (including tax thereon) can be reimbursed if determined to be a taxable benefit.</p> <p>Executive Directors are eligible for other benefits which are introduced for the wider workforce on broadly similar terms.</p> <p>OPPORTUNITY</p> <p>Benefits vary by role and local practice, and are reviewed periodically relative to market.</p> <p>Benefits (excluding travel and related taxes) payable to Executive Directors did not exceed 10% of salary during the most recent financial year. In line with market practice, it is not anticipated that in normal circumstances the cost of benefits provided will exceed this level over the next three years.</p> <p>The Committee retains the discretion to approve a higher cost in exceptional circumstances (e.g. relocation) or in circumstances where factors outside the Company’s control have changed materially (e.g. increases in insurance premiums, provider costs or taxes).</p> <p>PERFORMANCE METRICS</p> <p>None.</p>

Policy report continued

Variable pay

ANNUAL BONUS SCHEME

PURPOSE AND LINK TO STRATEGY

To focus Executive Directors on achieving demanding annual targets relating to Company performance.

The key changes proposed by the Committee with regard to Annual Bonus are set out on page 97.

OPERATION

Performance measures and targets are set at the start of the year and are weighted to reflect the balance of Group, and where appropriate business unit, responsibilities for each executive.

At the end of the year, the Committee determines the extent to which these have been achieved. The Committee has the ability to exercise discretion to adjust for factors outside management control.

Bonus payments will be paid in cash.

Malus and/or clawback provisions apply as described on page 102.

OPPORTUNITY

The maximum annual bonus opportunity for Executive Directors is 125% of salary. The financial element of the bonuses start to be earned for threshold performance (for which 25% of target bonus is paid), rising on a straight-line to deliver 50% of maximum for on-budget performance.

PERFORMANCE METRICS

Performance is assessed annually with 20% of the maximum bonus potential based on personal/strategic objectives aligned to the Company's KPIs and 80% on challenging budget and stretch targets for Group and business unit financial performance. The current measure for financial performance is EPS, but may vary each year depending on business context and strategy. All measures will be weighted appropriately according to business priorities, with generally more weighting on earnings growth than other factors. The personal/strategic objectives, accounting for 20% of the annual bonus, have previously covered customer service, safety and internal leadership and are quantified wherever possible. If the personal/strategic objectives are achieved but EPS is below threshold performance, then the Committee has the discretion to reduce, if appropriate to zero, the personal/strategic element that would otherwise have been paid.

Further details of the performance measures proposed for the 2017 annual bonus are set out in the Annual report on remuneration on page 112.

LONG-TERM INCENTIVE PLAN

PURPOSE AND LINK TO STRATEGY

To align the interests of management with those of Shareholders in growing the value of the business over the long term.

Vesting of awards is subject to performance conditions based on the long-term financial performance of the Group; the value of the awards is based on both the proportion vesting (i.e. the Company's financial performance) and the movement in the share price over the vesting period.

The key changes proposed by the Committee with regard to the LTIP are set out on pages 97 and 98.

OPERATION

The LTIP comprises a single Performance Share Plan (PSP).

Awards are normally granted annually. Award levels and performance conditions are reviewed from time to time to ensure they remain appropriate and aligned with Shareholder interests.

Awards normally vest after three years, subject to performance and continued office or employment. A proportion of shares which vest will be subject to a further retention period of up to two years, with one-third being released (post-tax) on vesting and a further third being released after each of one and two years from vesting. The holding period will end early on a takeover, scheme of arrangement or winding-up of the Company, upon the death of an individual or in exceptional circumstances on such other date determined by the Committee. On vesting, participants will be entitled to the equivalent of any dividends on the shares between grant and vesting or the earlier of the date of exercise of an option and the expiry of any holding period.

Malus and/or clawback provisions apply to awards as described on page 102.

OPPORTUNITY

The PSP provides for a nil-cost conditional award of shares worth up to an aggregate limit of 200% of salary per annum for Executive Directors.

PERFORMANCE METRICS

The performance measures for the PSP are based on Group performance. For 2017 it is proposed to use Earnings per Share and Return on Capital Employed. The targets are set by the Committee each year.

The Committee retains discretion to modify the LTIP outcome in circumstances where strict application of the performance conditions would produce a result inconsistent with our remuneration principles, where the formulaic outcome does not genuinely reflect the underlying performance of the Company, or where necessary to avoid unintended consequences. Any material upward discretion would be subject to prior consultation with the Company's major Shareholders.

The Committee also retains discretion to include additional or alternative performance measures, weightings and/or targets in future years to take account of the Company's key strategic and operational aims and targets, and business outlook at that time.

Further details of LTIP award sizes and targets proposed for 2017 are provided in the Annual report on remuneration on page 113.

RESTRICTED SHARES (NEW FOR 2017)

PURPOSE AND LINK TO STRATEGY

To align the interests of management with those of Shareholders in protecting and growing the value of the business over the long term and provide a clear link between absolute Shareholder returns and realised reward.

Vesting of awards is subject to continued employment over a period of three years with vested shares (post-tax) being released to participants a further two years after vesting. Shares will vest at a value that recognises the dividends that would have accrued to them during the three-year vesting period and in respect of shares held under an option until the earlier of the date of exercise and the expiry of the holding period.

The vesting of awards may, at the discretion of the Committee, be subject to the satisfaction of a general underpin.

The key elements proposed by the Committee with regard to awards of restricted shares under our new Restricted Share Plan (RSP) are set out on pages 97 and 98.

OPERATION

Award levels will be reviewed from time to time to ensure they remain appropriate and aligned with Shareholder interests.

The shares which vest will (after the deduction of any tax) normally be subject to a further retention period of two years. The holding period will end early on a takeover, scheme of arrangement or winding-up of the Company, upon the death of an individual or in exceptional circumstances on such other date determined by the Committee. On vesting participants will be entitled to the equivalent of any dividends on the shares between grant and vesting and in respect of shares held under an option until the earlier of the date of exercise and the expiry of the holding period.

The vesting of awards may, at the discretion of the Committee, also be subject to the satisfaction of a general underpin. The Committee will have discretion to decide that awards should not vest or only partially vest in exceptional circumstances, including in the event that the total annual dividend is less than the total dividend declared in respect of the immediately preceding financial year, or the Company has breached its net debt/EBITDA covenant as set out in its banking facilities, at the end of the financial year. Other exceptional circumstances if relevant would be the subject of consideration at the time of vesting.

Malus and clawback provisions apply to awards as described on page 102.

OPPORTUNITY

The RSP provides for a nil-cost conditional award of shares to Executive Directors worth up to an aggregate limit of 75% of salary per annum.

PERFORMANCE METRICS

A general underpin may be applied at the discretion of the Committee.

Note: RSP awards can only be made up to a maximum limit of 75% of salary for Executive Directors, but up to 100% (and 200% in exceptional circumstances) for other employees as detailed on page 104.

Other

SHARESAVE

PURPOSE AND LINK TO STRATEGY

To align the interests of employees and Shareholders by encouraging all employees to own Aggreko shares.

OPERATION

This is an all-employee scheme whereby all eligible employees including Executive Directors invited by the Board to participate may save up to £500 (or local currency equivalent) per month over a period of two to five years. Higher monthly savings may be permitted in line with any changes to the statutory limits applying to UK SAYE share option schemes.

Options under the Sharesave Option Schemes and the US Stock Purchase Plan are granted at a discount of 20% and 15% respectively.

OPPORTUNITY

Savings currently capped at £500 a month (or local currency equivalent). Higher savings may be permitted in line with the statutory limit for UK schemes.

PERFORMANCE METRICS

None.

Policy report continued

PAYMENTS FROM OUTSTANDING AWARDS

Executive Directors remain eligible to receive payment under any contractual arrangement agreed prior to the approval and implementation of the remuneration policy, i.e. before 27 April 2017. In particular, they will be entitled to receive any awards vesting under the incentive arrangements included in the remuneration policy approved at the Company's 2015 Annual General Meeting.

PERFORMANCE MEASURE SELECTION AND APPROACH TO TARGET SETTING

The measures used under the Annual Bonus Scheme reflect the Company's key financial objectives for the year. The Committee considers that EPS (used in both the Annual Bonus Plan and LTIP) is an objective and well-accepted measure of the Company's performance which reinforces the strategic objective of achieving profitable growth.

Targets for the Annual Bonus Scheme are tied to the Annual Budgets set by the Board and have due regard to external forecasts. Performance targets are set to be stretching but achievable and take into account the economic environment in a given year. Generally, bonuses will start to be earned at performance levels of 10% below Budget, with a straight-line to Budget, and then increase on a straight-line until they reach capped levels, which will generally be around 15% above Budget.

Under the LTIP, Group D-EPS is complemented by ROCE to reflect the need to balance growth and returns. Targets applying to the LTIP are reviewed annually, based on a number of internal and external reference points to ensure they remain appropriately stretching.

The Committee also retains discretion to include additional or alternative performance measures, weightings and/or targets in future years to take account of the Company's key strategic and operational aims and targets, and business outlook at that time.

MALUS AND CLAWBACK

Payments and awards under the Annual Bonus Scheme, Long-term Incentive Plan and Restricted Share Plan are subject to malus and clawback as described below.

The Committee has discretion to decide at any time prior to the third anniversary of the date of payment of a bonus or the vesting of an award under the LTIP and RSP that the relevant individual shall be subject to malus/clawback if:

- the Committee forms the view that the Company materially misstated its financial results for whatever reason; or
- the Committee forms the view that in assessing any Performance Condition and/or any other condition imposed on the bonus or award such assessment was based on an error, or on inaccurate or misleading information or assumptions; or
- the relevant individual ceases to be a Director or employee of Aggreko as a result of gross misconduct or the Committee is of the view that the relevant individual could have been summarily dismissed by reason of his gross misconduct; or
- any other circumstance(s) or event(s) arise which the Committee considers to be sufficiently exceptional to justify the operation of malus/clawback. (Clawback in exceptional circumstances is a new feature to the Policy.)

AMOUNT TO BE SUBJECT TO MALUS/CLAWBACK

Where malus/clawback applies as a result of a misstatement or error, the amount will generally be based on the additional value which the Committee considers has been granted to, vested in, or received by the relevant individual as a result of the relevant misstatement or error. Where the malus/clawback applies for any other reason, it will be the amount that the Committee decides is appropriate.

SATISFACTION OF CLAWBACK

The Committee has wide discretion in deciding how any clawback will be satisfied, including:

- reducing the amount of any future bonus which would otherwise be payable;
- reducing the extent to which any subsisting awards under the LTIP and RSP vest;
- reducing the extent to which subsisting awards under any other share incentive plan vest;
- reducing the number of any deferred bonus shares and LTIP awards which have vested and so are no longer subject to performance conditions but are subject to post-vesting deferral provisions;
- requiring the relevant individual to pay the amount of clawback to the Company; and
- deducting the amount from the relevant individual's salary or from any other payment to be made by the Company.

If the relevant individual is required to repay any additional value, the Committee may consider whether that amount should take into account any income tax and national insurance contributions (or their equivalent) paid by the relevant individual and any possibility of him reclaiming such income tax and national insurance contributions.

Aggreko's remuneration policy for Non-executive Directors and Chairman

Non-executive Directors

PURPOSE AND LINK TO STRATEGY

To attract and retain Non-executive Directors with an appropriate degree of skills, experience, independence and knowledge of the Company and its business.

OPERATION

Fee levels for Non-executive Directors are generally reviewed by the Board annually. Remuneration comprises an annual fee for acting as a Non-executive Director and serving as a member of any Committees. Additional fees are paid in respect of service as chairman of a committee or as Senior Independent Director.

When reviewing fees, reference is made to fees for the same comparator group as used for Executive Directors, information provided by a number of remuneration surveys, the extent of the duties performed and the size of the Company.

OPPORTUNITY

Any fee increases are applied in line with the outcome of the annual review. Currently the maximum aggregate annual fee for all Non-executive Directors, including the Chairman, provided in the Company's articles of association is £900,000.

PERFORMANCE METRICS

None.

Chairman

PURPOSE AND LINK TO STRATEGY

To attract and retain a Chairman to provide effective leadership for the Board.

OPERATION

Remuneration for the Chairman comprises an annual fee for acting as Chairman, and serving as Chairman or as a member of any Committees. The Remuneration Committee sets the Chairman's remuneration, subject to review when appropriate.

When reviewing fees, reference is made to fees for the same comparator group as used for Executive Directors, information provided by a number of remuneration surveys, the extent of the duties performed and the size of the Company.

OPPORTUNITY

Any fee increases are applied in line with the outcome of the annual review. Currently the maximum aggregate annual fee for all Non-executive Directors, including the Chairman, provided in the Company's articles of association is £900,000.

PERFORMANCE METRICS

None.

INCENTIVES AND BENEFITS FOR NON-EXECUTIVE DIRECTORS AND CHAIRMAN

Non-executive Directors and the Chairman do not participate in incentive arrangements or receive other remuneration in addition to their fees. However, where appropriate the Company may provide additional benefits in kind (for example, reimbursement of travel costs and taxes thereon), which are not expected to exceed 20% of the annual fee in any year.

APPROACH TO RECRUITMENT REMUNERATION

The Company's approach to remuneration for newly appointed Directors is identical to that for existing Directors. As a matter of practicality, we recognise that it may be necessary to pay within the market top quartile salaries in order to attract candidates of the quality the business needs. New Executive Directors will be invited to participate in incentive plans on the same basis as existing Executive Directors. However, the Committee may alter the performance measures, performance period, reference salary and vesting period of the annual bonus, LTIP or RSP, subject to the rules of the plans, if the Committee determines that the circumstances of the recruitment merit the alteration. The Committee will explain the rationale for any such changes. Where appropriate the Company will offer to pay reasonable relocation expenses for new Executive Directors in line with the Company's policies described above.

It is not the Company's policy to offer sign-on payments, but where the Remuneration Committee considers it is necessary to do so in order to recruit a particular individual, it may offer compensation for amounts of variable remuneration foregone, provided the fair value is no greater. In doing so, the Committee will consider all relevant factors including time to vesting, delivery vehicle (cash vs. shares vs. options), any performance conditions attached to the awards and the likelihood of the conditions being met. In order to facilitate such compensation, the Committee may rely on the exemption contained in Listing Rule 9.4.2, which allows for the grant of awards in exceptional circumstances to facilitate the recruitment of a Director.

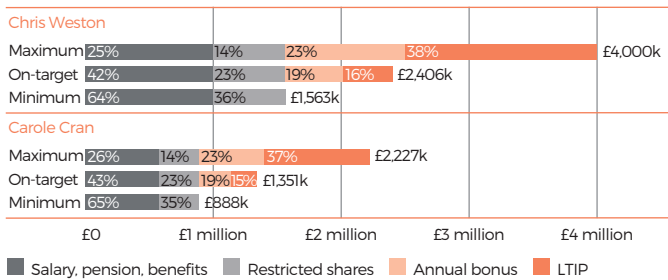
Where the Company is considering the promotion of senior management to the Board, the Committee may, at its discretion, agree that any commitments made before promotion will continue to be honoured whether or not consistent with the policy prevailing at the time the commitment is fulfilled.

In recruiting a new Non-executive Director, the Remuneration Committee will use the policy as set out in the table on this page. A base fee in line with the prevailing fee schedule would be payable for acting as a Non-executive Director and serving as a member of any Committees, with additional fees payable for acting as Chairman of a Committee or as Senior Independent Director. In recruiting a new Chairman of the Board, the fee offered would be inclusive of serving on any Committees.

Policy report continued

PAY-FOR-PERFORMANCE: SCENARIO ANALYSIS

The graphs below provide estimates of the potential future reward opportunities for Executive Directors, and the potential split between the different elements of remuneration under three different performance scenarios: 'Minimum', 'Target' and 'Maximum'.



Potential reward opportunities illustrated on this page are based on the proposed new policy we are asking Shareholders to approve, applied to the base salary in force at 1 January 2017. For the annual bonus, the amounts illustrated are those potentially receivable in respect of performance for 2017. It should be noted that the LTIP and RSP awards granted in a year do not normally vest until the third anniversary of the date of grant. The projected value of LTIP and RSP amounts excludes the impact of share price movement. In illustrating potential reward opportunities the assumptions in the table below are made.

ASSUMPTIONS FOR POTENTIAL FUTURE REWARD OPPORTUNITIES

	Fixed pay	Annual bonus	LTIP	RSP
Maximum	Latest base pay, pension and ongoing benefits	Maximum annual bonus	Performance warrants full vesting	Full vesting
Target	Latest base pay, pension and ongoing benefits	On target annual bonus	Performance warrants 25% of maximum vesting	Full vesting
Minimum	Latest base pay, pension and ongoing benefits	No annual bonus	Threshold not achieved, so no amount vesting	Full vesting

CONSIDERATION OF SHAREHOLDER VIEWS

During 2016, we consulted with our Shareholders on the proposed changes to our Remuneration Policy. The new remuneration policy reflects the results of these consultations.

The Committee also receives regular updates on the views of investors and corporate governance matters. This ensures that best practice principles are taken account of by the Committee to assist them with their decision making.

We welcome an open dialogue with Shareholders and will continue to consult with major Shareholders before implementing any significant changes to the Remuneration Policy.

EMPLOYMENT CONDITIONS ELSEWHERE IN THE COMPANY

The policy and practice with regard to the remuneration of senior executives below the Board is broadly consistent with that for the Executive Directors. Our senior executive population will be invited to participate in the LTIP and new RSP, at varying percentage levels of salary under the LTIP. Different award levels of up to 100% of salary (200% in exceptional circumstances) may apply below Board under the RSP. This would be on a case by case basis, typically as part of a retention package or to compensate for lost long-term incentives on recruitment of a senior executive. RSP awards may also vest earlier (or later) than the third anniversary of grant and may be subject to a shorter holding period or no holding period.

In making remuneration decisions, the Remuneration Committee also considers the pay and employment conditions elsewhere in the Group, and is informed of changes to broader employee pay. The Remuneration Committee does not specifically consult with employees over the effectiveness and appropriateness of the remuneration policy or use any remuneration comparison

measurements, although as members of the Board they receive the results of the Company's periodical employee satisfaction survey which includes questions covering remuneration.

SERVICE CONTRACTS AND POLICY ON PAYMENT FOR LOSS OF OFFICE

It is the Company's policy to provide for 12 months' notice for termination of employment for Executive Directors, to be given by either party. For Executive Directors who have been newly recruited from outside the Group, the period would normally be six months, increasing to 12 months after 12 months' service.

The Company's policy is to limit severance payments on termination to pre-established contractual arrangements; if the Company believes it appropriate to protect its interests, it may also make additional payments in exchange for non-compete/non-solicitation terms which are above and beyond those in the Director's contract of employment. Typically, these will serve to extend the non-compete period for up to three years from the date of termination. The Committee has discretion to contribute towards outplacement services and the legal fees for any departing Director to the extent it considers appropriate.

Under normal circumstances, the Company may terminate the employment of an Executive Director by making a payment in lieu of notice equivalent to basic salary and benefits for the notice period at the rate current at the date of termination. In case of gross misconduct, a provision is included in the Executive's contract for immediate dismissal with no compensation payable. Copies of the service contracts of the Executive Directors and copies of the letters of appointment of the Non-executive Directors are available for inspection at the registered office of the Company.

TREATMENT OF LONG-TERM INCENTIVE AWARDS AND OPTIONS ON TERMINATION OF EMPLOYMENT AND CORPORATE EVENTS UNDER THE LTIP AND RSP

In the event an Executive Director leaves for reasons of death, ill-health, injury, disability, redundancy, retirement with the agreement of the Company, or their employing company or business ceasing to be a member or undertaking of the Group or other such event as the Committee determines (the good leaver reasons), then awards held for less than one year will normally lapse. The Committee may determine that the circumstances are, in its opinion, sufficiently exceptional in which case an award may vest to the extent determined by the Committee (having regard to the performance conditions in the case of an LTIP award and the period during which the participant was employed) and subject to any other additional terms and conditions that the Committee may determine.

LTIP and RSP awards held by a good leaver for at least one year will normally be pro-rated for time and will vest on the normal vesting date. The Committee has discretion to allow an award to vest on a date following cessation based (in the case of LTIP awards) on performance over the original performance period (or if the award vests early on cessation, a curtailed performance period) as determined by the Committee.

For all other leavers, outstanding LTIP and RSP awards will normally lapse.

Upon the occurrence of a takeover, change of control pursuant to a scheme of arrangement or winding-up (a Corporate Event), LTIP and RSP awards held for less than one year will normally lapse unless either they are released and exchanged for equivalent awards on an internal reorganisation or reconstruction. The Committee may determine that the circumstances are, in its opinion, sufficiently exceptional in which case an award may vest to the extent determined by the Committee (having regard, in the case of LTIP awards, to the performance conditions) and subject to any other additional terms and conditions that the Committee may determine.

Awards granted at least 12 months prior to the date of the Corporate Event will vest to the extent (in the case of LTIP awards only) that, in the opinion of the Committee, the Performance Conditions have been satisfied at that time or would have been satisfied were it not for the relevant Corporate Event.

Awards may, at the discretion of the Committee, vest early on a demerger to the extent (in the case of LTIP awards only) that, in the opinion of the Committee, the Performance Conditions have been satisfied at that time or would have been satisfied and subject to any other additional terms and conditions that the Committee may determine. Awards will normally be exchanged for new awards on an internal reorganisation or reconstruction unless the Committee allow them to vest on the basis which would apply on a takeover.

The Committee retains discretion to vary the extent to which and the date when awards vest on a case by case basis, following a review of circumstances, to ensure fairness for both Shareholders and participants. The Committee also retains the discretion to vary the number of shares and/or exercise price of options and awards on or following any variation to the Company's share capital or upon the payment of a special dividend or demerger in accordance with the rules of the relevant plan.

Options held under the Sharesave plans will vest and become exercisable in accordance with the rules of the relevant plan and the governing legislation (to the extent applicable) upon cessation of employment or the occurrence of a Corporate Event.

The Committee reserves the right to make additional payments, which it considers fair and reasonable, to satisfy any existing legal obligation and/or to settle any claim for damages or by way of settlement or compromise of any claim arising on or as a result of termination.

TREATMENT OF ANNUAL BONUS ON TERMINATION OF EMPLOYMENT AND CORPORATE EVENTS

The Committee has discretion to determine that in the event an Executive Director leaves the Company, bonus payments may be paid once performance has been measured and on a pro-rated basis for the time spent in active employment with the Company.

SHARE OWNERSHIP GUIDELINES

The Committee has a policy of encouraging Executive Directors to acquire and retain a material number of shares in the Company, with the objective of further aligning their long-term interests with those of other Shareholders. The minimum requirement for Executive Directors is currently 200% of salary. The Committee proposes to increase this to 400% of salary.

Shares that count towards achieving these guidelines include:

- shares beneficially owned by an Executive Director or by a connected person, as recognised by the Committee;
- deferred bonus shares and LTIP awards which have vested and so are no longer subject to performance conditions but are subject to post-vesting deferral provisions; and
- shares held under any restricted stock plan or any plan established under Listing Rule 9.4.2.

Executive Directors are expected to build their shareholding over a five-year period (retaining at least 50% of vested incentives (post-tax) until such guidelines have been met), but are not required to make personal share purchases if awards do not vest through failing to meet performance conditions. For example, a newly-appointed Director may not reach the required level within the period, depending on the Company's performance against target over the period. If so, the Committee will review the circumstances and agree an appropriate forward plan.

The Committee retains the discretion to grant dispensation from these requirements in exceptional circumstances.

There is no particular requirement for Non-executive Directors to hold shares but they are encouraged to acquire a holding over time.

Directors' shareholdings are included in the table in the Implementation Report on page 110.

PERIOD FOR POLICY

The policy is intended to take effect from 27 April 2017, being the date of the Company's 2017 Annual General Meeting.

The Committee is satisfied that the proposed new remuneration policy is in the best interests of Shareholders and does not promote excessive risk-taking. The Committee retains discretion to make non-significant changes to the policy without reverting to Shareholders.

Annual report on remuneration

In the following section of our report, we explain how we have implemented Aggreko's remuneration policy during 2016. The policy in place for the year was the one which was approved by Shareholders at Aggreko's 2015 Annual General Meeting. Brief details of all elements other than variable pay are given above on pages 99 and 103. The policy in place for the year for variable pay is different from the proposed new policy set out on pages 100 and 101, which we are asking Shareholders to approve in April 2017. The changes between the two relate to the amendment to the annual bonus and long-term incentive arrangements we plan to introduce. These changes are explained on pages 97 and 98. We have given brief details of the previous policy for variable pay below, but full details of all elements of the policy can be found in Aggreko's 2014 Report and Accounts, pages 98 to 104, which is available on our website at ir.aggreko.com/investors.

SINGLE TOTAL FIGURE OF REMUNERATION (AUDITED)

The table below sets out a single figure for the total remuneration received by each Director for the years ended 31 December 2016 and 31 December 2015.

Executive Directors	Year	Base Salary/ Fees £	Benefits £	Annual Bonus £	LTIP					Total £
					PSP £	CIP £	Sharesave £	Pension £	Other £	
Carole Cran	2016	412,000	84,247⁵	107,120	-	16,149	-	82,400	-	701,916
Carole Cran	2015	412,000	99,006 ⁶	-	-	18,089	-	82,400	-	611,495
Chris Weston	2016	750,000	25,035	202,500	-	-	-	225,000	706,620⁷	1,909,155
Chris Weston ¹	2015	750,000	22,853	-	-	-	4,271	225,000	483,392 ⁸	1,485,516
Non-executive Directors										
Nicola Brewer²	2016	51,537	-	-	-	-	-	-	-	51,537
Ken Hanna	2016	342,000	-	-	-	-	-	-	-	342,000
Ken Hanna	2015	340,250	-	-	-	-	-	-	-	340,250
Russell King	2016	101,000	-	-	-	-	-	-	-	101,000
Russell King	2015	100,500	-	-	-	-	-	-	-	100,500
Uwe Krueger	2016	61,000	751	-	-	-	-	-	-	61,751
Uwe Krueger ³	2015	55,500	712	-	-	-	-	-	-	56,212
Diana Layfield	2016	61,000	-	-	-	-	-	-	-	61,000
Diana Layfield	2015	60,500	-	-	-	-	-	-	-	60,500
Robert MacLeod⁴	2016	26,481	-	-	-	-	-	-	-	26,481
Robert MacLeod	2015	80,500	-	-	-	-	-	-	-	80,500
Ian Marchant	2016	74,462	277	-	-	-	-	-	-	74,739
Ian Marchant	2015	60,500	-	-	-	-	-	-	-	60,500
2016 Total		1,879,480	110,310	309,620	-	16,149	-	307,400	706,620	3,329,579
2015 Total		1,859,750	122,571	-	-	18,089	4,271	307,400	483,392	2,795,473

1 Chris Weston's remuneration for 2015 is from date of appointment, 2 January 2015.

2 Nicola Brewer's remuneration for 2016 is from date of appointment, 25 February 2016.

3 Uwe Krueger's remuneration for 2015 is from date of appointment, 1 February 2015.

4 Robert MacLeod's remuneration for 2016 is to date of resignation as a Director, 28 April 2016.

5 Owing to the significant amount of time spent in London, based on UK legislation, Carole Cran has established a second place of employment in London. As a result, any home to London office travel costs either reimbursed, or paid on Carole's behalf are taxable.

6 As explained in Note 5 above, Carole Cran's home to London office travel costs either reimbursed, or paid on Carole's behalf are taxable. The 2015 amount has been restated to include travel costs of £4,188 and associated taxes of £12,343 relating to 2015 but which were processed in 2016.

7 As explained on page 89 of our Annual Report 2015, Chris Weston was granted an award of shares on 30 March 2015. 50% of the shares were released on 1 April 2016 - a total of 63,979 shares. Chris Weston was entitled to a further 1,631 shares equivalent to the dividends on the shares between grant and vesting. The value is based on the share price on 1 April 2016 of 1077 pence.

8 As set out on page 97 of our Annual Report 2014, Chris Weston received an amount of £483,392 to compensate him for his annual bonus from his previous employer he forfeited as a result of his resignation. This was paid as 75% in cash and the balance in Aggreko shares. The shares are shown in the table of Directors' shareholdings on page 110.

The figures have been calculated as follows:

- Base salary/fees: amount earned for the year. See Base salary on page 107.
- Benefits: the taxable value of benefits received in the year. See Benefits on page 107.
- Annual bonus: the total bonus earned on performance during the year. See Annual bonus scheme on pages 107 and 108.
- 2016 remuneration for LTIPs refers to share awards granted on 16 April 2014 subject to a performance period ended 31 December 2016 and which are due to vest on 16 April 2017. The value is based on the average share price over the last quarter of 2016 of 859 pence. See Long-term Incentive Plan on pages 108 and 109.
- 2015 remuneration for LTIPs refers to share awards granted on 5 August 2013 subject to a performance period ended 31 December 2015 which vested on 5 August 2016. The value is based on the share price on 5 August 2016 of 1071 pence.
- Sharesave: the value is based on the market price of an Aggreko share on the date of grant, less the option price, multiplied by the number of options.
- Pension: the amount of any Company pension contributions and cash in lieu. See Pensions on page 109.

Base salary

The base salaries for Executive Directors as at 1 January 2017, 1 January 2016 and 1 January 2015 were as follows:

Executive Director	Position	1 January 2017 £	Increase ¹ %	1 January 2016 £	Increase %	1 January 2015 £
Carole Cran	Chief Financial Officer	412,000	0	412,000	0	412,000
Chris Weston	Chief Executive Officer	750,000	0	750,000	0	750,000

¹ The increase across the Group for 2016 was 7.4%. There have been no salary increases for Executive Directors for two years and none are proposed for 2017.

Benefits

Chris Weston received healthcare benefits; Carole Cran did not receive any healthcare benefits. Both Executive Directors were also provided with life assurance cover, income protection, accident insurance and a car allowance. Carole Cran received reimbursement of the cost of travelling to the London office and associated taxes.

The following table shows those benefits that the Committee considers significant:

Executive Director	Car/fuel £	Travel £	Tax £	Other £	Total £
Carole Cran	12,000	36,460	32,335 ¹	3,452	84,247
Chris Weston	12,000	-	-	13,035	25,035

¹ Owing to the significant amount of time spent in London, based on UK legislation, Carole Cran has established a second place of employment in London. As a result, any home to London office travel costs either reimbursed, or paid on Carole's behalf are taxable.

Annual bonus scheme

The maximum bonus opportunity for 2016 for both Executive Directors was 175% of salary.

Bonus payments are payable as to 75% in cash, and as to 25% deferred into shares for three years unless, at the discretion of the Committee, the individual leaves with the Company's consent. The Committee has discretion to reduce the number of shares that can vest in the event of gross misconduct or material misstatement of the accounts.

The targets under the 2016 annual bonus scheme were based as to 80% on financial performance measures set against the annual budget at the start of the year and as to 20% against personal/strategic objectives.

Financial performance measures

The financial objectives for the Chief Executive Officer (Chris Weston) and the Chief Financial Officer (Carole Cran) were measured as to 75% against D-EPS and as to 25% against operating cash flow.

For these financial measures, Executive Directors would start to earn a bonus at threshold performance, calculated as a percentage below budget, increasing to half of the maximum that could be earned under that element at budget on a straight-line basis. The bonus would then increase on a straight-line basis to the maximum, calculated as a percentage above budget.

The table below shows the performance against budget of each of the financial performance measures used for calculating the Annual Bonus for 2016:

Measure	Threshold		Budget		Maximum		Outcome	
		% budget		% budget		% budget	% budget	% maximum of element
D-EPS growth	56.51p	95	59.48p	65.43p	110	49.74p ¹	84	0
Operating cash flow	£468.4m	90	£520.44m	£572.48m	110	£333.1m ¹	64	0

¹ The reported D-EPS and operating cash flow have been adjusted to a constant currency basis.

Annual report on remuneration continued

Personal/strategic performance measures

Each Director was set three personal objectives, which included measurable improvements in safety indicators and agreed outcomes for set strategic objectives specific to their roles. Against each of these personal objectives he or she could achieve the maximum bonus entitlements detailed in the table below (35% of salary in total).

Chris Weston's objectives included delivery of the Aggreko 18 initiatives with a particular focus on technology and cost/procurement savings. Carole Cran's objectives included developing a risk management framework and working with the business finance leads to tightly manage cost. The Committee reviewed performance against these measures for each Director, and the table below shows the Committee's assessment of each personal/strategic objective achieved as a percentage of salary.

Executive Director	Personal/strategic objective achieved as a percentage of salary					Aggreko 18 %	Total %
	Safety %	Risk Management framework %	Cost Management %	Leadership Development %			
Carole Cran	4	11	11	-	-	26	
(maximum % achievable)	7	14	14	-	-	35	
Chris Weston	8.5	-	-	5	13.5	27	
(maximum % achievable)	10.5	-	-	7	17.5	35	

The table below sets out the total bonus entitlement for each Executive Director for 2016:

Executive Director	D-EPS growth		Operating cash flow		Personal objectives		Total payable ¹		
	Total max bonus % salary	Max bonus % salary	Outcome % salary	Max bonus % salary	Outcome % salary	Max bonus % salary	Outcome % salary	% salary	£
Carole Cran	175	105	0	35	0	35	26	26	107,120
Chris Weston	175	105	0	35	0	35	27	27	202,500

¹ The total bonus includes the 25% deferred shares element.

Long-term Incentive Plan (LTIP)

The LTIP awards which are due to vest on 16 April 2017 were granted in 2014 under the old LTIP, which expired in 2014. The old LTIP consists of two distinct elements: the Performance Share Plan (PSP) and the Co-investment Plan (CIP).

The PSP is a nil-cost conditional award of shares which vest depending on performance against the targets; it provides for annual awards of performance shares up to an aggregate limit of 100% of salary in normal circumstances and 200% of salary in exceptional circumstances.

The CIP is a Co-investment plan, whose purpose it is to encourage executives to buy and hold shares in the Company. Participants can subscribe to purchase Aggreko shares up to a value of 30% of their salary, each year that they are invited to join the CIP; if they hold those shares for three years (or, if earlier, the date that their CIP award vests), they will be entitled to receive a minimum award of one share for every two they subscribed (the Minimum Match), plus a performance related award of a further three shares for every two they subscribed. The Minimum Match is not subject to performance conditions.

The PSP and CIP are both measured against performance over three financial years and they share the same performance criteria. These are the real compound annual growth rate of Diluted Earnings per Share (D-EPS), and Return on Capital Employed (ROCE).

The performance criteria for the LTIP awards granted in 2014 were as follows:

- 75% of the award was based on CPI inflation-adjusted compound annual growth in D-EPS over the three-year performance measurement period in a range of 3% to 10%. No performance shares would be awarded against this element if performance was below 3% and awards would increase straight-line to the maximum at 10% growth; and
- 25% of the award was based on average ROCE over the performance period in a range of 20% to 25%. No performance shares would be awarded against this element if performance was below 20% and awards would increase straight-line to the maximum at 25% ROCE.

In addition to the above, and to reward truly exceptional performance, the number of shares awarded to participants in both elements of the 2014 LTIP might be increased by between one and two times if the real compound annual growth in D-EPS over the three-year performance measurement period was in a range of 10% to 20%.

The performance period for the 2014 LTIP awards ended on 31 December 2016. Over the period:

- Aggreko's aggregate D-EPS was 217.6 pence, which is the equivalent of no growth. Since this was less than the threshold of 3%, no shares will vest under this performance measure; and
- Aggreko's actual average ROCE for the period was 16%. Since this was less than the threshold of 20%, no shares will vest under this performance measure.

Accordingly, only the Minimum Match will vest.

The table below shows:

- the resulting vesting of the 2014 LTIP awards for Carole Cran. These are due to vest in April 2017; and
- by way of comparison the vesting of the 2013 LTIP awards which vested in August 2016.

Executive Director	Year of grant	Performance Share Plan			Co-Investment Plan			Total value £
		Vested	Market price £	Value £	Vested	Market price £	Value £	
Carole Cran	2014	-	-	-	1,880	859p	16,149	16,149
Carole Cran	2013	-	-	-	1,689	1071p	18,089	18,089

Carole Cran's 2014 LTIP awards were granted on 16 April 2014.

Carole Cran's 2013 LTIP awards were granted on 5 August 2013 and vested on 5 August 2016.

The value of the 2014 LTIP on vesting is based on the average price of Aggreko shares over the last quarter of 2016 of 859 pence.

The value of the 2013 LTIP on vesting is based on the market price of Aggreko shares on date of vesting, 5 August 2016, of 1071 pence.

Pensions

Executive Directors participate in pension schemes or receive cash in lieu with a value appropriate to the median practice in their country.

Carole Cran is a member of the Aggreko Group Personal Pension Plan, which is a defined contribution scheme. Chris Weston is entitled to a Company contribution of 30% and Carole Cran is entitled to a Company contribution of 20% of salary, but she may elect to take all or part of the Company contribution in the form of a cash payment in lieu. Contributions paid by the Company under the defined contribution plans during the year are as follows:

Executive Director	2016			2015		
	Paid to pension £	Paid cash £	Total £	Paid to pension £	Paid cash £	Total £
Carole Cran	18,665	63,735	82,400	37,340	45,060	82,400
Chris Weston	-	225,000	225,000	-	225,000	225,000

Non-executive Directors (including the Chairman)

The Board determines the remuneration policy and level of fees for the Non-executive Directors, within the limits set out in the Articles of Association. The Remuneration Committee recommends remuneration policy and level of fees for the Chairman of the Board (although the Chairman of the Board does not take part in discussions concerning his remuneration). Remuneration comprises an annual fee for acting as a Chairman or Non-executive Director of the Company. Additional fees are paid to Non-executive Directors in respect of service as Chairman of the Audit and Remuneration Committees and as Senior Independent Director. The Chairman and Non-executive Directors are not eligible for bonuses, retirement benefits or to participate in any share scheme operated by the Company. The Chairman's fee has not increased since April 2015 and the fees for the Non-executive Directors have not increased since July 2015.

The fees for the Chairman and Non-executive Directors as at 1 January 2017 and 1 January 2016 were as follows:

Role	1 January 2017 £	Increase %	1 January 2016 £
Chairman fee	342,000	0	342,000
Non-executive Director base fee	61,000	0	61,000
Committee Chairman additional fee	20,000	0	20,000
Senior Independent Director additional fee	20,000	0	20,000

Annual report on remuneration continued

SHARE AWARDS GRANTED IN 2016 (AUDITED)

In May 2016, Executive Directors were granted awards of shares under the 2015 Long-term Incentive Plan, in each case with a value equivalent to 300% of salary. The three-year performance period over which D-EPS and ROCE performance will be measured began on 1 January 2016 and will end on 31 December 2018. None of the awards granted under the LTIP are eligible to vest until 9 May 2019.

The performance criteria for the LTIP awards granted in 2016 are as follows:

- 75% of the award is based on three-year cumulative D-EPS as compared to three-year compound growth in real (RPI-adjusted) D-EPS. No performance shares will be awarded against this element if performance is below an equivalent of RPI+3% per annum growth. Awards will then start to vest above that level and will increase straight-line to a maximum at an equivalent of RPI+15% per annum growth; and
- 25% of the award is based on average ROCE over the performance period in a range of 20% to 25%. No performance shares will be awarded against this element if performance is less than 20% and awards will increase straight-line to the maximum at 25% ROCE.

A proportion of shares which vest will be subject to a further retention period of up to two years in accordance with the rules of the LTIP.

The table below shows details of interests awarded to Executive Directors under the LTIP during 2016:

Executive Director	Shares	Face Value ¹ £	% vesting on minimum performance
Carole Cran	114,976	1,235,992	-
Chris Weston	209,302	2,249,997	-

¹ Face value of LTIP is the maximum number of shares that would vest if all performance targets are met multiplied by the average market price over the five business days prior to the date of grant of 9 May 2016, which was used to determine the number of shares awarded, being 1075 pence.

ARRANGEMENTS WITH PAST DIRECTORS (AUDITED)

Vesting of LTIP awards to former Executive Directors

The table below shows awards to former Executive Directors which vested in 2016:

Former Executive Director	Date of vesting	Co-Investment Plan		
		Shares	Market price on vesting date £	Value £
Debajit Das	5 August 2016	2,906	1067p	31,007
Debajit Das	19 October 2016	2,644	940p	24,854
David Taylor-Smith	23 May 2016	5,787	1164p	67,361

EXIT PAYMENTS

There were no exit payments during the year.

DIRECTORS' SHAREHOLDINGS (AUDITED)

As at 31 December 2016, the shareholdings of the Directors were as follows:

Director	(A) Shares owned outright ¹	(B) Shares held subject to deferral	Shares held subject to performance conditions ²	Options held not subject to performance conditions ³	Proposed shareholding guidelines % salary	Shares counting towards guidelines (A + B)	Current shareholding % salary ⁴
Carole Cran	9,783	4,082	227,807	-	400	13,865	31
Chris Weston ⁵	34,773	71,715	348,534	2,168	400	106,488	130
Nicola Brewer	1,450						
Ken Hanna	19,303						
Russell King	3,688						
Uwe Krueger	3,000						
Diana Layfield	2,855						
Robert MacLeod ⁶	18,582						
Ian Marchant	3,331						

¹ This includes shares held by connected persons.

² Shares held subject to performance comprise LTIP awards over shares.

³ Options held under the Sharesave Plan.

⁴ Percentage is calculated using a share price of 918 pence as at 31 December 2016. Under the Company's share ownership guidelines, Executive Directors will have a period of five years to achieve the shareholding guideline of not less than four times base salary.

⁵ Chris Weston's holding comprises 63,979 of the shares awarded on 30 March 2015 (the remainder of the shares awarded on 30 March 2015 were released on 1 April 2016 and are included in Column B) and 25% of his annual bonus forfeited from his previous employer which was deferred into shares (7,736 shares), as set out on page 97 of our 2014 Report and Accounts.

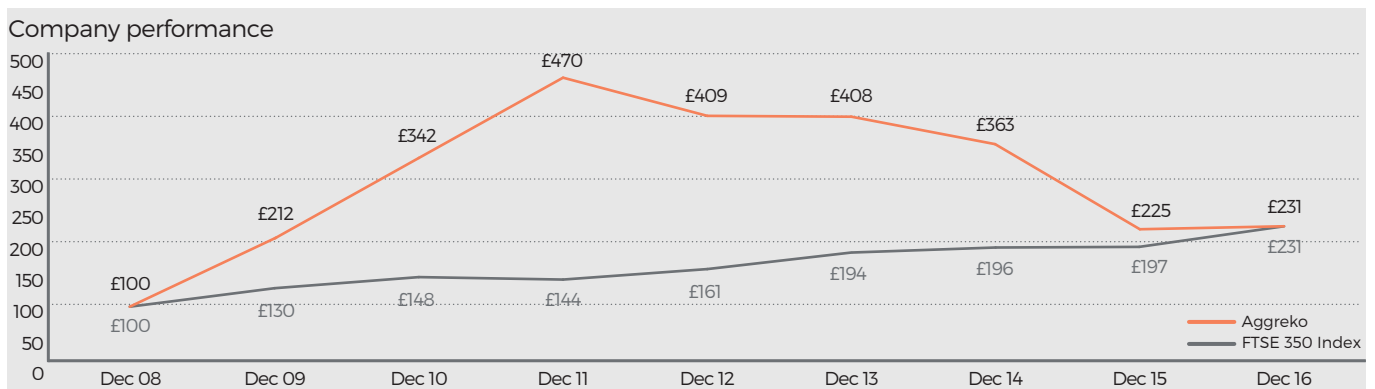
⁶ Robert MacLeod's holding is at date of resignation as a Director, 28 April 2016.

There have been no changes in the Directors' interests in Ordinary Shares between 31 December 2016 and 7 March 2017.

Carole Cran and Chris Weston, as employees of the Company, have an interest in the holdings of the Aggreko Employee Benefit Trust (the 'EBT') as potential beneficiaries. The EBT is a trust established to distribute shares to employees of the Company and its subsidiaries in satisfaction of awards granted under the Aggreko Long-term Incentive Plans and Sharesave Schemes. At 31 December 2016, the trustees of the EBT held a total of 1,048,816 Aggreko plc Ordinary Shares (2014: 535,538) and the holding at the date of this report is 1,042,090. The dividend has been waived on these shares.

COMPARISON OF COMPANY PERFORMANCE

The graph below shows the value, at 31 December 2016, of £100 invested in Aggreko's shares on 31 December 2008 compared with the current value of the same amount invested in the FTSE 350 Index. The FTSE 350 Index is chosen because Aggreko has been a constituent member of this group over the entire period.



For comparative purposes, the remuneration of the Director undertaking the role of Chief Executive Officer for the same financial years is set out below:

Year	CEO	Single Figure of Total Remuneration £	Annual Bonus payout against maximum %	Long-term incentive vesting rates against maximum opportunity %
2009	Rupert Soames	2,555,850	63.2	100
2010	Rupert Soames	5,839,209	100	100
2011	Rupert Soames	8,501,865	82.4	100
2012	Rupert Soames	2,685,840	6.4	100
2013	Rupert Soames	1,779,144	49.6	72.5
2014	Angus Cockburn	1,290,906	42.4	5.8
2015	Chris Weston	1,485,516	0	0
2016	Chris Weston	1,909,155	15	0

Angus Cockburn was Interim Chief Executive from 25 April to 30 September 2014, and his emoluments have been calculated on the assumption that he held the role for the full year at the rates of remuneration in place on 30 September 2014.

The 2015 figure for Chris Weston includes an amount of £483,392 to compensate him for his annual bonus from his previous employer he forfeited as a result of his resignation. The 2016 figure includes an amount of £706,620 to compensate him for the forfeiture of long-term incentives from his previous employer.

The data for this table was taken from the Remuneration Reports for the relevant years and adjusted to take account of the actual share price on date of vesting for the LTIP.

Annual report on remuneration continued

PERCENTAGE CHANGE IN REMUNERATION OF CEO

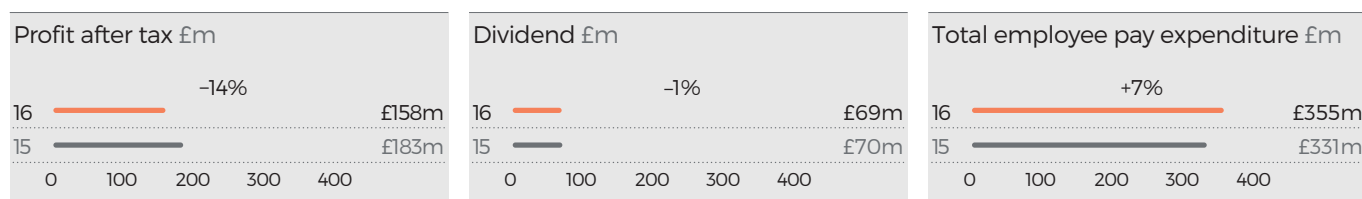
The table below shows the change in remuneration of the Chief Executive Officer in comparison to the average change in remuneration of employees within the Group central functions over that period.

Year	Percentage change for CEO	Percentage change for Group central functions
Salary/fees	0	7.8
Benefits	9.5	22.7
Bonus	n/m	n/m

The comparator group relates to the employees within the Group central function in the UK (122 employees), rather than all Group employees. As in the previous year, we have chosen this group because the Committee believes that it provides a sufficiently large comparator group to give a reasonable understanding of underlying increases, whilst reducing the distortion that would arise from including all of the many countries in which the Group operates, with their different economic conditions. Neither the CEO or employees within the Group central function in the UK received a bonus in 2015 and therefore, the percentage change in bonus is not meaningful.

RELATIVE IMPORTANCE OF SPEND ON PAY

The graph below shows Aggreko's profit after tax, pre-exceptional items, dividend, and total employee pay expenditure for the financial years ended 31 December 2015 and 31 December 2016, and the percentage change.



Dividends are the interim and final dividends paid in respect of the financial year ended 31 December 2015 and the interim dividend paid and the final dividend recommended in respect of the financial year ended 31 December 2016. The total employee pay expenditure increase is due to year on year exchange rate movement.

IMPLEMENTATION OF REMUNERATION POLICY IN 2017

The Committee intends to implement the Remuneration Policy in 2017 as follows:

Base salaries and fees

Base salaries for Executive Directors were reviewed by the Committee in December 2016; details are set out on page 107. The Committee intends to next review the salaries in December 2017. Fees for the Chairman and Non-executive Directors will next be reviewed in 2018.

Pensions and benefits

Pensions and benefits will continue in line with policy.

Annual bonus

The Committee set annual bonus targets for the Executive Directors as follows:

Executive Director	Total max bonus (% salary)	D-EPS		Personal objectives
		Max bonus % salary	On-budget bonus % salary	Max bonus % salary
Carole Cran	125	100	50	25
Chris Weston	125	100	50	25

The personal objectives were set individually for each Director. All include agreed outcomes for set strategic objectives specific to their roles.

We have not disclosed full details of all objectives or financial targets in this report, as we consider them to be commercially sensitive. It is, however, our intention to disclose financial budget numbers in next year's Annual report on remuneration.

Long-term Incentive Plan

Subject to the approval of the changes to the Long-term Incentive Plan by Shareholders at the Company's 2017 Annual General Meeting, the Committee proposes to approve the grant of 2017 LTIP awards to Executive Directors with a face value of 200% of salary.

The performance criteria for the 2017 LTIP will be as follows:

- 75% of the award will be based on three-year D-EPS growth, with 25% of shares awarded against this element for D-EPS growth of 5% per annum. Awards will then continue to vest above that level and will increase straight-line to a maximum for 12% per annum growth; and
- 25% of the award will be based on final year ROCE in the range of 15% to 20%, with 25% of shares awarded against this element if 2019 ROCE is equal to 15%. Awards will increase straight-line to the maximum at 20% ROCE in 2019.

The shares which vest will be released to participants in equal tranches after three, four and five years in accordance with the rules of the LTIP.

Awards are expected to be granted in May 2017 after the Company's 2017 Annual General Meeting.

Restricted Shares

Subject to the approval of the new Restricted Share Plan (RSP) by Shareholders at the Company's 2017 Annual General Meeting, the Committee proposes to approve the grant of 2017 RSP awards to Executive Directors with a face value of 75% of salary.

The shares will be released after five years, subject to continued employment over a three-year period or otherwise upon leaving the Company as a good leaver.

CONSIDERATION BY THE DIRECTORS OF MATTERS RELATING TO DIRECTORS' REMUNERATION

The Committee re-appointed Kepler Associates, a brand of Mercer, as the principal external adviser to the Committee for 2016. The fees paid to Kepler Associates in respect of work that materially assisted the Committee in 2016 are shown in the table below:

Adviser	Appointed by	Services provided to the Committee	Fees paid by the Company for the Services	Other Services
Kepler Associates	Russell King on behalf of the Committee	Review of LTIP Award Calculations	£78,960	Benchmarking of Non-executive Director Fees and specific below-Board roles Advice on remuneration for below-Board executives
		Advice on DRR disclosure	Charged on a time/cost basis	
		Advice on current market practice		
		Benchmarking of Executive pay		
		Advice on design of new incentive arrangements		

Except as provided above, Kepler Associates do not provide any other services to the Group. They are a member of the Remuneration Consultants Group and a signatory to its code of conduct. Taking these factors into account, the Committee is satisfied as to the impartiality and objectivity of their advice. They were also chosen because of their existing knowledge of the Group's remuneration arrangements.

Annual report on remuneration continued

STATEMENT OF SHAREHOLDER VOTING

The following table shows the results of the advisory vote on the 2015 Remuneration Report at the 28 April 2016 AGM.

	Remuneration Report	
	Total number of votes	% of votes cast
For	170,985,554	98.94
Against	1,826,364	1.06
Total votes cast (excluding withheld votes)	172,811,918	100
Votes withheld ¹	1,519,590	-
Total votes cast (including withheld votes)	174,331,508	-

¹ A withheld vote is not a vote in law and is not counted in the calculation of the proportion of votes cast for and against a resolution.

The Policy Report was last submitted to Shareholders at the 2015 AGM when 98.88% voted in favour.

DIRECTORS' SERVICE CONTRACTS

Each of the Directors will be proposed for election or re-election at the Company's Annual General Meeting to be held on 27 April 2017.

The Executive Directors are employed under contracts of employment with Aggreko plc. The Remuneration Committee sets notice periods for the Executive Directors at 12 months or less. The principal terms of the Executive Directors' service contracts (which have no fixed term) are as follows:

Executive Director	Position	Effective date of contract	Notice period	
			From Director	From Company
Carole Cran	Chief Financial Officer	1 June 2014	12 months	12 months
Chris Weston	Chief Executive Officer	2 January 2015	12 months	12 months

Non-executive Directors are appointed for a term of three years, subject to three months' notice from either party.

The dates of the Chairman's and Non-executive Directors' appointments are as follows:

Non-executive Director	Position	Effective date of contract	Unexpired term as at 31 December 2016
Nicola Brewer	Non-executive Director	25 February 2016	2 years 2 months
Ken Hanna	Chairman	29 April 2015 ¹	1 year 4 months
Barbara Jeremiah	Non-executive Director	7 March 2017	n/a
Russell King	Non-executive Director	2 February 2015 ¹	1 month
Uwe Krueger	Non-executive Director	1 February 2015	1 year 1 month
Diana Layfield	Non-executive Director	1 May 2015 ¹	1 year 4 months
Ian Marchant	Non-executive Director	1 November 2016 ¹	2 years 10 months
Miles Roberts	Non-executive Director	7 March 2017	n/a

¹ Replaces earlier contract.

EXTERNAL APPOINTMENTS

It is the Board's policy to allow the Executive Directors to accept directorships of other quoted companies. Any such directorships must be formally approved by the Chairman of the Board. Directors are generally permitted to retain any earnings from these appointments. During the year, Carole Cran was appointed as a Non-executive Director of Halma plc. Fees for 2016 in relation to this appointment were £51,000. Chris Weston did not hold any external directorships of other quoted companies.

This Report was approved by the Board on 7 March 2017.

Signed on behalf of the Board.



Russell King
Chairman of the Remuneration Committee

7 March 2017

Statutory disclosures

DIRECTORS' REPORT AND STRATEGIC REPORT

The Directors' Report and Strategic Report for the year ended 31 December 2016 comprise pages 70 to 121 and pages 1 to 69 of this report, together with the sections incorporated by reference. We have included some of the matters normally included in the Directors' Report which we consider to be of strategic importance in the Strategic Report on pages 1 to 69. Specifically these are:

- Future Business Developments on page 27; and
- Risk Information on the Use of Financial Instruments on page 158.

Disclosures in relation to Listing Rule LR 9.8.4R, where applicable, are included on pages 94 to 98 in relation to long-term incentive plans and on page 118 in relation to the dividend waiver arrangements in place for our Employee Benefit Trust.

Both the Directors' Report and Strategic Report have been presented in accordance with applicable company law, and the liabilities of the Directors in connection with those reports are subject to the limitations and restrictions provided. Other information to be disclosed in the Directors' Report is given in this section.

MANAGEMENT REPORT

The Strategic Report and the Directors' Report together include the 'management report' for the purposes of Disclosure and Transparency Rule (DTR) 4.1.8R.

2017 ANNUAL GENERAL MEETING

The Company's Annual General Meeting will be held at 11.00 am on 27 April 2017 at the Radisson Blu Hotel, 301 Argyle Street, Glasgow G2 8DL. The Notice of Meeting is available on the Shareholder information pages of our website.

DIVIDENDS

The interim dividend of 9.38 pence per Ordinary Share was paid on 30 September 2016. The Directors recommend a final dividend of 17.74 pence per Ordinary Share in respect of the year, making a total for the year of 27.12 pence per Ordinary Share (2015: 27.12 pence), payable on 24 May 2017 to Shareholders on the register at the close of business on 21 April 2017.

DIVIDEND PAYMENTS AND DRIP

In 2015, we introduced a Dividend Reinvestment Plan (DRIP) for Shareholders. This allows Shareholders to purchase additional shares in Aggreko with their dividend payment. Further information and a mandate can be obtained from our Registrars, Capita, whose details are set out on page 176 and the Shareholder information pages of our website.

SHARE CAPITAL

On 31 December 2016, the Company had in issue 256,128,201 Ordinary Shares of 4⁵²⁹/₃₉₅ pence each, 188,251,587 Deferred Shares of 9⁸⁴/₇₇₅ pence each, 18,352,057,648 Deferred Shares of 1⁷⁷⁵/₇₇₅ pence each, 182,700,915 Deferred Shares of 6¹/₂₅ pence each and 573,643,383,325 Deferred Shares of 1³⁰⁶/₁₂₅ pence each comprising 29.43%, 40.77%, 0.56%, 29.19% and 0.04% respectively of the Company's issued share capital. Details of the changes in issued share capital during the year are shown in Note 23 to the accounts on page 153.

MATERIAL SHARE INTERESTS

As at 31 December 2016, the Company had received notifications of the following major shareholdings, representing 3% or more of the voting rights attached to the issued Ordinary Share capital of the Company:

Shareholder	Number of shares	% of total voting rights
AKO Capital LLP	12,781,545	4.99
Baillie Gifford	12,584,169	4.91
The Capital Group Companies LLP	13,446,515	5.25
Deutsche Bank AG	19,458,562	7.60
Mackenzie Financial Corporation	10,255,385	4.00
Prudential Plc	9,351,326	3.65
A E H Salvesen*	7,878,044	3.08

* Including immediate family and trustee interests.

Between 31 December 2016 and 7 March 2017, the Company received the following notifications of major shareholdings.

Shareholder	Date	Number of shares	% of total voting rights
Deutsche Bank AG	03/01/2017	17,077,012	6.67
Deutsche Bank AG	15/02/2017	19,067,886	7.44
Deutsche Bank AG	23/02/2017	20,872,398	8.15
Deutsche Bank AG	27/02/2017	17,983,634	7.02
Deutsche Bank AG	28/02/2017	17,927,419	6.99

The Directors are not aware of any other material interests amounting to 3% or more in the share capital of the Company.

RIGHTS AND OBLIGATIONS ATTACHED TO SHARES

Subject to applicable statutes (in this section referred to as the Companies Acts) and to any rights conferred on the holders of any other shares, any share may be issued with or have attached to it such rights and restrictions as the Company may by ordinary resolution decide or, if no such resolution has been passed or so far as the resolution does not make specific provision, as the Board may decide.

Statutory disclosures continued

VOTING

Subject to any special terms as to voting upon which any shares may be issued or may for the time being be held and to any other provisions of the Articles of Association for the Company ('the Articles'), on a show of hands every member who is present in person or by proxy or represented by a corporate representative at a general meeting of the Company has one vote.

On a poll, every member who is present in person or by proxy or represented by a corporate representative has one vote for every share of which he or she is the holder. In the case of joint holders of a share the vote of the senior who tenders a vote, whether in person or by proxy, is accepted to the exclusion of the votes of the other joint holders and, for this purpose, seniority is determined by the order in which the names stand in the register in respect of the joint holding.

The holders of the Deferred Shares are not entitled to receive notice of any general meeting of the Company or to attend, speak or vote at any such meeting.

RESTRICTIONS ON VOTING

No member is, unless the Board otherwise decides, entitled in respect of any share held by him to vote (either personally or by proxy or by a corporate representative) at any general meeting of the Company or at any separate general meeting of the holders of any class of shares in the Company if any calls or other sums presently payable by him in respect of that share remain unpaid or if he is a person with a 0.25% interest (as defined in the Articles) and he has been served with a restriction notice (as defined in the Articles) after failure to provide the Company with information concerning interests in those shares required to be provided under the Companies Acts.

The Company is not aware of any agreement between holders of securities that may result in restrictions on voting rights.

DIVIDENDS AND OTHER DISTRIBUTIONS

Subject to the provisions of the Companies Acts, the Company may by ordinary resolution from time to time declare dividends in accordance with the respective rights of the members, but no dividend can exceed the amount recommended by the Board.

Subject to the provisions of the Companies Acts, the Board may pay such interim dividends as appear to the Board to be justified by the financial position of the Company and may also pay any dividend payable at a fixed rate at intervals settled by the Board whenever the financial position of the Company, in the opinion of the Board, justifies its payment. If the Board acts in good faith, it shall not incur any liability to the holders of any shares for any loss they may suffer in consequence of the payment of an interim or fixed dividend on any other class of shares ranking *pari passu* with or after those shares.

The Deferred Shares confer no right to participate in the profits of the Company.

On a return of capital on a winding-up (excluding any intra-Group reorganisation on a solvent basis), holders of Deferred Shares are entitled to be paid the nominal capital paid up or credited as paid up on such Deferred Shares after paying to the holders of the Ordinary Shares the nominal capital paid up or credited as paid up on the Ordinary Shares held by them respectively, together with the sum of £100,000,000 on each Ordinary Share.

The Board may deduct from any dividend or other moneys payable to a member by the Company on or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise in respect of shares of the Company. The Board may also withhold payment of all or any part of any dividends or other moneys payable in respect of the Company's shares from a person with a 0.25% interest (as defined in the Articles) if such a person has been served with a restriction notice (as defined in the Articles) after failure to provide the Company with information concerning interests in those shares required to be provided under the Companies Acts.

VARIATION OF RIGHTS

Subject to the provisions of the Companies Acts, rights attached to any class of shares may be varied either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class (excluding any shares of that class held as Treasury Shares) or with the sanction of a special resolution passed at a separate general meeting of the holders of those shares. The necessary quorum applying to any such separate general meeting is two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of the class (excluding any shares of that class held as Treasury Shares), (but at any adjourned meeting one holder present in person or by proxy (whatever the number of shares held by him) will constitute a quorum); every holder of shares of the class present in person or by proxy (excluding any shares of that class held as Treasury Shares) is entitled on a poll to one vote for every share of the class held by him (subject to any rights or restrictions attached to any class of shares) and any holder of shares of the class present in person or by proxy may demand a poll.

RESTRICTIONS ON TRANSFER OF SECURITIES IN THE COMPANY

There are no restrictions on the transfer of securities in the Company, except that:

- certain restrictions may from time to time be imposed by laws and regulations (for example, insider trading laws), in particular we operate a share dealing code which requires Directors of the Company and certain employees to obtain the approval of the Company before dealing in the Company's Ordinary Shares; and
- the Deferred Shares are not transferable except in accordance with the paragraph headed "Powers in relation to the Company issuing or buying back its own shares" below or with the written consent of the Directors.

The Company is not aware of any agreements between holders of securities that may result in restrictions on the transfer of securities.

ARTICLES OF ASSOCIATION

Our Articles are available on our website at ir.aggreko.com/investors. Unless expressly specified to the contrary in the Articles, the Articles may be amended by a special resolution of the Company's Shareholders.

APPOINTMENT AND REPLACEMENT OF DIRECTORS

The rules for the appointment and replacement of Directors are contained in the Company's Articles. They include: the number of Directors must not be less than two or more than 15, the Board may appoint any person to be a Director; any Director so appointed by the Board shall hold office only until the next general meeting and shall then be eligible for election; each Director must retire from office at the third Annual General Meeting after the Annual General Meeting at which he was last elected. However, in line with the UK Corporate Governance Code, all Directors will stand for annual election at the 2017 AGM.

A Director may be removed by special resolution of the Company. In addition, the office of a Director must be vacated if: (i) he resigns his office by notice in writing delivered to the office or tendered at a meeting of the Board; or (ii) by notice in writing he offers to resign and the Board resolves to accept such offer; or (iii) his resignation is requested by all of the other Directors and all of the other Directors are not less than three in number; or (iv) a registered medical practitioner who is treating that Director gives a written opinion to the Company stating that that Director has become physically or mentally incapable of acting as a Director and may remain so for more than three months; or (v) by reason of a Director's mental health, a court makes an order which wholly or partly prevents that Director from personally exercising any powers or rights which that Director would otherwise have; or (vi) he is absent without the permission of the Board from meetings of the Board (whether or not an alternate Director appointed by him attends) for six consecutive months and the Board resolves that his office is vacated; or (vii) he becomes bankrupt or compounds with his creditors generally; or (viii) he is prohibited by law from being a Director; or (ix) he ceases to be a Director by virtue of the Companies Acts or is removed from office pursuant to the Articles.

DIRECTORS' CONFLICTS OF INTEREST

The Company has procedures in place for monitoring and managing conflicts of interest. Should a Director become aware that they, or their connected parties, have an interest in an existing or proposed transaction with Aggreko, they should notify the Board in writing or at the next Board meeting. Directors have a continuing duty to update any changes to these conflicts.

POWERS OF THE DIRECTORS

Subject to the provisions of the Companies Acts, the Articles and to any directions given by the Company in general meeting by special resolution, the business of the Company is managed by the Board, which may exercise all the powers of the Company whether relating to the management of the business of the Company or not. In particular, the Board may exercise all the powers of the Company to borrow money and to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or any third party.

POWERS IN RELATION TO THE COMPANY ISSUING OR BUYING BACK ITS OWN SHARES

The Directors were granted authority at the last Annual General Meeting held in 2016 to allot relevant securities up to a nominal amount of £4,126,149 in connection with an offer by way of a rights issue. That authority will apply until the earlier of 30 June 2017 and the conclusion of the Annual General Meeting for 2017. At this year's Annual General Meeting, Shareholders will be asked to grant an authority to allot relevant securities up to a nominal amount of £4,126,149, such authority to apply until the end of next year's Annual General Meeting (or, if earlier, until the close of business on 30 June 2018).

A special resolution will also be proposed to renew the Directors' power to make non-pre-emptive issues for cash up to a nominal amount of £1,237,844.

The Company was also authorised at the Annual General Meeting held in 2016 to make market purchases of up to 25,612,820 Ordinary Shares. This authorisation will expire on the earlier of the conclusion of the Annual General Meeting of the Company for 2017 and 30 June 2017.

A special resolution will also be proposed at this year's Annual General Meeting to renew the Directors' authority to repurchase the Company's Ordinary Shares in the market. The authority will be limited to a maximum of 25,612,820 Ordinary Shares and sets the minimum and maximum prices which may be paid.

The Company may at any time, without obtaining the sanction of the holders of the Deferred Shares:

(a) appoint any person to execute on behalf of any holder of Deferred Shares a transfer of all or any of the Deferred Shares (and/or an agreement to transfer the same) to the Company or to such person as the Directors may determine, in any case for not more than one penny for all the Deferred Shares then being purchased from him; and

(b) cancel all or any of the Deferred Shares so purchased by the Company in accordance with the Companies Acts.

Statutory disclosures continued

SECURITIES CARRYING SPECIAL RIGHTS

No person holds securities in the Company carrying special rights with regard to control of the Company.

RIGHTS UNDER THE EMPLOYEE SHARE SCHEME

Estera Trust (Jersey) Limited, as Trustee of the Aggreko Employees' Benefit Trust, holds 0.73% of the issued share capital of the Company as at 7 March 2017 on trust for the benefit of the employees and former employees of the Group and their dependants. The voting rights in relation to these shares are exercised by the Trustee and there are no restrictions on the exercise of the voting of, or the acceptance of any offer relating to, the shares. The Trustee is obliged to waive all dividends on the shares unless requested to do otherwise by the Company in writing.

GOING CONCERN AND VIABILITY STATEMENTS

The going concern statement is included on page 132 of the financial statements.

The viability statement is included on page 61 of the Strategic Report.

CHANGE OF CONTROL

The Company has in place a number of agreements with advisers, financial institutions and customers which contain certain termination rights which would have an effect on a change of control. The Directors believe these agreements to be commercially sensitive and that their disclosure would be seriously prejudicial to the Company; accordingly, they do not intend disclosing specific details of these. In addition, all of the Company's share schemes contain provisions which in the event of a change of control, would result in outstanding options and awards becoming exercisable, subject to the rules of the relevant schemes.

There are no agreements between the Company and its Directors or employees providing for compensation for loss of office or employment that occurs because of a takeover bid.

DISCLOSURE OF INFORMATION TO THE COMPANY'S AUDITOR

In accordance with Section 418 of the Companies Act 2006 the Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information (as defined by Section 418(3) of the Companies Act 2006) of which the Company's Auditor is unaware; and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

INDEMNITY OF OFFICERS

Under Article 154 of the Articles, the Company may indemnify any Director or other officer against any liability, subject to the provisions of the Companies Acts, and the Articles grant an indemnity to the Directors against any liability for the costs of legal proceedings where judgement is given in their favour.

Under the authority conferred by Article 154, the Company has granted indemnities to Directors and officers of the Company and its subsidiaries. The indemnities do not apply to any claim which arises out of fraud, default, negligence or breach of fiduciary duty or trust by the indemnified person.

In addition, the Company may purchase and maintain for any Director or other officer, insurance against any liability. The Company maintains appropriate insurance cover against legal action brought against its Directors and officers and the Directors and officers of its subsidiaries.

EQUAL OPPORTUNITIES

Aggreko is committed to promoting equal opportunities for all, irrespective of disability, ethnic origin, gender or any other considerations that do not affect a person's ability to perform their job. Our policies for recruitment, training, career development and promotion of employees are based on the suitability of the individual and give those who are disabled equal treatment with the able bodied where appropriate. Employees disabled after joining the Group are given suitable training for alternative employment with Aggreko or elsewhere.

HUMAN RIGHTS

As we continue to grow our business in developing countries, we recognise that human rights are a concern in many regions that we operate in. We have a responsibility to all of our stakeholders, to ensure that all of our interactions with them meet or exceed the standards of compliance set out in our ethics policies, approach to equal opportunities, health and safety policies, environmental policies and grievance mechanisms, all of which are explained in detail throughout this report. We have also identified safety, emissions and talent management as matters to be considered as part of the principal risks facing the business. Whilst all these matters are linked, to a greater or lesser extent, to human rights, we prefer to address them as part of our operations, rather than as a separate issue. We continue to evaluate all potential risks and do not think that human rights present material issues for our business.

PENSIONS

The assets of the UK defined-benefit pension fund are controlled by the Directors of Aggreko Pension Scheme Trustee Limited; they are held separately from the assets of the Company and invested by independent fund managers. These segregated funds cannot be invested directly in the Company. Four trustees have been appointed by the Company and, in addition, two member-nominated trustees have been appointed. This fund was closed to new employees joining the Group after 1 April 2002; new UK employees are now offered membership of a Group Personal Pension Plan.

GREENHOUSE GAS EMISSIONS

In line with the Companies Act 2006, we are reporting on our greenhouse gas (GHG) emissions. We have used the method outlined in the GHG Protocol Corporate Accounting and Reporting Standard (revised edition), using the location-based scope 2 calculation method, together with the latest emission factors from recognised public sources including Defra, the International Energy Agency, the US Energy Information Administration, the US Environmental Protection Agency and the Intergovernmental panel on Climate Change.

TOTAL GHG EMISSIONS BY GHG PROTOCOL SCOPE

tCO ₂ e/year	2016	2015
Scope 1	15,183,091	15,486,377
Scope 2	17,209	18,987
Scope 3	2,810,623	2,849,565
Total	18,010,923	18,354,928

TOTAL GHG EMISSIONS BY FLEET/NON-FLEET

tCO ₂ e/year	2016	2015
Fleet	17,746,040	18,186,552
Non-fleet	264,883	168,376
Total	18,010,923	18,354,928

In line with previous years, the results show that 99% of GHG emissions arise from the operation of our fleet when it is out on rent. There are three main factors driving our annual GHG emissions: the fuel type our customers use; the pattern of their usage; and the fuel efficiency of the fleet.

In 2016, we emitted 18,010,923 tonnes of CO₂e, a decrease of 1.9% over 2015. In line with best practice, our GHG accounting systems include an estimate of the upstream GHG emissions associated with fuel supply chains; in 2016 this contributed 14.8% of combustion emissions, accounting for 93% of scope 3 emissions.

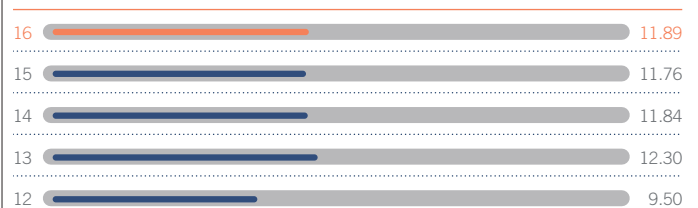
As a result of a 1.3% decrease in running hours, a recorded decrease of 2.4% in GHG emissions is reported for the Aggreko fleet in 2016. This very slight disparity is due to two factors; a small shift in the ratio of running hours from generators with low energy outputs to larger machines and a reduction of running hours associated with generators powered by HFO.

In terms of the non-fleet activities, emissions associated with company owned vehicles and business travel have decreased. Conversely, emissions from third-party vehicle use and activities on our premises have increased, with the largest increases documented in third-party road freight logistics.

The intensity ratio expresses the GHG impact per unit of physical activity or economic output, with a declining intensity ratio reflecting a positive performance improvement. In 2013, we chose Revenue Intensity as the most suitable metric for our business for then and future years.

As can be seen from the chart below, relative emissions have increased slightly, with a 1.1% increase in the emissions per thousand GBP revenue from 2015.

REVENUE INTENSITY RATIO tCO₂e/THOUSAND £



In addition, during the year we undertook an Energy Saving Opportunities Scheme (ESOS) assessment in line with the UK Environment Agency requirements and can confirm that we are compliant with the Regulations.

Statutory disclosures continued

BRANCHES

Subsidiaries of the Company have established branches in a number of different countries in which they operate.

AUDITOR

Resolutions appointing KPMG as the Company's and Group's auditor and authorising the Audit Committee to determine their remuneration will be proposed at the Annual General Meeting.

IMPORTANT EVENTS SINCE 31 DECEMBER 2016

There have been no important events affecting the Company or any subsidiary since 31 December 2016.

POLITICAL DONATIONS

No political donations were made during the financial year (2015: nil).

APPROVAL OF THE STRATEGIC REPORT AND DIRECTORS' REPORT

The Strategic Report set out on pages 1 to 69 and Director's Report set out on pages 70 to 121 were approved by the Board on 7 March 2017 and have been signed by the Company Secretary on behalf of the Board.

Peter Kennerley
Group Legal Director & Company Secretary

7 March 2017

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and the parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards), including FRS 101 'Reduced Disclosure Framework' and applicable law. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether IFRSs as adopted by the European Union and applicable UK Accounting Standards including FRS101 have been followed, subject to any material departures disclosed and explained, in the Group and parent company financial statements respectively; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors consider that the Annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for Shareholders to assess a Company's position and performance, business model and strategy.

Each of the Directors, whose names and functions are listed on pages 72 to 73 confirm that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Management Report contained in the Strategic Report and Directors' Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

By order of the Board.



Chris Weston
Chief Executive Officer



Carole Cran
Chief Financial Officer

Independent auditors' report to the members of Aggreko plc only

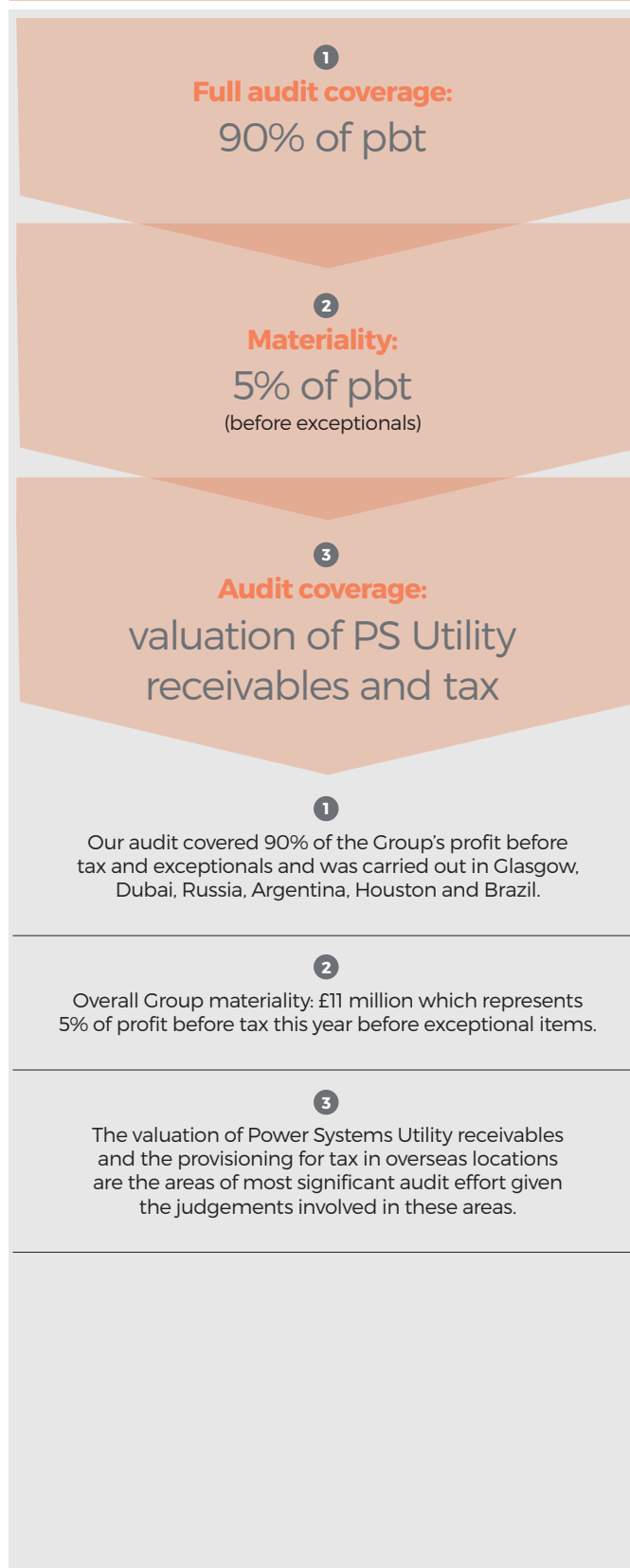
Opinions and conclusions arising from our audit

1 OUR OPINION ON THE FINANCIAL STATEMENTS IS UNMODIFIED

We have audited the financial statements of Aggreko Plc for the year ended 31 December 2016 set out on pages 126 to 175. In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2016 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with UK Accounting Standards, including FRS 101 Reduced Disclosure Framework; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the Group financial statements, Article 4 of the IAS Regulation.

A SUMMARY OF OUR APPROACH



2 OUR ASSESSMENT OF RISKS OF MATERIAL MISSTATEMENT

In arriving at our audit opinion above on the financial statements the risks of material misstatement that had the greatest effect on our audit in decreasing order of audit significance, were as follows:

The area of focus	Our approach
<p>Valuation of Power Solutions Utility overdue receivables (£261 million, 2015: £196 million):</p> <p>Refer to page 87 (Audit Committee Report), page 135 (accounting policy) and pages 136 and 148 (financial disclosures)</p> <p>The Group has significant trade receivables with customers of the Group's Power Solutions Utility business where customers operate in higher risk territories, including territories where risk of customer default (the customer often being the government) is high. In these territories, cash receipts are volatile and unpredictable, resulting in significant judgement being applied in the Group's assessment of the recoverability of these receivables.</p>	<p>Our audit procedures included testing the Group's controls over the receivables collection processes and considering the receipt of cash after the year end. We selected customers of the Power Solutions Utility business for review to ensure we covered more than 75% of the overdue amounts receivable in relation to that business at the year end. For these customers, we discussed with the Directors' experience of collections in relevant countries, sought evidence of the status of receivables from the latest communications with the relevant customer (including deposits and guarantees) where available and challenged the provisioning in light of this information, the Group's experience historically and our knowledge of in-country exposures. We also considered the adequacy of the Group's disclosures in this area.</p>
<p>Taxation provisions for significant potential or contentious tax assessments (£39 million, 2015: £61 million):</p> <p>Refer to page 87 (Audit Committee Report), page 134 (accounting policy) and pages 136 and 143 (financial disclosures)</p> <p>Accruals for tax contingencies require the Directors to make judgements and estimates in relation to tax risks. This is one of the key judgemental areas that our audit is concentrated on due to the Group operating in a certain tax jurisdictions and the complexities and uncertainties of local and international tax legislation.</p> <p>The tax matters are at various stages, from preliminary discussions with tax authorities through to tax tribunal or court proceedings where the matters can take many years to resolve. The risk to the financial statements is that the eventual resolution of a matter with tax authorities is at an amount materially different to the accrual.</p>	<p>Our audit procedures included:</p> <p>Together with our own tax specialists, we considered any large or unusual items affecting the effective tax rate and whether or not any current year items would indicate a requirement for further accruals.</p> <p>In considering the judgements and estimates of tax accruals, we used our own tax specialists including local tax team input where necessary to assess and challenge the Group's tax positions. This included the assessment of its correspondence with the relevant tax authorities, the Group's external tax advisers and third parties. We also used our knowledge and experience of the application of the international and local legislation by the relevant authorities and courts in order to challenge the positions taken by the Directors.</p> <p>We also analysed and challenged through our use of tax specialists with knowledge of the specific tax regimes in question the assumptions used to determine the tax accruals and tested the accuracy of calculations.</p> <p>We have also considered the adequacy of the Group's tax disclosures.</p>

Independent auditors' report

3 OUR APPLICATION OF MATERIALITY AND AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Materiality for the Group financial statements as a whole was set at £11 million. Materiality is determined with reference to a benchmark of Group profit before tax, normalised to exclude the exceptional items. Our materiality was based on profit before tax and exceptional items of £221 million, of which it represents 5%. We have chosen profit before tax before exceptional items because it excludes the non-recurring distorting impact of exceptional items such as reorganisation costs and impairment charges.

We reported to the Audit Committee any corrected or uncorrected misstatements identified exceeding £500,000, in addition to any other identified misstatements that warranted reporting on qualitative grounds. This level was selected and agreed with the Audit Committee as, given the nature and scale of operations, adjustments under this level were not deemed to be of specific interest to them.

The Group audit team instructed component auditors in Argentina, Brazil, and Russia as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. In addition, the Group audit team instructed audit teams in Dubai and Singapore to complete aspects of work in support of the work the Group team completed in the US and UK over the most significant components. We completed specific risk focused audit procedures over revenue at one component in Mozambique. The Group audit team approved the component materialities, which were set in the range from £7 million to £9 million, having regard to the mix of size and risk profile of the Group across the components. The Group team performed procedures on the items excluded from Group profit before tax and exceptional items. The components not included were not individually financially significant enough to require an audit for Group reporting purposes, and did not present specific individual risks that needed to be addressed.

The Group audit team visited the component location in Dubai, including to assess the audit risk and strategy. Telephone calls were also held with the component auditors in Argentina, Brazil, Dubai and Russia. On these calls, the findings reported to the Group audit team were discussed in more detail, and any further work required by the Group audit team was then performed by the component auditor as relevant. The Group team remotely reviewed the work completed by the team in Dubai.

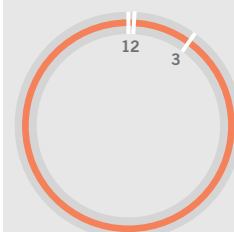
SCOPING OF OUR AUDIT

% Revenue by scope



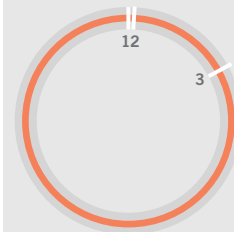
	%
1 Specific risk focused audit procedures over revenue	3
2 Scoped out of our audit	25
3 Full audit	72

% Profit before tax by scope



	%
1 Specific risk focused audit procedures over revenue	1
2 Scoped out of our audit	9
3 Full audit	90

% Net assets by scope



	%
1 Specific risk focused audit procedures over revenue	1
2 Scoped out of our audit	16
3 Full audit	83

The remaining 25% of total Group revenue, 9% of Group profit before tax and 16% of total Group assets is represented by a number of reporting components, none of which individually represented more than 4% of any of total Group revenue, Group profit before tax or total Group assets.

4 OUR OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006 IS UNMODIFIED

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic Report and the Directors' Report for the financial year is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic Report and the Directors' Report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

5 WE HAVE NOTHING TO REPORT ON THE DISCLOSURES OF PRINCIPAL RISKS

Based on the knowledge we acquired during our audit, we have nothing material to add or draw attention to in relation to:

- the Directors' statement of risk factors that could affect financial performance on page 61, concerning the principal risks, their management, and, based on that, the Directors' assessment and expectations of the Group's continuing in operation over the three years to 2019; or
- the disclosures in Note 1 of the financial statements concerning the use of the going concern basis of accounting.

6 WE HAVE NOTHING TO REPORT IN RESPECT OF THE MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the annual report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our audit and the Directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Group's position and performance, business model and strategy; or
- the Audit Committee Report does not appropriately address matters communicated by us to the audit committee.

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the Directors' Statements, set out on pages 132 and 61, in relation to going concern and longer-term viability; and
- the part of the Corporate Governance Statement on pages 70 to 83 relating to the Company's compliance with the 11 provisions of the 2014 UK Corporate Governance Code specified for our review.

We have nothing to report in respect of the above responsibilities.

Scope and responsibilities

As explained more fully in the Directors' Responsibilities Statement set out on page 121, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate. This report is made solely to the Company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at www.kpmg.com/uk/auditscopeukco2014a, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.



John Luke

(Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
319 St Vincent Street
Glasgow
G2 5AS

Group income statement

For the year ended 31 December 2016

	Notes	Total before exceptional items 2016 £ million	Exceptional items (Note 7) 2016 £ million	2016 £ million	Total before exceptional items 2015 £ million	Exceptional items 2015 £ million	2015 £ million
Revenue	4	1,515	-	1,515	1,561	-	1,561
Cost of sales		(664)	(30)	(694)	(676)	(1)	(677)
GROSS PROFIT		851	(30)	821	885	(1)	884
Distribution costs		(430)	-	(430)	(429)	(4)	(433)
Administrative expenses		(182)	(19)	(201)	(186)	(21)	(207)
Other income	2	9	-	9	5	-	5
OPERATING PROFIT	4	248	(49)	199	275	(26)	249
Net finance costs	9						
- Finance cost		(29)	-	(29)	(25)	-	(25)
- Finance income		2	-	2	2	-	2
PROFIT BEFORE TAXATION	5	221	(49)	172	252	(26)	226
Taxation	10	(63)	16	(47)	(69)	5	(64)
Profit for the year		158	(33)	125	183	(21)	162

All profit for the year is attributable to the owners of the Company.

Basic earnings per share (pence)	12	61.98	(13.10)	48.88	71.73	(8.24)	63.49
Diluted earnings per share (pence)	12	61.95	(13.09)	48.86	71.68	(8.23)	63.45

Group statement of comprehensive income

For the year ended 31 December 2016

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

Group balance sheet (Company number: SC177553)

As at 31 December 2016

	Notes	2016 £ million	2015 £ million
NON-CURRENT ASSETS			
Goodwill	13	159	118
Other intangible assets	30.A2	24	16
Property, plant and equipment	15	1,309	1,139
Deferred tax asset	22	51	30
		1,543	1,303
CURRENT ASSETS			
Inventories	16	247	189
Trade and other receivables	17	656	476
Cash and cash equivalents	3	44	48
Derivative financial instruments	30.A4	1	1
Current tax assets		20	33
		968	747
TOTAL ASSETS		2,511	2,050
CURRENT LIABILITIES			
Borrowings	18	(60)	(31)
Derivative financial instruments	30.A4	(2)	(1)
Trade and other payables	20	(299)	(259)
Current tax liabilities		(58)	(64)
Provisions	21	(1)	(8)
		(420)	(363)
NON-CURRENT LIABILITIES			
Borrowings	18	(633)	(506)
Derivative financial instruments	30.A4	(5)	(6)
Deferred tax liabilities	22	(55)	(58)
Retirement benefit obligation	30.A5	(30)	(2)
		(723)	(572)
TOTAL LIABILITIES		(1,143)	(935)
Net assets		1,368	1,115
SHAREHOLDERS' EQUITY			
Share capital	23	42	42
Share premium		20	20
Treasury shares	24	(14)	(9)
Capital redemption reserve		13	13
Hedging reserve (net of deferred tax)		(3)	(4)
Foreign exchange reserve		71	(149)
Retained earnings		1,239	1,202
Total Shareholders' equity		1,368	1,115

The financial statements on pages 126 to 168 were approved by the Board of Directors on 7 March 2017 and signed on its behalf by:



K Hanna
Chairman



C Cran
Chief Financial Officer

Group cash flow statement

For the year ended 31 December 2016

	Notes	2016 £ million	2015 £ million
OPERATING ACTIVITIES			
Profit for the year		125	162
Adjustments for:			
Exceptional items	7	19	26
Exceptional - impairment charge	7	30	-
Tax		47	64
Depreciation		281	277
Amortisation of intangibles		4	4
Finance income		(2)	(2)
Finance cost		29	25
Profit on sale of PPE	2	(9)	(5)
Share-based payments (i)		6	6
Changes in working capital (excluding the effects of exchange differences on consolidation):			
Increase in inventories		(21)	(25)
Increase in trade and other receivables		(81)	(29)
Decrease in trade and other payables		(17)	(26)
Cash flows relating to exceptional items		(23)	(16)
Cash generated from operations		388	461
Tax paid		(64)	(91)
Interest received		2	2
Interest paid		(28)	(26)
Net cash generated from operating activities		298	346
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions (net of cash acquired)	29	(22)	(18)
Purchases of property, plant and equipment (PPE)		(263)	(254)
Purchase of other intangible assets		(5)	-
Proceeds from sale of PPE	2	23	17
Net cash used in investing activities		(267)	(255)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from issue of Ordinary Shares		-	2
Increase in long-term loans		393	454
Repayment of long-term loans		(373)	(452)
Net movement in short-term loans		18	(11)
Dividends paid to Shareholders		(69)	(69)
Return of capital to Shareholders		-	(1)
Purchase of treasury shares		(8)	-
Net cash used in financing activities		(39)	(77)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of the year		32	26
Exchange gain/(loss) on cash and cash equivalents		1	(8)
Cash and cash equivalents at end of the year	3	25	32

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

Reconciliation of net cash flow to movement in net debt

For the year ended 31 December 2016

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

Group statement of changes in equity

For the year ended 31 December 2016

As at 31 December 2016

	Attributable to equity holders of the Company								
	Notes	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 2016		42	20	(9)	13	(4)	(149)	1,202	1,115
Profit for the year		-	-	-	-	-	-	125	125
Other comprehensive (loss)/income:									
Transfers from hedging reserve to fixed assets		-	-	-	-	(3)	-	-	(3)
Fair value gains on foreign currency cash flow hedge		-	-	-	-	3	-	-	3
Fair value gains on interest rate swaps		-	-	-	-	1	-	-	1
Currency translation differences (i)		-	-	-	-	-	220	-	220
Remeasurement of retirement benefits (net of tax)		-	-	-	-	-	-	(24)	(24)
Total comprehensive income for the year ended 31 December 2016		-	-	-	-	1	220	101	322
Transactions with owners:									
Purchase of treasury shares		-	-	(8)	-	-	-	-	(8)
Employee share awards	30.A5	-	-	-	-	-	-	8	8
Issue of Ordinary Shares to employees under share option schemes		-	-	3	-	-	-	(3)	-
Dividends paid during 2016	11	-	-	-	-	-	-	(69)	(69)
		-	-	(5)	-	-	-	(64)	(69)
Balance at 31 December 2016		42	20	(14)	13	(3)	71	1,239	1,368

(i) Included in currency translation differences of the Group are exchange losses of £117 million arising on borrowings denominated in foreign currencies designated as hedges of net investments overseas, and exchange gains of £337 million relating to the translation of overseas results and net assets. The currency translation difference is explained in the Financial Review on page 44.

As at 31 December 2015

	Attributable to equity holders of the Company								
	Notes	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 2015		42	20	(14)	13	(4)	(81)	1,102	1,078
Profit for the year		-	-	-	-	-	-	162	162
Other comprehensive (loss)/income:									
Transfers from hedging reserve to revenue		-	-	-	-	(3)	-	-	(3)
Fair value gains on foreign currency cash flow hedge		-	-	-	-	2	-	-	2
Fair value gains on interest rate swaps		-	-	-	-	1	-	-	1
Currency translation differences (i)		-	-	-	-	-	(68)	-	(68)
Remeasurement of retirement benefits (net of tax)		-	-	-	-	-	-	3	3
Total comprehensive (loss)/income for the year ended 31 December 2015		-	-	-	-	-	(68)	165	97
Transactions with owners:									
Employee share awards		-	-	-	-	-	-	8	8
Issue of Ordinary Shares to employees under share option schemes		-	-	5	-	-	-	(3)	2
Return of capital to Shareholders		-	-	-	-	-	-	(1)	(1)
Dividends paid during 2015	11	-	-	-	-	-	-	(69)	(69)
		-	-	5	-	-	-	(65)	(60)
Balance at 31 December 2015		42	20	(9)	13	(4)	(149)	1,202	1,115

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

Notes to the Group accounts

For the year ended 31 December 2016

1 ACCOUNTING POLICIES

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.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

Basis of preparation

The Group financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (EU IFRS), IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under EU IFRS. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and financial liabilities (including derivative instruments) at fair value.

The preparation of financial statements in conformity with EU IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of the revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

Adjusted measures

The Directors assess the performance of the Group and its reportable segments based on 'adjusted measures'. These measures are used for internal performance management and are believed to be most appropriate for explaining underlying performance to users of the accounts including Shareholders of the Company and other stakeholders. The adjusted measures in relation to profit exclude exceptional items. These exceptional items are explained on pages 133 and 142. In comparing performance year on year we also exclude the impact of currency and pass-through fuel. The Group reports separately fuel revenue from contracts in our Power Solutions Utility business in Brazil and Mozambique where we manage fuel on a pass-through basis on behalf of our customers. The reason for the separate reporting is that fuel revenue on these contracts is entirely dependent on fuel prices and volumes of fuel consumed, and these can be volatile and may distort the view of the performance of the underlying business.

Going concern

The Directors are confident that it is appropriate for the going concern basis to be adopted in preparing the financial statements for the foreseeable future. The Group balance sheet shows consolidated net assets of £1,368 million (2015: £1,115 million) and the Company has sufficient reserves to continue making dividend payments. Whilst the net debt increased in the year to £649 million (2015: £489 million), there is a headroom under our committed facilities of £402 million at the year end. £114 million of the increase in net debt relates to currency movements. More detail is contained on page 136 on liquidity, funding and capital management.

Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

There are no new IFRSs or IFRICs that are effective for the first time this year that have a material impact on the Group.

(b) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2016 and not early adopted

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018. The Group has substantially completed its assessment of the impact of this standard and the main changes we expect from adopting IFRS 15 are:

- Mobilisation costs will be amortised over the contract period instead of being recognised as incurred as equipment is mobilised before power is produced. Demobilisation costs, if they can be measured reliably, will also be amortised over the contract period instead of being recognised as incurred at the end of the contract. There is a difference in the definition of contract period for mobilisation costs and demobilisation costs. In the former the contract period is re-assessed for agreed extensions. In the latter the contract period is re-assessed if there is a high probability of an extension however it doesn't need to be agreed with the customer.
- Mobilisation and demobilisation income (where timing is specifically stipulated in the contract in order to match the timing of associated costs) will be recognised during the period of provision of power.
- Judgement will be required around whether there is any restriction in recognising variable revenue due to penalty clauses in the contracts, however the probability of this is small.
- On some contracts there may be more than one performance obligation, however we expect the impact of this to be small.

1 ACCOUNTING POLICIES CONTINUED

IFRS 9, 'Financial instruments' addresses the classification, measurement and recognition of financial assets and liabilities. The standard is effective for accounting periods beginning on or after 1 January 2018. We do not expect this standard to have a material impact on the Group.

IFRS 16, 'Leases' applies to annual periods beginning on or after 1 January 2019. IFRS 16 requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The Group will assess the impact of IFRS 16 closer to the implementation date, however the main impact is expected to be the recognition of up to £92 million of operating leases (refer to Note 26) as right of use assets with a corresponding liability. This standard has not yet been endorsed by the EU.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

Basis of consolidation

The Group financial statements consolidate the financial statements of Aggreko plc and all its subsidiaries for the year ended 31 December 2016. Subsidiaries are those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition related costs are expensed as incurred. Identifiable assets and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Revenue recognition

Revenue for the Group represents the amounts earned from the supply of temporary power, temperature control, oil-free compressed air and related services and excludes sales taxes and intra-Group revenue. Revenue can comprise a fixed rental charge and a variable charge related to the usage of assets or other services (including pass-through fuel). The Group earns a fixed charge on certain contracts by providing agreed levels of power generation capacity to the customer and this is recognised when availability criteria in the contract are met. Variable charges are earned as the Group provides power or rental and associated services in accordance with contractual arrangements and are recognised as the power is produced or the service is provided. Revenue is accrued or deferred at the balance sheet date depending on the period covered by the most recent invoice issued and the contractual terms.

If contracts do not contain specific clauses for mobilisation and demobilisation costs then mobilisation costs are recognised as incurred as equipment is mobilised before power is produced and demobilisation costs are recognised as incurred at the end of the contract. If contracts contain a specific clause for mobilisation and demobilisation then the revenue and costs are matched.

Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the plc Board of Directors.

Aggreko has two business units: Rental Solutions and Power Solutions. Within Power Solutions we serve both Utility and Industrial customers. Aggreko therefore has three segments comprising: Rental Solutions, Power Solutions – Industrial and Power Solutions – Utility. A description of these business units is contained on pages 5 and 19. This is reflected by the Group's divisional management and organisational structure and the Group's internal financial reporting systems.

Central administrative costs are allocated between segments based on revenue.

Exceptional items

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. To monitor our financial performance we use a profit measure that excludes exceptional items. We exclude these items because, if included, these items could distort understanding of our performance for the year and comparability between periods. The income statement has been presented in a columnar format, which separately highlights exceptional items. This is intended to enable users of the financial statements to determine more readily the impact of exceptional items on the results of the Group.

These costs are explained in Note 7 to the Accounts.

Property, plant and equipment

Property, plant and equipment is carried at cost less accumulated depreciation and impairment losses. Cost includes purchase price, and directly attributable costs of bringing the asset into the location and condition where it is capable for use. Borrowing costs are not capitalised since the assets are assembled over a short period of time.

Freehold properties are depreciated on a straight-line basis over 25 years. Short leasehold properties are depreciated on a straight-line basis over the terms of each lease.

Other property, plant and equipment are depreciated on a straight-line basis at annual rates estimated to write off the cost of each asset over its useful life from the date it is available for use. Assets in the course of construction are not depreciated. Non-rental fleet assets which are contract specific are depreciated over the life of the contract. The periods of depreciation are reviewed on an annual basis and the principal periods used are as follows:

Rental fleet	8 to 12 years
Vehicles, plant and equipment	4 to 15 years

During this year, the depreciation life for transformers/switchgears was increased to 12 years from 8 years to reflect external views on the useful life of these assets, equipment testing carried out internally and our experience to date. This lowered depreciation by £12 million in the year 31 December 2016 compared to 2015.

Notes to the Group accounts

For the year ended 31 December 2016

1 ACCOUNTING POLICIES CONTINUED

Intangibles

Intangible assets acquired as part of a business combination are capitalised, separately from goodwill, at fair value at the date of acquisition if the asset is separable or arises from contractual or legal rights and its fair value can be measured reliably. Amortisation is calculated on a straight-line method to allocate the fair value at acquisition of each asset over their estimated useful lives as follows: customer relationships: 10 years; non-compete agreements: over the life of the non-compete agreements.

The useful life of intangible assets is reviewed on an annual basis.

Goodwill

On the acquisition of a business, fair values are attributed to the net assets acquired. Goodwill arises where the fair value of the consideration given for a business exceeds the fair value of such assets. Goodwill arising on acquisitions is capitalised and is subject to impairment reviews, both annually and when there are indicators that the carrying value may not be recoverable.

For the purpose of the impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, then the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

An impairment loss recognised for goodwill is not reversed in a subsequent period. Any impairment of goodwill is recognised immediately in the income statement.

Research and development costs

All research expenditure is charged to the income statement in the period in which it is incurred.

Development expenditure is charged to the income statement in the period in which it is incurred unless it relates to the development of a new product or technology and it is incurred after the technical feasibility and commercial viability of the product has been proven, the development cost can be measured reliably, future economic benefits are probable and the Group intends, and has sufficient resources to complete the development and to use or sell the assets. Any such capitalised development expenditure is amortised on a straight-line basis so that it is charged to the income statement over the expected useful life of the resulting product or technology, which is currently deemed to be between three to six years.

Impairment of property, plant and equipment and other intangible assets (excluding goodwill)

Property, plant and equipment and other intangible assets are amortised/depreciated and reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Value in use is calculated using estimated cash flows. These are discounted using an appropriate long-term pre-tax interest rate. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Foreign currencies

Items included in the financial statements for each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (functional currency). The Group's consolidated financial statements are presented in Sterling, which is the Group's presentational currency.

At individual Company level, transactions denominated in foreign currencies are translated at the rate of exchange on the day the transaction occurs. Assets and liabilities denominated in foreign currency are translated at the exchange rate ruling at the balance sheet date. Non-monetary assets are translated at the historical rate. In order to hedge its exposure to certain foreign exchange risks, the Group enters into forward contracts and foreign currency options.

On consolidation, assets and liabilities of subsidiary undertakings are translated into Sterling at closing rates of exchange. Income and cash flow statements are translated at average rates of exchange for the period. Gains and losses from the settlement of transactions and gains and losses on the translation of monetary assets and liabilities denominated in other currencies are included in the income statement.

Derivative financial instruments

This accounting policy is included in Note 30 – Notes to the Group Accounts – appendices.

Taxation

Deferred tax

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill, negative goodwill nor from the acquisition of an asset, which does not affect either taxable or accounting income. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred tax is charged or credited in the income statement, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

1 ACCOUNTING POLICIES CONTINUED

Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Provision for income taxes, mainly withholding taxes, which could arise on the remittance of retained earnings, principally relating to subsidiaries, is only made where there is a current intention to remit such earnings.

Current tax

The charge for current tax is based on the results for the year as adjusted for items, which are non-assessable or disallowed. It is calculated using taxation rates that have been enacted or substantially enacted by the balance sheet date.

Inventories

Inventories are valued at the lower of cost and net realisable value, using the weighted average cost basis. Cost of raw materials, consumables and work in progress includes the cost of direct materials and, where applicable, direct labour and those overheads that have been incurred in bringing the inventories to their present location and condition.

Inventory is written down on a case by case basis if the anticipated net realisable value declines below the carrying amount of the inventories or to take account of inventory losses. Net realisable value is the estimated selling price less cost to completion and selling expenses. When the reasons for a write-down of the inventory have ceased to exist, the write-down is reversed.

Employee benefits

Wages, salaries, social security contributions, paid annual leave and sick leave, bonuses and non-monetary benefits are accrued in the year in which the associated services are rendered by the employees of the Group. Where the Group provides long-term employee benefits, the cost is accrued to match the rendering of the services by the employees concerned.

The Group operates a defined benefit pension scheme and a number of defined contribution pension schemes. The cost for the year for the defined benefit scheme is determined using the attained age method with actuarial updates to the valuation being carried out at each balance sheet date. Remeasurements are recognised in full, directly in retained earnings, in the period in which they occur and are shown in the statement of comprehensive income. The current service cost of the pension charge, interest income on scheme assets, interest on pension scheme liabilities and administrative expenses are included in arriving at operating profit.

The retirement benefit obligation recognised in the balance sheet is the present value of the defined benefit obligation at the balance sheet date less the fair value of the scheme assets. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using interest rates of high-quality corporate bonds.

Contributions to defined contribution pension schemes are charged to the income statement in the period in which they become chargeable.

Trade receivables

Trade receivables are recognised initially at fair value (which is the same as cost). An impairment is recorded for the difference between the carrying amount and the recoverable amount where there is objective evidence that the Group will not be able to collect all amounts due. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default, or large and old outstanding balances, particularly in countries where the legal system is not easily used to enforce recovery, are considered indicators that the trade receivable is impaired. When a trade receivable is uncollectible it is written off against the provision for impairment of trade receivables.

Trade payables

Trade payables are recognised initially at fair value (which is the same as cost).

Provisions

Provisions are recognised where a legal or constructive obligation has been incurred which will probably lead to an outflow of resources that can be reasonably estimated. Provisions are recorded for the estimated ultimate liability that is expected to arise, taking into account the time value of money where material.

As at 31 December 2016, provisions totalled £1 million (2015: £8 million) and they relate to the Group business priorities implementation. The provisions are generally in respect of employee related costs. These provisions are detailed in Note 21.

A contingent liability is disclosed where the existence of the obligation will only be confirmed by future events, or where the amount of the obligation cannot be measured with reasonable reliability. Contingent assets are not recognised, but are disclosed where an inflow of economic benefits is probable.

Share-based payments

This accounting policy is included in Note 30 – Notes to the Group Accounts – appendices.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits with a maturity of three months or less and short-term overdrafts.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds, net of transaction costs, and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest rate.

Notes to the Group accounts

For the year ended 31 December 2016

1 ACCOUNTING POLICIES CONTINUED

Key assumptions, estimations and significant judgements

The Group uses estimates and makes judgements in the preparation of its Accounts. The most sensitive areas affecting the Accounts are discussed below.

Trade receivables

The trade receivables accounting policy is on page 135.

The approach to exercising judgement in this area is to consider each significant debtor and customer individually, within the relevant environment to which it relates, taking into account a number of factors, in accordance with accounting standards.

The majority of the contracts the Group enters into are small relative to the size of the Group and, if a customer fails to pay a debt, this is dealt with in the normal course of business. However, some of the contracts the Group undertakes in developing countries are very large, and are in jurisdictions where payment practices can be unpredictable. The Group monitors the risk profile and debtor position of all such contracts regularly, and deploys a variety of techniques to mitigate the risks of delayed or non-payment; these include securing advance payments and guarantees. As a result of the rigorous approach to risk management, historically the Group has had a low level of bad debt write-offs although the risk of a major default is high. When a trade receivable is uncollectable it is written off against the provision for impairment of trade receivables. At 31 December 2016, the provision for impairment of trade receivables in the balance sheet was £67 million (2015: £64 million). More detail can be found in the financial review on page 48 and in Note 17 to the Accounts.

Taxation

Aggreko's tax charge is based on the profit for the year and the applicable tax rates in force at the balance sheet date. As well as corporation tax, Aggreko is subject to indirect taxes such as sales and employment taxes across the tax jurisdictions in which the Group operates. The varying nature and complexity of the tax laws requires the Group to review its tax positions and make appropriate judgements at the balance sheet date. Due to the uncertain nature of the tax environment in many of the countries in which we operate, it can take some time to settle our tax position. We therefore create appropriate tax provisions for significant potential or contentious tax positions and these are measured using the most likely outcome method. Provisions are considered on an individual basis.

As at 31 December 2016, we had tax provisions totalling £39 million of which £37 million is in respect of direct taxes and £2 million for indirect taxes (2015: £61 million, £48 million for direct and £13 million for indirect taxes). Principally the uncertain direct tax items relate to potential historic tax exposures largely in connection with long running contracts in our Power Solutions business, an ongoing dispute in Asia following a change in interpretation of legislation and various potential transfer pricing risks faced by the Group on challenges from various tax authorities as to the basis on which we transact internationally across the Group.

Due to the uncertainty associated with such tax positions, it is possible that at a future date, on conclusion of these open tax positions, the final outcome may vary significantly. Whilst a range of outcomes is reasonably possible, based on management's historic experience of these issues, we believe a likely range of outcomes is additional liabilities of up to £10 million and a reduction in liabilities of around £15 million. The range of sensitivities depends upon quantification of the liability, risk of technical error and difference in approach taken by tax authorities in different jurisdictions. In addition, the recognition of deferred tax assets is dependent upon an estimation of future taxable profits available against which deductible temporary differences can be utilised.

Other areas of judgement and consideration

IFRIC 4 'Determining whether an arrangement constitutes a lease'

The Directors have considered the requirements of IFRIC 4 'Determining whether an arrangement constitutes a lease'. IFRIC 4 requires that any arrangement that is dependent on the use of a specific asset or assets; and that conveys a right to use the asset is accounted for as a lease. The Directors have concluded that none of the Group's contracts are dependent on the use of a specific asset or assets.

Hyperinflationary environments

The Group operates in Venezuela which is considered a hyperinflationary environment. The Group does not consider that the provisions of IAS 29 'Financial Reporting in Hyperinflationary Economies' apply to the Group's operations in Venezuela as the functional currency of the Venezuelan operation is US Dollars.

Financial risk management

Financial risk factors

The Group's operations expose it to a variety of financial risks that include liquidity, the effects of changes in foreign currency exchange rates, interest rates and credit risk. The Group has a centralised treasury operation whose primary role is to ensure that adequate liquidity is available to meet the Group's funding requirements as they arise, and that financial risk arising from the Group's underlying operations is effectively identified and managed.

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

Liquidity, funding and capital management

The intention of Aggreko's strategy is to deliver long-term value to its Shareholders whilst maintaining a balance sheet structure that safeguards the Group's financial position through economic cycles. Total capital is equity as shown in the Group balance sheet.

1 ACCOUNTING POLICIES CONTINUED

Given the proven ability of the business to fund organic growth from operating cash flows, and the nature of our business model, we believe it is sensible to run the business with a modest amount of debt. We say 'modest' because we are strongly of the view that it is unwise to run a business which has high levels of operational gearing with high levels of financial gearing. Given the above considerations, we believe that a Net Debt to EBITDA ratio of around one times is appropriate for the Group over the longer term. This is well within our covenants to lenders which stand at three times Net Debt to EBITDA.

At the end of 2016, Net Debt to EBITDA was 1.2 times (31 December 2015: 0.9 times).

The Group maintains sufficient facilities to meet its normal funding requirements over the medium term. At 31 December 2016, these facilities totalled £1,035 million in the form of committed bank facilities arranged on a bilateral basis with a number of international banks and private placement notes. The financial covenants attached to these facilities are that EBITDA should be no less than four times interest and net debt should be no more than three times EBITDA; at 31 December 2016, these stood at 20 times and 1.2 times respectively. The Group does not expect to breach these covenants in the year from the date of approval of these financial statements. The Group expects to be able to arrange sufficient finance to meet its future funding requirements. It has been the Group's custom and practice to refinance its facilities in advance of their maturity dates, providing that there is an ongoing need for those facilities. Net debt amounted to £649 million at 31 December 2016 and, at that date, undrawn committed facilities were £402 million. The maturity profile of the borrowings is detailed in Note 18 in the Annual Report and Accounts.

Interest rate risk

The Group's policy is to manage the exposure to interest rates by ensuring an appropriate balance of fixed and floating rates. At 31 December 2016, £385 million of the net debt of £649 million was at fixed rates of interest resulting in a fixed to floating rate net debt ratio of 59:41 (2015: 66:34). The Group monitors its interest rate exposure on a regular basis by applying forecast interest rates to the Group's forecast net debt profile after taking into account its existing hedges. The Group also calculates the impact on profit and loss of a defined interest rate shift for all currencies. Based on the simulations performed, the impact on profit or loss of a +/- 100 basis-point shift, after taking into account existing hedges, would be £3 million (2015: £2 million). The sensitivity analysis is performed on a monthly basis and is reported to the Board.

Foreign exchange risk

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

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

The positive impact of currency increased our revenues by £122 million (2015: £22 million) and operating profit by £1 million (2015: £6 million) for the year ended 31 December 2016. The Group monitors the impact of exchange closely and regularly carries out sensitivity analysis. For every 5% movement in the US Dollar to GBP exchange rate there is an approximate impact of £4 million (2015: £7 million) in operating profit in terms of translation.

Currency translation also gave rise to a £220 million increase in reserves as a result of year on year movements in the exchange rates (2015: decrease of £68 million). For every 5% movement in the Dollar, there is an approximate impact in equity of £25 million (2015: £23 million) arising from the currency translation of external borrowings which are being used as a net investment hedge. However, this will be offset by a corresponding movement in the equity of the net investment being hedged.

The principal exchange rates which impact the Group's profit and net assets are set out in the Financial Review on page 44.

Credit risk

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

Management of trade receivables

The management of trade receivables is the responsibility of the operating units, although they report monthly to Group on debtor days, debtor ageing and significant outstanding debts. At an operating unit level a credit rating is normally established for each customer based on ratings from external agencies. Where no ratings are available, cash in advance payment terms are often established for new customers. Credit limits are reviewed on a regular basis. Some of the contracts undertaken in our Power Solutions Utility business are substantial, and are in jurisdictions where payment practices can be unpredictable. The Group monitors the risk profile and debtor-position of all such contracts regularly, and deploys a variety of techniques to mitigate the risks of delayed or non-payment; these include securing advance payments, bank guarantees and various types of insurance. On the largest contracts, all such arrangements are approved at Group level. Contracts are reviewed on a case by case basis to determine the customer and country risk.

Insurance

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

Notes to the Group accounts

For the year ended 31 December 2016

2 PROCEEDS FROM SALE OF PROPERTY, PLANT AND EQUIPMENT

In the cash flow statement, proceeds from sale of PPE comprise:

	2016 £ million	2015 £ million
Net book amount	14	12
Profit on sale of PPE	9	5
Proceeds from sale of PPE	23	17

Profit on sale of PPE is shown within other income in the income statement.

3 CASH AND CASH EQUIVALENTS

	2016 £ million	2015 £ million
Cash at bank and in hand	43	29
Short-term bank deposits	1	19
Bank overdrafts (Note 18)	(19)	(16)
Cash and cash equivalents	25	32

The effective interest rate on short-term bank deposits was 7% (2015: 29%); these deposits have a maturity of less than 90 days. Cash is only held in banks which have been approved by Group Treasury.

Cash and bank overdrafts include the following for the purposes of the cash flow statement:

	2016 £ million	2015 £ million
Cash and cash equivalents	44	48
Bank overdrafts (Note 18)	(19)	(16)
	25	32

4 SEGMENTAL REPORTING

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

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

4 SEGMENTAL REPORTING CONTINUED

(A) Revenue by segment

	External revenue	
	2016 £ million	2015 Restated £ million
Power Solutions		
Industrial	262	267
Utility	624	676
	886	943
Rental Solutions	629	618
Group	1,515	1,561

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

(B) Profit by segment

	Trading profit		Gain on sale of PPE		Operating profit	
	2016 £ million	2015 Restated £ million	2016 £ million	2015 £ million	2016 £ million	2015 Restated £ million
Power Solutions						
Industrial	31	40	1	1	32	41
Utility	158	130	6	2	164	132
	189	170	7	3	196	173
Rental Solutions	50	100	2	2	52	102
Operating profit pre-exceptional items	239	270	9	5	248	275
Exceptional items (Note 7)					(49)	(26)
Operating profit post-exceptional items					199	249
Finance costs – net					(27)	(23)
Profit before taxation					172	226
Taxation					(47)	(64)
Profit for the year					125	162

(C) Depreciation and amortisation by segment

	Before exceptional charges	Impairment charges (Note 7)	Total	2015 Restated £ million
	2016 £ million	2016 £ million	2016 £ million	
Power Solutions				
Industrial	63	–	63	61
Utility	127	–	127	134
	190	–	190	195
Rental Solutions	95	30	125	86
Group	285	30	315	281

Notes to the Group accounts

For the year ended 31 December 2016

4 SEGMENTAL REPORTING CONTINUED

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

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

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

(E) Assets/(liabilities) by segment

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

(F) Average number of employees by segment

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

4 SEGMENTAL REPORTING CONTINUED

(G) Geographical information

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

Non-current assets exclude Deferred tax.

(H) Reconciliation of net operating assets to net assets

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

5 PROFIT BEFORE TAXATION

The following items have been included in arriving at profit before taxation:

	2016 £ million	2015 £ million
Staff costs (Note 8)	355	331
Cost of inventories recognised as an expense (included in cost of sales)	91	91
Depreciation of property, plant and equipment	281	277
Impairment of property, plant and equipment	30	-
Amortisation of intangibles (included in administrative expenses)	4	4
Gain on disposal of property, plant and equipment	(9)	(5)
Trade receivables impairment (included in administrative expenses)	5	14
Operating lease rentals payable	38	37

Notes to the Group accounts

For the year ended 31 December 2016

6 AUDITORS' REMUNERATION

	2016 £000	2015 £000
Audit services		
Fees payable to the Company's auditor for the audit of the Company's annual accounts and consolidated financial statements	224	283
Fees payable to the Company's auditor and its associates for other services:		
– The audit of the Company's subsidiaries	784	672
– Other assurance related services	72	70
– Other (Note (iii))	230	–
– Tax compliance	56	76
– Tax advice	–	3

(i) In the year ended 31 December 2016, KPMG LLP replaced PricewaterhouseCoopers as the Group's auditors, therefore the 2016 fees above relate to KPMG LLP and the 2015 fees relate to PricewaterhouseCoopers.

(ii) In addition to the above services, the Group's auditors acted as auditor to the Group's defined benefit pension scheme. The appointment of auditors to this pension scheme and the fees paid in respect of the audit and for any other services are agreed by the Trustee of the scheme, who act independently from the management of the Group. The aggregate fees paid to the Group's auditors for audit and non-audit services to the pension scheme during the year were £8k (2015: pwc £10k).

(iii) Other relates to Investor Relation Services (this work has stopped from 1 January 2017).

7 EXCEPTIONAL ITEMS

The definition of exceptional items is contained within Note 1 of the 2016 Annual Report and Accounts. An exceptional charge of £19 million before tax was recorded in the year to 31 December 2016 in respect of the Group's business priorities implementation. The business strategy is set out on pages 11 to 33 of the 2016 Annual Report. The costs comprise £11 million of employee related costs, £7 million of professional fees and £1 million of property related costs. The employee costs relate to severance costs as well as the costs of employees who are working full time on the business priorities implementation. This exceptional charge can be split into Rental Solutions £10 million, Power Solutions – Industrial £3 million and Power Solutions – Utility £6 million.

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

8 EMPLOYEES AND DIRECTORS

Staff costs for the Group during the year:

	2016 £ million	2015 £ million
Wages and salaries (including severance costs)	306	277
Social security costs	31	34
Share-based payments	8	8
Pension costs – defined contribution plans	8	10
Pension costs – defined benefit plans (Note 30.A6)	2	2
	355	331

Full details of Directors' remuneration are set out in the Remuneration Report on page 94.

The key management comprises Executive and Non-executive Directors.

	2016 £ million	2015 £ million
Short-term employee benefits	3	4
Post-employment benefits	–	1
Share-based payments	1	1
	4	6

9 NET FINANCE CHARGE

	2016 £ million	2015 £ million
Finance costs on bank loans and overdrafts	(29)	(25)
Finance income on bank balances and deposits	2	2
	(27)	(23)

10 TAXATION

	Total before exceptional items 2016 £ million	Exceptional items (i) (Note 7) 2016 £ million	2016 £ million	Total before exceptional items 2015 £ million	Exceptional items 2015 £ million	2015 £ million
Analysis of charge in year						
Current tax expense:						
- UK corporation tax	7	(1)	6	6	(2)	4
- Overseas taxation	73	(4)	69	78	(3)	75
	80	(5)	75	84	(5)	79
Adjustments in respect of prior years:						
- UK	-	-	-	(5)	-	(5)
- Overseas	(8)	-	(8)	3	-	3
	72	(5)	67	82	(5)	77
Deferred taxation (Note 22):						
- temporary differences arising in current year	(13)	(11)	(24)	(16)	-	(16)
- movements in respect of prior years	4	-	4	3	-	3
	63	(16)	47	69	(5)	64

(i) Exceptional items are explained in Note 7 and comprise costs of £19 million relating to the business priorities implementation (2015: £26 million) and £30 million relating to asset impairment (2015: £nil). Of these costs, £45 million are tax deductible (2015: £24 million) and result in an exceptional credit of £16 million (2015: £5 million).

The tax (charge)/credit relating to components of other comprehensive income is as follows:

	2016 £ million	2015 £ million
Deferred tax on hedging reserve movements	-	-
Deferred tax on retirement benefits	5	(1)
	5	(1)

Notes to the Group accounts

For the year ended 31 December 2016

10 TAXATION CONTINUED

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

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

	Total before exceptional items 2015 £ million	Exceptional items 2015 £ million	2015 £ million
Profit before taxation	252	(26)	226
Tax calculated at 20.3% standard UK corporate tax rate	51	(5)	46
Differences between UK and overseas tax rates	20	-	20
Effect of intra group financing	(3)	-	(3)
Expenses not tax effected	5	-	5
Income not subject to tax	(5)	-	(5)
Tax on current year profit	68	(5)	63
Prior year adjustments - current tax	(2)	-	(2)
Prior year adjustments - deferred tax	3	-	3
Total tax on profit	69	(5)	64
Effective tax rate	27%	20%	28%

11 DIVIDENDS

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

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

12 EARNINGS PER SHARE

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

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

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

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

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

	2016 £ million	2015 £ million
Profit for the year	125	162
Exclude exceptional items	33	21
Profit for the year pre-exceptional items	158	183

An adjusted earnings per share figure is presented below.

Basic earnings per share pre-exceptional items (pence)	61.98	71.73
Diluted earnings per share pre-exceptional items (pence)	61.95	71.68

Notes to the Group accounts

For the year ended 31 December 2016

13 GOODWILL

	2016 £ million	2015 £ million
Cost		
At 1 January	118	130
Acquisitions (Note 29)	7	7
Exchange adjustments	34	(19)
At 31 December	159	118
Accumulated impairment losses	-	-
Net book value	159	118

Goodwill impairment tests

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

	2016 £ million	2015 Restated £ million
Power Solutions		
Industrial	60	34
Utility	16	9
	76	43
Rental Solutions	83	75
Group	159	118

During 2016, a number of contracts in Brazil were switched from Power Solutions Industrial (PSI) to Power Solutions Utility (PSU). The result of this was to switch Goodwill of £7 million from PSI to PSU.

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 management. 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:

	2016				2015			
	EBITDA	Post-tax discount rate	Pre-tax discount rate	Long-term growth rate	EBITDA	Post-tax discount rate	Pre-tax discount rate	Long-term growth rate
Power Solutions Industrial	95	8.7%	12.0%	3%	102	8.2%	10.6%	2%
Power Solutions Utility	291	8.7%	12.0%	3%	266	8.2%	10.6%	2%
Rental Solutions	147	8.7%	12.0%	3%	188	8.2%	10.6%	2%

Values in use were determined using current year cash flows, a prudent view of the medium-term business strategy and excludes any growth capital expenditure. A terminal cash flow was calculated using a long-term growth rate of 3%. 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 31 December 2016, based on internal valuations, Aggreko plc management concluded that the values in use of the CGUs exceeded their net asset value with the highest headroom value being £2 billion and the lowest £240 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.

14 OTHER INTANGIBLE ASSETS

Refer to Note 30.A2.

15 PROPERTY, PLANT AND EQUIPMENT

Year ended 31 December 2016

	Freehold properties £ million	Short leasehold properties £ million	Rental fleet £ million	Vehicles, plant and equipment £ million	Total £ million
Cost					
At 1 January 2016	81	19	2,778	97	2,975
Exchange adjustments	10	1	568	23	602
Additions	-	3	241	19	263
Acquisitions (Note 29)	-	-	10	-	10
Disposals	-	(1)	(122)	(3)	(126)
At 31 December 2016	91	22	3,475	136	3,724
Accumulated depreciation					
At 1 January 2016	27	13	1,729	67	1,836
Exchange adjustments	6	1	361	12	380
Charge for the year	3	2	261	15	281
Impairment charge (Note 7)	-	-	30	-	30
Disposals	-	-	(109)	(3)	(112)
At 31 December 2016	36	16	2,272	91	2,415
Net book values:					
At 31 December 2016	55	6	1,203	45	1,309
At 31 December 2015	54	6	1,049	30	1,139

Year ended 31 December 2015

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

Assets in course of construction are included within Rental fleet.

Notes to the Group accounts

For the year ended 31 December 2016

16 INVENTORIES

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

17 TRADE AND OTHER RECEIVABLES

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

(i) In September 2016, the Group signed £14 million of private placement notes with one customer in Venezuela (PDVSA) to progress clearing the overdue debt. This resulted in a financial instrument which replaced the net trade receivable balance. The financial instrument was booked at fair value which reflects our estimation of the recoverability of these notes. This fair value was estimated to be £8 million which when compared to the carrying amount of the net trade receivable of £6 million (Gross receivable of £14 million less bad debt provision of £8 million) resulted in a release to the income statement of £2 million. This financial instrument is included in other receivables.

(ii) The value of trade and other receivables quoted in the table above also represent the fair value of these items.

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	2016 £ million	2015 £ million
Sterling	19	20
Euro	98	54
US Dollar	340	248
Other currencies	199	154
	656	476

Movements on the Group's provision for impairment of trade receivables are as follows:

	2016 £ million	2015 £ million
At 1 January	64	55
Net provision for receivables impairment	5	14
Transfer to other receivables (refer to Note (i) above)	(8)	-
Utilised	(5)	(1)
Receivables written off during the year as uncollectible	(3)	(3)
Exchange	14	(1)
At 31 December	67	64

Credit quality of trade receivables

The table below analyses the total trade receivables balance per operating segment into fully performing, past due and impaired.

31 December 2016

	Fully performing £ million	Past due £ million	Impaired £ million	Total £ million
Power Solutions				
Industrial	42	30	7	79
Utility	48	209	52	309
	90	239	59	388
Rental Solutions	65	60	8	133
Group	155	299	67	521

17 TRADE AND OTHER RECEIVABLES CONTINUED

31 December 2015

	Fully performing Restated £ million	Past due Restated £ million	Impaired Restated £ million	Total Restated £ million
Power Solutions				
Industrial	31	17	9	57
Utility	35	148	48	231
Rental Solutions	66	165	57	288
	42	47	7	96
Group	108	212	64	384

During 2016, a number of contracts in Brazil and Iraq were switched from Power Solutions Industrial (PSI) to Power Solutions Utility (PSU). The impact was to reduce the previously stated balances in PSI and increase the balances in PSU as follows: Fully performing £2 million, Past due £5 million, Impaired £nil and total £7 million. More details can be found in Note 4.

Ageing of past due but not impaired trade receivables

	2016 £ million	2015 £ million
Less than 30 days	71	67
Between 30 and 60 days	51	40
Between 60 and 90 days	34	28
Greater than 90 days	143	77
	299	212

The Group assesses credit quality as explained below:

Power Solutions – Industrial

This is a high transaction intensive business and the majority of the contracts in this business are small relative to the size of the Group. There is no concentration of credit risk in this business and there are a large number of customers who are unrelated and internationally dispersed.

The management of trade receivables is the responsibility of the operating units, although they report monthly to Group on debtor days, debtor ageing and significant outstanding debts. At an operating unit level a credit rating is normally established for each customer based on ratings from external agencies. Where no ratings are available, cash in advance payment terms are often established for new customers. Credit limits are reviewed on a regular basis. The effectiveness of this credit process has meant that the Group has historically had a low level of bad debt in this business. Receivables written off during the year as uncollectible as a percentage of total gross debtors was 1% (2015: 1%).

Power Solutions – Utility

This business concentrates on medium to very large contracts. Customers are mainly state owned utilities in emerging markets.

In many instances the contracts are in jurisdictions where payment practices can be unpredictable. The Group monitors the risk profile and debtor position of all such contracts regularly, and deploys a variety of techniques to mitigate the risks of delayed or non-payment; these include securing advance payments, bonds and guarantees. On the largest contracts, all such arrangements are approved at a Group level. Contracts are reviewed on a case by case basis to determine the customer and country risk. To date the Group has also had a low level of bad debt in the Power Solutions – Utility business although the risk of a major default is high.

The total trade receivables balance as at 31 December 2016 for our Power Solutions – Utility business was £309 million (2015: £230 million). Within this balance, receivable balances totalling £53 million (2015: £59 million) had some form of payment cover attached to them. This payment cover guards against the risk of customer default rather than the risk associated with customer disputes. The risk associated with the remaining £256 million (2015: £171 million) is deemed to be either acceptable or payment cover is not obtainable in a cost-effective manner.

Rental Solutions

This business is similar to the Power Solutions Industrial business above and the management of trade receivables is similar. Again the Group has historically had a low level of bad debt in the Rental Solutions business. Receivables written off during the year as uncollectible as a percentage of total Gross Debtors was 2% (2015: 3%).

Notes to the Group accounts

For the year ended 31 December 2016

18 BORROWINGS

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

Overdrafts and borrowings are unsecured.

(i) Maturity of financial liabilities

The maturity profile of the borrowings was as follows:

	2016 £ million	2015 £ million
Within 1 year, or on demand	60	31
Between 1 and 2 years	97	-
Between 2 and 3 years	150	195
Between 3 and 4 years	127	70
Between 4 and 5 years	178	56
Greater than 5 years	81	185
	693	537

(ii) Borrowing facilities

The Group has the following undrawn committed floating rate borrowing facilities available at 31 December 2016 in respect of which all conditions precedent had been met at that date:

	2016 £ million	2015 £ million
Expiring within 1 year	-	30
Expiring between 1 and 2 years	178	-
Expiring between 2 and 3 years	1	117
Expiring between 3 and 4 years	189	78
Expiring between 4 and 5 years	34	160
Expiring after 5 years	-	-
	402	385

(iii) Interest rate risk profile of financial liabilities

Refer to Note 30.A3.

(iv) Interest rate risk profile of financial assets

Refer to Note 30.A3.

(v) Preference share capital

Refer to Note 30.A3.

19 FINANCIAL INSTRUMENTS

Refer to Note 30.A4.

(i) Fair values of financial assets and financial liabilities

Refer to Note 30.A4.

(ii) Summary of methods and assumptions

Refer to Note 30.A4.

(iii) Derivative financial instruments

Refer to Note 30.A4.

(iv) The exposure of the Group to interest rate changes when borrowings reprice

Refer to Note 30.A4.

20 TRADE AND OTHER PAYABLES

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

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

21 PROVISIONS

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

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

Notes to the Group accounts

For the year ended 31 December 2016

22 DEFERRED TAX

31 December 2016

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

31 December 2015

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

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2015 (on 26 October 2015) and Finance Bill 2016 (on 7 September 2016). These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

A deferred tax liability of £1 million (2015: £1 million) has been recognised in respect of unremitted earnings. The deferred tax relates to non-recoverable withholding tax which will be suffered on dividends to be paid in 2017.

No other deferred tax liability has been recognised in respect of unremitted earnings of subsidiaries. It is likely that the majority of the overseas earnings will qualify for the UK dividend exemption and the Group can control the distribution of dividends by its subsidiaries. In some countries, local tax is payable on the remittance of a dividend. Were dividends to be remitted from these countries, the additional tax payable would be £13 million.

The movements in deferred tax assets and liabilities (prior to offsetting of balances within the same jurisdiction as permitted by IAS 12) during the period are shown below. Deferred tax assets and liabilities are only offset where there is a legally enforceable right of offset and there is an intention to settle the balances net.

Deferred tax assets are recognised to the extent that the realisation of the related deferred tax benefit through future taxable profits is probable. The Group did not recognise deferred tax assets of £11 million (2015: £6 million) of which £11 million (2015: £6 million) relates to carried forward tax losses as our forecasts indicate that these assets will not reverse in the near future.

Deferred tax assets of £33 million (2015: £18 million) have been recognised in respect of entities which have suffered a loss in either the current or preceding period. Deferred tax assets have been recognised on the basis it is probable there will be future taxable profits against which they can be utilised. The majority of these assets can be carried forward indefinitely.

22 DEFERRED TAX CONTINUED

Deferred tax assets and liabilities

	31 December 2016			31 December 2015		
	Assets £ million	Liabilities £ million	Net £ million	Assets £ million	Liabilities £ million	Net £ million
Fixed asset timing differences	12	(83)	(71)	9	(78)	(69)
Retirement benefit obligations	5	-	5	-	-	-
Overseas tax on unremitted earnings	-	(1)	(1)	-	(1)	(1)
Tax losses	40	-	40	19	-	19
Derivative financial instruments	1	-	1	1	-	1
Other temporary differences	22	-	22	22	-	22
Total	80	(84)	(4)	51	(79)	(28)
Offset of deferred tax positions	(29)	29	-	(21)	21	-
Net deferred tax	51	(55)	(4)	30	(58)	(28)

The net deferred tax liability due after more than one year is £4 million (2015: liability of £28 million).

23 SHARE CAPITAL

	2016 Number of shares	2016 £000	2015 Number of shares	2015 £000
(i) Ordinary Shares of 4³²⁹/₃₉₅ pence (2015: 4³²⁹/₃₉₅ pence)				
At 1 January	256,128,201	12,378	256,118,395	12,378
Share conversion (1 Ordinary Share for every 21.4 B Shares as at 28 May 2015)	-	-	9,806	-
At 31 December	256,128,201	12,378	256,128,201	12,378
(ii) Deferred Ordinary Shares of 6¹⁸/₂₅ pence (2015: 6¹⁸/₂₅ pence)				
At 1 January and 31 December	182,700,915	12,278	182,700,915	12,278
(iii) Deferred Ordinary Shares of 1/₇₇₅ pence (2015: 1/₇₇₅ pence)				
At 1 January and 31 December	18,352,057,648	237	18,352,057,648	237
(iv) Deferred Ordinary Shares of 9⁸⁴/₇₇₅ pence (2015: 9⁸⁴/₇₇₅ pence)				
At 1 January and 31 December	188,251,587	17,147	188,251,587	17,147
(v) B Shares of 9⁸⁴/₇₇₅ pence (2015: 9⁸⁴/₇₇₅ pence)				
At 1 January	-	-	1,989,357	181
Transfer to capital redemption reserve	-	-	(1,778,422)	(162)
Share conversion	-	-	(210,935)	(19)
At 31 December	-	-	-	-
(vi) Deferred Ordinary Shares 1/₃₀₆₁₂₅ pence (2015: 1/₃₀₆₁₂₅ pence)				
At 1 January	573,643,383,325	19	-	-
Share conversion	-	-	573,643,383,325	19
At 31 December	573,643,383,325	19	573,643,383,325	19

Notes to the Group accounts

For the year ended 31 December 2016

24 TREASURY SHARES

	2016 £ million	2015 £ million
Treasury shares	(14)	(9)

Interests in own shares represents the cost of 1,048,816 of the Company's Ordinary Shares (nominal value $4\frac{329}{395}$ pence).
Movement during the year was as follows:

	2016 Number of shares	2015 Number of shares
1 January	535,538	824,036
Purchase of shares (Note (i))	700,000	-
Long-term Incentive Plan Maturity	(76,728)	(78,430)
Sharesave maturity	(560)	(210,068)
Deferred shares and restricted stock	(106,206)	-
Shares in relation to dividends on deferred shares and restricted stock	(3,228)	-
31 December	1,048,816	535,538

(i) Purchased at an average share price of £11.46.

These shares represent 0.4% of issued share capital as at 31 December 2016 (2015: 0.2%).

These shares were acquired by a Trust in the open market using funds provided by Aggreko plc to meet obligations under the Long-term Incentive Arrangements and Aggreko Sharesave Plans. The costs of funding and administering the scheme are charged to the income statement of the Company in the period to which they relate. The market value of the shares at 31 December 2016 was £10 million (31 December 2015: £5 million).

25 CAPITAL COMMITMENTS

	2016 £ million	2015 £ million
Contracted but not provided for (property, plant and equipment)	22	10

26 OPERATING LEASE COMMITMENTS – MINIMUM LEASE PAYMENTS

	2016 £ million	2015 £ million
Commitments under non-cancellable operating leases expiring:		
Within one year	26	22
Later than one year and less than five years	49	37
After five years	17	12
Total	92	71

27 PENSION COMMITMENTS

Refer to Note 30.A5.

28 INVESTMENTS IN SUBSIDIARIES

The subsidiary undertakings of Aggreko plc at the year end, and the main countries in which they operate, are shown below. All companies are wholly owned and, unless otherwise stated, incorporated in UK or in the principal country of operation and are involved in the supply of temporary power, temperature control and related services.

All shareholdings are of Ordinary Shares or other equity capital.

Company	Country of Incorporation	Registered address
Aggreko Algeria SPA*	Algeria	Extension La Zone Des Activities, N 01, Adrar, Algeria
Aggreko Angola Lda	Angola	Rua 21 Jan, Qunintalao Escola de Enfermagem, Bairro Morro Bento III, District of Samba, Luanda, Angola
Aggreko Argentina S.R.L.	Argentina	465, 2D, Av. L.N. Alem, Buenos Aires, 1001, Argentina
Aggreko Generators Rental Pty Limited	Australia	101, Woodlands Drive, Braeside, VIC, 3195, Australia
Aggreko Belgium NV	Belgium	7, Smallandlaan, Antwerpen, 2660, Belgium
Aggreko Energia Locacao de Geradores Ltda	Brazil	3500, Av. das Américas, - Ed Toronto 2000 - 6° Andar - Barra da Tijuca, Rio de Janeiro, 22640-102, Brazil
Aggreko Cameroon S.R.L.	Cameroon	Centre des Affaires Flatters, Rue Flatters, BP 4999, Bonanjo, Doula, Cameroon
Aggreko Canada Inc	Canada	199, Bay Street, Suite 2800, Commerce Court West, Toronto, ON, M5L1A9, Canada
Aggreko Financial Holdings Limited +	Cayman Islands	89, Nexus Way, Camana Bay, PO Box 31106, Grand Cayman, KY1-1205, Cayman Islands
Aggreko Chile Limitada	Chile	Galvarino 9450, Parque Industrial Buenaventura, Quilicura, Region Metropolitana, Santiago, Chile
Aggreko (Shanghai) Energy Equipment Rental Company Limited	China	Building 16, No 99 HuaJia Road, SongJiang District, Shanghai, 201611, Shanghai, 201611, China
Aggreko Colombia SAS	Colombia	Parque Industrial Gran Sabana Vereda Tibitoc Lote M Unidad 67-A, Tocancipa, Colombia
Aggreko Power Solutions Colombia SA ESP	Colombia	Parque Industrial Gran Sabana, Carretera Snrto Zipaquira Lote 67, Tocancipa - Cundinamarca, Colombia
Aggreko Costa Rica S.A.	Costa Rica	Centro Corporativo Forum I, Torre C, Piso 1, Santa Ana, San José, Costa Rica
Aggreko Cote d'Ivoire S.A.R.L.	Cote d'Ivoire	Vridi Canal - Base Centrale thermique à gaz, Abidjan, Cote d'Ivoire
Aggreko (Middle East) Limited**	Cyprus	3 Themistokli Dervi, Julia House, P.C. 1066, Nicosia, Cyprus
Aggreko DRC S.P.R.L.	Democratic Republic of the Congo	50, Avenue Goma- Commune de la Gombe, Kinshasa
Aggreko Dominican Republic SRL	Dominican Republic	Paseo de los Locutores No. 53, Santo Domingo, Dominican Republic
Aggreko Energy Ecuador CIA	Ecuador	E 2324, Rumipamba y Av. Amazonas, Quito, NA, Ecuador
Aggreko Finland Oy	Finland	Hatanpaan Valtatie 13, Tampere, Finland
Aggreko France SARL	France	5, Rue Boole, Saint-Michel sur Orge, 91240, France
Aggreko Gabon S.A.R.L.	Gabon	Residence Du Golf, Libreville, BP: 4568, Gabon
Aggreko Deutschland GmbH	Germany	62, Barbarastrasse, Dorsten, 46282, Germany
Aggreko Hong Kong Limited	Hong Kong	Lots 1845 and 1846 in DD125 Ho Tsuen, Yuen Long, N.T. Hong Kong, SAR, Hong Kong, 00852, Hong Kong
Aggreko Energy Rental India Private Limited +++	India	"The Chambers", Office No 501, Plot No 4/12/13, Viman Nagar, Pune, 411014, India
PT Aggreko Energy Services	Indonesia	Jl. Danau Cincin Utara Block E No 10-B, Lantai 2, Papanggo Tanjung Priok Jakarta Utara DKI, Jakarta Raya, 14340, Indonesia
Aggreko Ireland Limited	Ireland	6th Floor, South Bank House, Barrow Street, Dublin, Ireland
Aggreko Italia S.R.L.	Italy	29, Via A. Einstein, Assago (MI), 20090, Italy
Aggreko Japan Limited	Japan	2-42-6 Ikebukuro, Toshima-Ku, Japan
Aggreko Kenya Energy Rentals Limited	Kenya	Plot 12100, Tulip House, Mombasa Road, P.O. Box 10729, 00100, Nairobi, Kenya
Aggreko Malaysia SDN BHD	Malaysia	Level 8 Symphony House Berhad Pusat Dagangan Dana 1 Jalan PJU 1A/46, Petaling Jaya, 47301, Malaysia
Aggreko Mali S.A.R.L.	Mali	Bamako-Lafiabougou ACI 2000, Immcuble Samassa 1 Etage porte 02
Aggreko Africa Limited	Mauritius	co/o Abax Corporate Services Ltd, 6th Floor, Tower A, 1 CyberCity, Mauritius

Notes to the Group accounts

For the year ended 31 December 2016

28 INVESTMENTS IN SUBSIDIARIES CONTINUED

Company	Country of Incorporation	Registered address
Aggreko Energy Mexico SA de CV	Mexico	8, Carretera Coacalco Tultepec, Estado de Mexico, 55717, Mexico
Aggreko Services Mexico SA de CV	Mexico	8, Carretera Coacalco Tultepec, Estado de Mexico, 55717, Mexico
Aggreko SA de CV ++++	Mexico	Mar Cantabrico No. 20, Co. Popotla C.P. 11400, Mexico, D.F., Mexico
Aggreko Mocambique Limitada	Mozambique	7 Andar, Av. 24 de Julho, No 7, Bairro Polana Cimento, Distrito Urbano 1, Maputo, Mozambique
Aggreko Myanmar Co Limited	Myanmar	No. 112 (First Floor), 49th Street, Pazundaung Township, Yangon, Myanmar
Aggreko Namibia Energy Rentals (Pty) Ltd	Namibia	344 Independence Avenue, Windhoek, Namibia
Aggreko (NZ) Limited	New Zealand	Level 8, 188 Quay Street, Auckland, 1010, New Zealand
Aggreko Projects Limited	Nigeria	27 Festival Road, Victoria Island, Lagos, Nigeria
Aggreko Gas Power Generation Limited ++++	Nigeria	27 Festival Road, Victoria Island, Lagos, Nigeria
Aggreko Norway AS	Norway	44, Dragonveien, Bygg 31, Oslo, Norway
Aggreko Energy Rentals Panama SA	Panama	Patton, Moreno & Asvat offices in Capital Plaza Building, 8th floor, Roberto Motta y Costa del Este Avenue, Panama, PA, 507, Panama
Aggreko Generator Rentals (PNG) Limited	Papua New Guinea	c/- Ashurst PNC, Level 4, Mogoru Moto Building, Champion Parade, Port Moresby, National Capital District, Papua New Guinea
Aggreko Peru S.A.C.	Peru	Avenida Elmer Faucett 4800, Callao, Peru
Aggreko Energy Rental Solutions Inc.	Philippines	Level 10-1 Fort Legend Tower, 31st Street & 3rd Avenue, Bonifacio Global City Taguig, 1634, Philippines
Aggreko Polska Spolka Zorganizczana	Poland	Fort Ordona 6 street, Czosnow, 05-152, Poland
Aggreko South East Europe S.R.L.	Romania	Soseaua de Centura 7A, Tunari, Ilfov, 077180, Romania
Aggreko Eurasia LLC	Russia	Building 1, House 8, 2nd km Stariy Tobolsky Trakt, Tyumen, 625000, Russian Federation
Aggreko Rwanda Limited	Rwanda	1st Floor, Omega House, Boulevard de los, Nyarugenge, Rwanda
Aggreko Senegal S.A.R.L.	Senegal	Route De Ngor 29912, Dakar, Senegal
Aggreko (Singapore) PTE Limited	Singapore	8B Buroh Street, Singapore, 627532
Aggreko Energy Rental South Africa (Proprietary) Limited	South Africa	2 Eglin Road, Sunninghill, 2157, South Africa
Aggreko South Korea Limited	South Korea	Unit 3203 S-Trenue, 37 Gukjegeumyung-ro 2-gil, Yeongdeungpo-gu, Seoul, Republic of Korea
Aggreko Iberia SA	Spain	35-37, Avinguda Torre Mateu, Pol.Industrial Can Salvatella, Barbera del Valles, 08210, Spain
Aggreko Sweden AB	Sweden	Box 16285, Stockholm, 103 25, Sweden
Aggreko Energy Rentals Tanzania Limited	Tanzania	Ubungu Plaza Unit 209, 2nd Floor, PO Box 158, Dar Es Salaam, Tanzania
Aggreko (Thailand) Limited	Thailand	Central World, 29th Floor, Rama I Road, Pathumwan Sub-district, Pathumwan District, Bangkok, Thailand
Aggreko Americas Holdings B.V. +	The Netherlands	Amstelveenseweg 760, 1081 JK Amsterdam, Netherlands
Aggreko Euro Holdings B.V. +	The Netherlands	Amstelveenseweg 760, 1081 JK Amsterdam, Netherlands

28 INVESTMENTS IN SUBSIDIARIES CONTINUED

Company	Country of Incorporation	Registered address
Aggreko Rest of the World Holdings B.V. +	The Netherlands	Amstelveenseweg 760, 1081 JK Amsterdam, Netherlands
Aggreko (Investments) B.V. ++	The Netherlands	3, Fuutweg, Haven 461b, Klundert, 4791PB, Netherlands
Aggreko Nederland B.V.	The Netherlands	3, Fuutweg, Haven 461b, Klundert, 4791PB, Netherlands
Aggreko International Power Projects B.V.	The Netherlands	Between Roundabouts 7 and 8, Opposite Red Sea Housing, PO Box 17576, Jebel Ali, Dubai, United Arab Emirates
Aggreko Power Solutions Trinidad Limited	Republic of Trinidad & Tobago	129-131 Abercromby Street, Port of Spain, Trinidad and Tobago
Aggreko Trinidad Limited	Republic of Trinidad & Tobago	5/7 Sweet Briar Road, St. Clair, Trinidad and Tobago
Aggreko Enerji ve Isi Kontrol Ticaret Anonim Sirketi	Turkey	EGS Business Park B2 Blok Kat:6 D:227 Yeşilköy, Bakırköy, Istanbul, Turkey
Aggreko Middle East Limited FZE	UAE	E-LOB Office No E2-112F-40, PO Box 52462, Hamriyah Free Zone, Sharjah, United Arab Emirates
Aggreko Finance Limited +	UK	120 Bothwell Street, Glasgow, G2 7JS, Scotland, United Kingdom
Aggreko Holdings Limited +	UK	120 Bothwell Street, Glasgow, G2 7JS, Scotland, United Kingdom
Aggreko International Projects Holdings Limited +	UK	120 Bothwell Street, Glasgow, G2 7JS, Scotland, United Kingdom
Aggreko International Projects Limited***	UK	120 Bothwell Street, Glasgow, G2 7JS, Scotland, United Kingdom
Aggreko Pension Scheme Trustee Limited	UK	120 Bothwell Street, Glasgow, G2 7JS, Scotland, United Kingdom
Aggreko Russia Finance Limited ++	UK	120 Bothwell Street, Glasgow, G2 7JS, Scotland, United Kingdom
Aggreko UK Finance Limited ++	UK	120 Bothwell Street, Glasgow, G2 7JS, Scotland, United Kingdom
Aggreko UK Limited	UK	Overburn Avenue, Dumbarton, G82 2RL, Scotland, United Kingdom
Aggreko US Limited	UK	120 Bothwell Street, Glasgow, G2 7JS, Scotland, United Kingdom
Aggreko Generators Limited +++	UK	120 Bothwell Street, Glasgow, G2 7JS, Scotland, United Kingdom
Aggreko Luxembourg Holdings	UK	120 Bothwell Street, Glasgow, G2 7JS, Scotland, United Kingdom
Dunwilco (680) Limited ++++	UK	120 Bothwell Street, Glasgow, G2 7JS, Scotland, United Kingdom
Golden Triangle Generators Limited	UK	Aggreko House Orbital 2, Voyager Drive, Cannock, Staffordshire, WS11 8XP, England, United Kingdom
Aggreko Uruguay S.A.	Uruguay	675, Of 20, Peatonal Sarandi, Montevideo, Uruguay
Aggreko Holdings Inc +	USA	Wilmington Trust SP Services Inc, 1105 N. Market Street, Suite 1300, Wilmington DE, 19801, United States
Aggreko USA LLC +	USA	The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, DE, 19801, United States
Aggreko LLC	USA	The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, DE, 19801, United States
Aggreko de Venezuela C.A.	Venezuela	Av. Venezuela Edif. Lamaletto, piso 5, oficina Unica, El Rosal, Caracas

* Joint Venture: Aggreko ownership is 49%. remainder is held by RedMed.

** Registered in Cyprus.

*** Administered from Dubai and registered in the UK.

* Intermediate holding companies.

** Finance Company.

*** The financial year end of Aggreko Energy Rental India Private Limited is 31 March due to local taxation requirements.

**** Dormant Company.

Notes to the Group accounts

For the year ended 31 December 2016

29 ACQUISITIONS

DRYCO LLC

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

The purchase consideration, paid in cash was £22 million.

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

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

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

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

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

30 NOTES TO THE GROUP ACCOUNTS – APPENDICES

30.A1 Accounting policies

Derivative financial instruments

The activities of the Group expose it directly to the financial risks of changes in forward foreign currency exchange rates and interest rates. The Group uses forward foreign exchange contracts, and interest rate swap contracts to hedge these exposures. The Group does not use derivative financial instruments for speculative purposes.

Derivatives are initially recorded and subsequently measured at fair value, which is calculated using standard industry valuation techniques in conjunction with observable market data. The fair value of interest rate swaps is calculated as the present value of estimated future cash flows using market interest rates and the fair value of forward foreign exchange contracts is determined using forward foreign exchange market rates at the reporting date. The treatment of changes in fair value of derivatives depends on the derivative classification. The Group designates derivatives as hedges of highly probable forecasted transactions or commitments ('cash flow hedge').

In order to qualify for hedge accounting, the Group is required to document in advance the relationship between the item being hedged and the hedging instrument. The Group is also required to document and demonstrate an assessment of the relationship between the hedged item and the hedging instrument, which shows that the hedge will be highly effective on an ongoing basis. This effectiveness testing is re-performed at each period end to ensure that the hedge remains highly effective.

Cash flow hedges

Changes in the fair value of derivative financial instruments that are designated, and effective, as hedges of future cash flows are recognised directly in equity and any ineffective portion is recognised immediately in the income statement. If the cash flow hedge is of a firm commitment or forecasted transaction that subsequently results in the recognition of an asset or a liability, then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in equity are included in the initial measurement of the asset or liability. For hedges of transactions that do not result in the recognition of an asset or a liability, amounts deferred in equity are recognised in the income statement in the same period in which the hedged item affects net profit and loss.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise.

Hedge accounting is discontinued when the hedging instrument no longer qualifies for hedge accounting. At that time any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the income statement.

Overseas net investment hedges

Certain foreign currency borrowings are designated as hedges of the Group's overseas net investments, which are denominated in the functional currency of the reporting operation.

Exchange differences arising from the retranslation of the net investment in foreign entities and of borrowings are taken to equity on consolidation to the extent the hedges are deemed effective. All other exchange gains and losses are dealt with through the income statement.

Share-based payments

IFRS 2 'Share-based Payment' has been applied to all grants of equity instruments. The Group issues equity-settled share-based payments to certain employees under the terms of the Group's various employee-share and option schemes. Equity-settled share-based payments are measured at fair value at the date of the grant. The fair value determined at the grant date of equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on an estimate of the shares that will ultimately vest. Fair value is measured using the Black-Scholes option-pricing model.

Own shares held under trust for the Group's employee share schemes are classed as Treasury shares and deducted in arriving at Shareholders' equity. No gain or loss is recognised on disposal of Treasury shares. Purchases of own shares are disclosed as changes in Shareholders' equity.

30.A1 Accounting policies continued

Leases

Leases where substantially all of the risks and rewards of ownership are not transferred to the Group are classified as operating leases. Rentals under operating leases are charged against operating profit on a straight-line basis over the term of the lease.

Dividend distribution

Dividend distribution to the Company's Shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's Shareholders. Interim dividends are recognised when paid.

30.A2 Other intangible assets

Year end 31 December 2016

	Customer relationships and non-compete agreements £ million	Development expenditure £ million	Total £ million
Cost			
At 1 January 2016	42	-	42
Acquisitions (Note 29)	3	-	3
Additions	-	5	5
Exchange adjustments	11	-	11
At 31 December 2016	56	5	61
Accumulated amortisation			
At 1 January 2016	26	-	26
Charge for the year	4	-	4
Exchange adjustments	7	-	7
At 31 December 2016	37	-	37
Net book values			
At 31 December 2016	19	5	24
At 31 December 2015	16	-	16

Amortisation charges in the year mainly comprised amortisation of assets arising from business combinations and have been recorded in administrative expenses.

Year end 31 December 2015

	Total (Note (i)) £ million
Cost	
At 1 January 2015	42
Acquisitions	4
Exchange adjustments	(4)
At 31 December 2015	42
Accumulated amortisation	
At 1 January 2015	24
Charge for the year	4
Exchange adjustments	(2)
At 31 December 2015	26
Net book values	
At 31 December 2015	16
At 31 December 2014	18

(i) All intangible assets in 2015 relate to customer relationship and non-compete agreements.

Notes to the Group accounts

For the year ended 31 December 2016

30.A3 Borrowings

(i) Interest rate risk profile of financial liabilities

The interest rate profile of the Group's financial liabilities at 31 December 2016, after taking account of the interest rate swaps used to manage the interest profile, was:

	Floating rate £ million	Fixed rate £ million	Total £ million	Fixed rate debt	
				Weighted average interest rate %	Weighted average period for which rate is fixed Years
Currency:					
US Dollar	116	385	501	4.3	3.9
Canadian Dollars	42	-	42	-	-
Peruvian Sol	6	-	6	-	-
South African Rand	6	-	6	-	-
Mexican Pesos	13	-	13	-	-
Russian Roubles	40	-	40	-	-
Brazil Reals	11	-	11	-	-
Indian Rupees	13	-	13	-	-
Japanese Yen	6	-	6	-	-
Romanian Lieu	8	-	8	-	-
Colombian Peso	6	-	6	-	-
Euro	26	-	26	-	-
Mozambican Metical	9	-	9	-	-
Other currencies	6	-	6	-	-
As at 31 December 2016	308	385	693		

	Floating rate £ million	Fixed rate £ million	Total £ million	Fixed rate debt	
				Weighted average interest rate %	Weighted average period for which rate is fixed Years
Currency:					
US Dollar	124	321	445	4.3	4.9
Canadian Dollars	25	-	25	-	-
New Zealand Dollars	2	-	2	-	-
South African Rand	5	-	5	-	-
Mexican Pesos	10	-	10	-	-
Russian Roubles	9	-	9	-	-
Brazil Reals	10	-	10	-	-
Indian Rupees	8	-	8	-	-
Singapore Dollars	6	-	6	-	-
Romanian Lieu	7	-	7	-	-
Colombian Peso	4	-	4	-	-
Other currencies	6	-	6	-	-
As at 31 December 2015	216	321	537		

The floating rate financial liabilities principally comprise debt which carries interest based on different benchmark rates depending on the currency of the balance and are normally fixed in advance for periods between one and three months.

The weighted average interest rate on fixed debt is derived from the fixed leg of each interest rate swap and coupons applying to fixed rate private placement notes.

The effect of the Group's interest rate swaps is to classify £81 million (2015: £67 million) of borrowings in the above table as fixed rate.

The notional principal amount of the outstanding interest rate swap contracts at 31 December 2016 was £81 million (2015: £67 million).

30.A3 Borrowings continued

(ii) Interest rate risk profile of financial assets

	Cash at bank and in hand £ million	Short-term deposits £ million	Total £ million
Currency:			
US Dollar	4	-	4
Euro	5	-	5
Brazilian Real	3	1	4
Fijian Dollar	3	-	3
Australian Dollar	2	-	2
Saudi Riyal	3	-	3
Indonesian Rupiah	5	-	5
Nigerian Naira	3	-	3
Other currencies	15	-	15
At 31 December 2016	43	1	44
Currency:			
US Dollar	6	-	6
Euro	5	-	5
Brazilian Real	1	2	3
Argentinian Peso	3	17	20
Australian Dollar	1	-	1
Other currencies	13	-	13
At 31 December 2015	29	19	48

All of the above cash and short-term deposits are floating rate and earn interest based on relevant LIBID (London Interbank Bid Rate) equivalents or market rates for the currency concerned.

(iii) Preference share capital

	2016 Number	2016 £000	2015 Number	2015 £000
Authorised:				
Redeemable preference shares of 25p each	199,998	50	199,998	50

No redeemable preference shares were allotted as at 31 December 2016 and 31 December 2015. The Board is authorised to determine the terms, conditions and manner of redemption of redeemable shares.

Notes to the Group accounts

For the year ended 31 December 2016

30.A4 Financial instruments

As stated in our accounting policies Note 30.A1 on page 158 the activities of the Group expose it directly to the financial risks of changes in foreign currency exchange rates and interest rates. The Group uses forward foreign exchange contracts and interest rate swap contracts to hedge these exposures. The movement in the hedging reserve is shown in the Statement of Changes in Equity.

(i) Fair values of financial assets and financial liabilities

The following table provides a comparison by category of the carrying amounts and the fair values of the Group's financial assets and financial liabilities at 31 December 2016. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Market values have been used to determine fair values.

	2016		2015	
	Book value £ million	Fair value £ million	Book value £ million	Fair value £ million
Primary financial instruments held or issued to finance the Group's operations:				
Current borrowings and overdrafts	(60)	(60)	(31)	(31)
Non-current borrowings	(633)	(633)	(506)	(506)
Short-term deposits	1	1	19	19
Cash at bank and in hand	43	43	29	29
Derivative financial instruments held:				
Interest rate swaps	(5)	(5)	(6)	(6)
Forward foreign currency contracts	(1)	(1)	-	-
Trade receivables	521	521	384	384
PDVSA private placement notes	8	8	-	-
Trade payables	88	88	77	77

(ii) Summary of methods and assumptions

Interest rate swaps and foreign currency derivatives

Fair value is based on market price of these instruments at the balance sheet date. In accordance with IFRS 13, interest rate swaps are considered to be level 2 with fair value being calculated at the present value of estimated future cash flows using market interest rates. 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.

Current borrowings and overdrafts/short-term deposits

The fair value of short-term deposits and current borrowings and overdrafts approximates to the carrying amount because of the short maturity of these instruments.

Non-current borrowings

In the case of non-current borrowings, the fair value approximates to the carrying value reported in the balance sheet.

30.A4 Financial instruments continued

(iii) Derivative financial instruments

Numerical financial instruments disclosures are set out below. Additional disclosures are set out in the financial review and accounting policies relating to risk management.

	2016		2015	
	Assets £ million	Liabilities £ million	Assets £ million	Liabilities £ million
Current:				
Forward foreign currency contracts – cash flow hedge	1	(2)	1	(1)
Non-current:				
Interest rate swaps – cash flow hedge	-	(5)	-	(6)
	1	(7)	1	(7)

Net fair values of derivative financial instruments

The net fair value of derivative financial instruments that are designated as cash flow hedges at the balance sheet date was:

	2016 £ million	2015 £ million
Interest rate swaps	(5)	(6)
Forward foreign currency contracts	(1)	-
	(6)	(6)

The net fair value gains at 31 December 2016 on open forward exchange contracts that hedge the foreign currency risk of future anticipated revenues are £nil (2015: £nil) and that hedge the foreign currency risk of future anticipated expenditure are losses of £1 million (2015: £nil). These will be allocated to expenditure when the forecast expenditure occurs. The net fair value liabilities at 31 December 2016 on open interest swaps that hedge interest risk are £5 million (2015: liabilities of £6 million). These will be debited to the income statement finance cost over the remaining life of each interest rate swap.

Hedge of net investment in foreign entity

The Group has designated as a hedge of the net investment in its overseas subsidiaries foreign currency denominated borrowings as detailed in the table below. The fair value of these borrowings were as follows:

	2016 £ million	2015 £ million
US Dollar	491	440
Canadian Dollars	42	25
New Zealand Dollars	-	2
Euro	26	-
Singapore Dollars	-	6
Russian Roubles	40	9

A foreign exchange loss of £117 million (2015: loss of £18 million) on translation of the borrowings into Sterling has been recognised in exchange reserves.

Notes to the Group accounts

For the year ended 31 December 2016

30.A4 Financial instruments continued

(iv) The exposure of the Group to interest rate changes when borrowings reprice is as follows:

As at 31 December 2016

	<1 year £ million	1-5 years £ million	>5 years £ million	Total £ million
Total borrowings	60	552	81	693
Effect of interest rate swaps and other fixed rate debt	-	(304)	(81)	(385)
	60	248	-	308

As at 31 December 2015

	<1 year £ million	1-5 years £ million	>5 years £ million	Total £ million
Total borrowings	31	321	185	537
Effect of interest rate swaps and other fixed rate debt	-	(136)	(185)	(321)
	31	185	-	216

As at 31 December 2016 and 31 December 2015, all of the Group's floating debt was exposed to repricing within three months of the balance sheet date. The Group's interest rate swap portfolio is reviewed on a regular basis to ensure it is consistent with Group policy as described on page 137.

The effective interest rates at the balance sheet date were as follows:

	2016	2015
Bank overdrafts	8.2%	7.5%
Bank borrowings	3.1%	2.1%
Private placement	4.2%	4.2%

Maturity of financial liabilities

The table below analyses the Group's financial liabilities and net-settled derivative financial liabilities into the relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

As at 31 December 2016

	<1 year £ million	1-2 years £ million	2-5 years £ million	>5 years £ million
Borrowings	61	100	485	103
Derivative financial instruments	2	-	5	-
Trade and other payables	90	-	-	-
	153	100	490	103

As at 31 December 2015

	<1 year £ million	1-2 years £ million	2-5 years £ million	>5 years £ million
Borrowings	33	-	330	234
Derivative financial instruments	1	-	6	-
Trade and other payables	76	-	-	-
	110	-	336	234

No trade payable balances have a contractual maturity greater than 90 days.

30.A4 Financial instruments continued

Derivative financial instruments settled on a gross basis

The table below analyses the Group's derivative financial instruments which will be settled on a gross basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

As at 31 December 2016

	<1 year
Forward foreign exchange contracts – cash flow hedges	
Outflow	(123)
Inflow	122
	(1)

As at 31 December 2015

	<1 year
Forward foreign exchange contracts – cash flow hedges	
Outflow	(91)
Inflow	91
	-

All of the Group's forward foreign currency exchange contracts are due to be settled within one year of the balance sheet date.

30.A5 Pensions

Overseas

Pension arrangements for overseas employees vary, and schemes reflect best practice and regulation in each particular country. The charge against profit is the amount of contributions payable to the defined contribution pension schemes in respect of the accounting period. The pension cost attributable to overseas employees for 2016 was £6 million (2015: £8 million).

United Kingdom

The Group operates pension schemes for UK employees. The Aggreko plc Pension Scheme ('the Scheme') is a funded, contributory, defined benefit scheme. Assets are held separately from those of the Group under the control of the Directors of Aggreko Pension Scheme Trustee Limited. The Scheme is subject to valuations at intervals of not more than three years by independent actuaries.

The Trustee of the Scheme has control over the operation, funding and investment strategy of the Scheme but works closely with the Company to agree funding and investment strategy.

A valuation of the Scheme was carried out as at 31 December 2014 using the Attained Age method to determine the level of contributions to be made by the Group. The actuaries adopted a valuation basis linked to market conditions at the valuation date. Assets were taken at market value. The major actuarial assumptions used were:

Return on investments	3.6%
Growth in average pay levels	4.8%
Increase in pensions	3.2%

At the valuation date, the market value of the Scheme's assets (excluding AVCs) was £92 million which was sufficient to cover 92% of the benefits that had accrued to members, after making allowances for future increases in earnings.

As part of the valuation at 31 December 2014, the Company and the trustees agreed upon a Schedule of Contributions and a Recovery Plan. Company contributions for benefits building up in the future increased from 35.9% to 41.0% on 1 February 2016. To address the Scheme deficit the Company has already made additional contributions of £1.25 million in 2015 and 2016 and plans to make further additional contributions of £1.25 million each year until 2022. Employee contributions are 6% of pensionable earnings.

The Group has the right to a refund of any pension surplus at the end of the scheme and as such has not recognised an additional liability in accordance with IFRIC 14.

The Scheme closed to all new employees joining the Group after 1 April 2002. New employees are given the option to join a defined contribution scheme. Contributions of £2 million were paid to the Scheme during the year (2015: £2 million). There are no outstanding or prepaid balances at the year end.

Notes to the Group accounts

For the year ended 31 December 2016

30.A5 Pensions continued

An update of the Scheme was carried out by a qualified independent actuary using the latest available information for the purposes of this statement. The major assumptions used in this update by the actuary were:

	31 Dec 2016	31 Dec 2015
Rate of increase in salaries	5.0%	4.9%
Rate of increase in pensions in payment	3.4%	3.3%
Rate of increase in deferred pensions	3.5%	3.4%
Discount rate	2.7%	3.9%
Inflation assumption	3.5%	3.4%
Longevity at age 65 for current pensioners (years)		
Men	24.2	24.0
Women	26.8	26.7
Longevity at age 65 for future pensioners (years)		
Men	26.8	26.7
Women	29.5	29.4

The assets in the Scheme were:

	Value at 31 Dec 2016 £ million	Value at 31 Dec 2015 £ million	Value at 31 Dec 2014 £ million
Equities			
- UK Equities	9	8	8
- Overseas Equities	13	12	11
- Diversified Growth	8	7	7
- Absolute Return	8	8	7
Property	-	-	1
Index-linked Bonds	49	37	34
Fixed interest Bonds	-	-	5
Bonds	18	17	16
Cash	-	1	2
Total	105	90	91

The amounts included in the balance sheet arising from the Group's obligations in respect of the Scheme are as follows:

	2016 £ million	2015 £ million	2014 £ million
Fair value of assets	105	90	91
Present value of funded obligations	(135)	(92)	(98)
Liability recognised in the balance sheet	(30)	(2)	(7)

30.A5 Pensions continued

Movement in defined benefit liability during the year:

	Defined benefit obligation		Fair value of Scheme assets		Net defined benefit liability	
	2016 £ million	2015 £ million	2016 £ million	2015 £ million	2016 £ million	2015 £ million
Balance at 1 January	(92)	(98)	90	91	(2)	(7)
Included in income statement						
Service cost	(2)	(2)	-	-	(2)	(2)
Interest cost	(4)	(4)	-	-	(4)	(4)
Interest income	-	-	4	4	4	4
	(6)	(6)	4	4	(2)	(2)
Included in statement of comprehensive income						
Remeasurements						
- Effect of changes in financial assumptions	(40)	1	-	-	(40)	1
- Effect of experience adjustments	-	6	-	-	-	6
- Return on plan assets (excluding interest income)	-	-	11	(3)	11	(3)
	(40)	7	11	(3)	(29)	4
Other						
Employer contributions	-	-	3	3	3	3
Benefits paid	3	5	(3)	(5)	-	-
	3	5	-	(2)	3	3
Balance at 31 December	(135)	(92)	105	90	(30)	(2)

The Attained Age method has been used for valuation of the liabilities. Under this method an individual's attributed benefit for valuation purposes related to a particular exit date (e.g. expected date of retirement, leaving service or death) is the benefit described under the Scheme, determined using the projected compensation and service that would be used in the calculation of the benefit on the expected exit date, multiplied by the ratio of credited service as of the measurement date to credited service as of the expected exit date. The benefit obligation is the total present value (assessed using appropriate assumptions) of the individuals' attributed benefits for valuation purposes at the measurement date. The discount rate was derived using a yield curve approach and based on Scheme specific cash flow data from the last formal actuarial valuation to arrive at an appropriate single-equivalent rate.

The fair value of the assets is based on the underlying 'bid value' statements issued by the various investment managers. The manager statements reflect the relevant pricing basis of the units held in the underlying pooled funds.

An alternative method of valuation is the estimated cost of buying out benefits at 31 December 2016 with a suitable insurer. This amount represents the amount that would be required to settle the Scheme liabilities at 31 December 2016 rather than the Company continuing to fund the ongoing liabilities of the Scheme. The Company estimates the amount required to settle the Scheme's liabilities at 31 December 2016 is around £211 million which gives a Scheme shortfall on a buyout basis of approximately £106 million.

Cumulative actuarial gains and losses recognised in equity

	2016 £ million	2015 £ million
At 1 January	34	38
Actuarial losses recognised in the year	29	(4)
At 31 December	63	34

The actual return on Scheme assets was a gain of £16 million (2015: £nil).

Notes to the Group accounts

For the year ended 31 December 2016

30.A5 Pensions continued

Risks to which the Pension Scheme exposes the Group

There is a risk of asset volatility leading to a deficit in the Scheme. Working with the Company, the Trustee has agreed investment derisking triggers which, when certain criteria are met, will decrease corporate bond and fixed interest gilt holdings and increase the holding of index linked bonds. Over time, this will result in an investment portfolio which better matches the liabilities of the Scheme thereby reducing the risk of asset volatility. However, there remains a significant level of investment mismatch in the Scheme. This is deliberate and is aimed at maximising the Scheme's long-term investment return whilst retaining adequate control of the funding risks.

Through the Scheme, the Group is exposed to a number of other risks:

- Changes in bond yields – a decrease in corporate bond yields will increase Scheme liabilities.
- Inflation risk – pension obligations are linked to inflation and higher inflation will lead to higher liabilities.
- Life expectancy – an increase in life expectancy will result in an increase in the Scheme liabilities.

The measurement of the defined benefit obligation is particularly sensitive to changes in key assumptions as described below:

- The discount rate has been selected following actuarial advice and taking into account the duration of the liabilities. A decrease in the discount rate of 0.5% per annum would result in a £21 million increase in the present value of the defined benefit obligation. The weighted average duration of the defined benefit obligation liabilities is around 28 years.
- The inflation assumption adopted is consistent with the discount rate used. It is used to set the assumptions for pension increases, salary increases and deferred revaluations. An increase in the inflation rate of 0.5% per annum would result in a £20 million increase in the present value of the defined benefit obligation.
- The longevity assumptions adopted are based on those recommended by the Scheme Actuary advising the Trustee of the Scheme and reflect the most recent mortality information available at the time of the Trustee actuarial valuation. The increase in the present value of the defined benefit obligation due to members living one year longer would be £5 million.

There is a risk that changes in the above assumptions could increase the deficit in the Scheme. Other assumptions used to value the defined benefit obligation are also uncertain, although their effect is less material.

	2016 £ million	2015 £ million
Defined benefit obligation by participant status		
Actives	57	37
Deferreds	51	35
Pensioners	27	20
	135	92

The duration of the liabilities is approximately 29 years.

Expected cash flows in future years

Expected employer contributions for the year ended 31 December 2017 are £3 million. Expected total benefit payments: approximately £4 million per year for the next 10 years.

Company balance sheet (Company number: SC177553)

As at 31 December 2016

	Notes	2016 £ million	2015 £ million
Fixed assets			
Property, plant and equipment	35	12	7
Investments	36	683	684
		695	691
Current assets			
Other receivables	37	921	610
Cash and cash equivalents		33	5
Deferred tax asset	41	7	2
Current tax asset		10	14
		971	631
Creditors: amounts falling due within one year			
Borrowings	38	(10)	(3)
Other payables	39	(501)	(351)
Derivative financial instruments		(1)	-
Provisions	40	-	(1)
Net current assets		459	276
Total assets less current liabilities		1,154	967
Creditors: amounts falling due after one year			
Borrowings	38	(633)	(506)
Derivative financial instruments		(5)	(6)
Retirement benefit obligation	30.A5	(30)	(2)
Net assets		486	453
Shareholders' equity			
Share capital	42	42	42
Share premium		20	20
Treasury shares		(14)	(9)
Capital redemption reserve		13	13
Hedging reserve		(3)	(4)
Retained earnings		428	391
Total Shareholders' equity		486	453

The financial statements on pages 169 to 175 were approved by the Board of Directors on 7 March 2017 and signed on its behalf by:



K Hanna
Chairman



C Cran
Chief Financial Officer

Company statement of comprehensive income

For the year ended 31 December 2016

	2016 £ million	2015 £ million
Profit for the year	125	89
Other comprehensive (loss)/income		
<i>Items that will not be reclassified to profit or loss</i>		
– Remeasurement of retirement benefits	(29)	4
– Taxation on remeasurement of retirement benefits	5	(1)
<i>Items that may be reclassified subsequently to profit or loss</i>		
– Cash flow hedges (net of tax)	1	1
– Taxation on cash flow hedges	–	–
Other comprehensive (loss)/income for the year (net of tax)	(23)	4
Total comprehensive income for the year	102	93

Company statement of changes in equity

For the year ended 31 December 2016

As at 31 December 2016

	Attributable to equity holders of the Company						
	Ordinary Share capital £ million	Share premium account £ million	Treasury shares £ million	Capital redemption reserve £ million	Hedging reserve £ million	Retained earnings £ million	Total equity £ million
Balance at 1 January 2016	42	20	(9)	13	(4)	391	453
Profit for the year	-	-	-	-	-	125	125
Other comprehensive (loss)/income:							
Fair value gains on interest rate swaps	-	-	-	-	1	-	1
Remeasurement of retirement benefits (net of tax)	-	-	-	-	-	(24)	(24)
Total comprehensive income for the year ended 31 December 2016	-	-	-	-	1	101	102
Transactions with owners:							
Purchase of Treasury Shares	-	-	(8)	-	-	-	(8)
Employee share awards	-	-	-	-	-	8	8
Issue of Ordinary Shares to employees under share option schemes	-	-	3	-	-	(3)	-
Dividends paid during 2016	-	-	-	-	-	(69)	(69)
	-	-	(5)	-	-	(64)	(69)
Balance at 31 December 2016	42	20	(14)	13	(3)	428	486

As at 31 December 2015

	Attributable to equity holders of the Company						
	Ordinary Share capital £ million	Share premium account £ million	Treasury shares £ million	Capital redemption reserve £ million	Hedging reserve £ million	Retained earnings £ million	Total equity £ million
Balance at 1 January 2015	42	20	(14)	13	(5)	364	420
Profit for the year	-	-	-	-	-	89	89
Other comprehensive (loss)/income:							
Fair value gains on interest rate swaps	-	-	-	-	1	-	1
Remeasurement of retirement benefits (net of tax)	-	-	-	-	-	3	3
Total comprehensive income for the year ended 31 December 2015	-	-	-	-	1	92	93
Transactions with owners:							
Employee share awards	-	-	-	-	-	8	8
Issue of Ordinary Shares to employees under share option schemes	-	-	5	-	-	(3)	2
Return of capital to Shareholders	-	-	-	-	-	(1)	(1)
Dividends paid during 2015	-	-	-	-	-	(69)	(69)
	-	-	5	-	-	(65)	(60)
Balance at 31 December 2015	42	20	(9)	13	(4)	391	453

Notes to the Company accounts

For the year ended 31 December 2016

31 COMPANY ACCOUNTING POLICIES

31.1 Basis of preparation

These financial statements have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities (including derivative instruments) at fair values in accordance with the Companies Act 2006.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payment' (details of the number and weighted-average exercise prices of share options, and how the fair value of goods or services received was determined)
- IFRS 7, 'Financial Instruments: Disclosures'
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities)
- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:
 - Paragraph 79(a)(iv) of IAS 1;
 - Paragraph 73(e) of IAS 16 'Property, plant and equipment'
 - Paragraph 188(e) of IAS 38 'Intangible assets' (reconciliations between the carrying amount at the beginning and end of the period)
- The following paragraphs of IAS 1, 'Presentation of financial statements':
 - 10(d) (statement of cash flows)
 - 10(f)(a) (statement of financial position as at the beginning of the preceding period)
 - 16 (statement of compliance with all IFRS)
 - 38A (requirement for minimum of two primary statements, including cash flow statements)
 - 38B-D (additional comparative information)
 - 40A-D (requirements for a third statement of financial position)
 - 111 (cash flow statement information), and
 - 134-136 (capital management disclosures)

- IAS 7, 'Statement of cash flows'
- Paragraph 30 and 31 of IAS 8, 'Accounting policies, changes in accounting estimates and errors' (requirements for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective)
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation)
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.

31.1.1 Going concern

Given the going concern disclosures in the Group Accounts on page 132, the Directors consider it appropriate to adopt the going concern basis of accounting in preparing these financial statements.

31.1.2 Changes in accounting policy and disclosures

New and amended standards adopted by the Company

There are no new standards that are effective for the first time this year that have a material impact on the Company.

Property, plant and equipment

Property, plant and equipment is carried at cost less accumulated depreciation and impairment losses. Cost includes purchase price, and directly attributable costs of bringing the assets into the location and condition where it is capable for use. Borrowings costs are not capitalised.

Property, plant and equipment is depreciated on a straight-line basis at annual rates estimated to write off the cost of each asset over its useful life from the date it is available for use. The principal period of depreciation used is as follows:

Vehicles, plant and equipment	4 to 8 years.
-------------------------------	---------------

Impairment of property, plant and equipment

Property, plant and equipment is depreciated and reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Value in use is calculated using estimated cash flows. These are discounted using an appropriate long-term pre-tax interest rate. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (income-generating units).

31 COMPANY ACCOUNTING POLICIES CONTINUED

Foreign currencies

At individual Company level, transactions denominated in foreign currencies are translated at the rate of exchange on the day the transaction occurs. At the year end, monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Non-monetary assets are translated at the historical rate. In order to hedge its exposure to certain foreign exchange risks, the Company enters into forward foreign exchange contracts. The Company's financial statements are presented in Sterling, which is the Company's functional currency.

Derivative financial instruments

The accounting policy is identical to that applied by the consolidated Group as set out on page 158.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds, net of transaction costs, and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest rate.

Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in Shareholders' funds. In this case, the tax is also recognised in other comprehensive income or directly in Shareholders' funds, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; or arise from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Employee benefits

The Company operates both a defined benefit pension scheme and a defined contribution pension scheme. The accounting policy is identical to that applied by the consolidated Group as set out on page 135.

Investments

Investments in subsidiary undertakings are stated in the balance sheet of the Company at cost, or nominal value of the shares issued as consideration where applicable, less provision for any impairment in value. Share-based payments recharged to subsidiary undertakings are treated as capital contributions and are added to investments.

Leases

Leases where substantially all of the risks and rewards of ownership are not transferred to the Company are classified as operating leases. Rentals under operating leases are charged against operating profit on a straight-line basis over the term of the lease.

Share-based payments

The accounting policy is identical to that applied by the consolidated Group as set out on page 158 with the exception that shares issued by the Company to employees of its subsidiaries for which no consideration is received are treated as an increase in the Company's investment in those subsidiaries.

Dividend distribution

Dividend distribution to the Company's Shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's Shareholders.

32 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Taxation

This is explained in Note 1 to the Group Accounts on page 136.

33 DIVIDENDS

Refer to Note 11 of the Group Accounts.

Notes to the Company accounts

For the year ended 31 December 2016

34 AUDITORS' REMUNERATION

	2016 £000	2015 £000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	224	283
Fees payable to the Company's auditor and its associates for other services:		
- Other assurance related services	72	36
- Other (Note (ii))	230	-

(i) In the year ended 31 December 2016, KPMG LLP replaced PricewaterhouseCoopers as Company Auditors, therefore the 2016 fees above relate to KPMG LLP and the 2015 fees relate to PricewaterhouseCoopers.

(ii) Other relates to Investor Relation Services (this work has stopped from 1 January 2017).

35 PROPERTY, PLANT AND EQUIPMENT

	Total £ million
Cost	
At 1 January 2016	12
Additions	7
At 31 December 2016	19
Accumulated depreciation	
At 1 January 2016	5
Charge for the year	2
At 31 December 2016	7
Net book values:	
At 31 December 2016	12
At 31 December 2015	7

The property, plant and equipment of the Company comprise vehicles, plant and equipment.

36 INVESTMENTS

	£ million
Cost of investments in subsidiary undertakings:	
At 1 January 2016	684
Net impact of share-based payments	(1)
At 31 December 2016	683

Details of the Company's subsidiary undertakings are set out in Note 28 to the Group Accounts. The Directors believe that the carrying value of the investments is supported by their underlying net assets.

37 OTHER RECEIVABLES

	2016 £ million	2015 £ million
Amounts due from subsidiary undertakings	917	608
Other receivables	4	2
	921	610

38 BORROWINGS

	2016 £ million	2015 £ million
Non-current		
Bank borrowings	329	253
Private placement notes	304	253
	633	506
Current		
Bank overdrafts	-	2
Bank borrowings	10	1
	10	3
Total borrowings	643	509

The bank overdrafts and borrowings are all unsecured.

(i) Maturity of financial liabilities

The maturity profile of the borrowings was as follows:

	2016 £ million	2015 £ million
Within 1 year, or on demand	10	3
Between 1 and 2 years	97	-
Between 2 and 3 years	150	195
Between 3 and 4 years	127	70
Between 4 and 5 years	178	56
Greater than 5 years	81	185
	643	509

(ii) Borrowing facilities

The Company has the following undrawn committed floating rate borrowing facilities available at 31 December 2016 in respect of which all conditions precedent had been met at that date:

	2016 £ million	2015 £ million
Expiring within 1 year	-	30
Expiring between 1 and 2 years	178	-
Expiring between 2 and 3 years	1	117
Expiring between 3 and 4 years	189	78
Expiring between 4 and 5 years	34	160
Expiring after 5 years	-	-
	402	385

39 OTHER PAYABLES

	2016 £ million	2015 £ million
Amounts owed to subsidiary undertakings	491	343
Accruals and deferred income	10	8
	501	351

40 PROVISIONS

	Reorganisation £ million
At 1 January 2016	1
Utilised	(1)
At 31 December 2016	-

41 DEFERRED TAX

	2016 £ million	2015 £ million
At 1 January	2	3
Credit/(debit) to statement of comprehensive income	5	(1)
At 31 December	7	2

Deferred tax is provided in the accounts as follows:

Deferred tax assets

	Other timing differences £ million	Derivative financial liabilities £ million	Relating to retirement benefit obligation £ million	Total £ million
At 1 January 2015	-	2	1	3
Deferred tax debit in statement of comprehensive income	-	-	(1)	(1)
At 1 January 2016	-	2	-	2
Deferred tax credit in statement of comprehensive income	-	-	5	5
At 31 December 2016	-	2	5	7

The net deferred tax asset due after more than one year is £7 million (2015: asset of £2 million).

Changes to the UK corporation tax rates were substantively enacted as part of the Finance Bill 2015 (on 26 October 2015) and Finance Bill 2016 (on 7 September 2016). These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

42 SHARE CAPITAL

Refer to Note 23 of the Group Accounts.

43 PROFIT AND LOSS ACCOUNT

As permitted by Section 408 of the Companies Act 2006, the Company has not presented its own income statement and related notes. The profit for the financial year of the Company was £125 million (2015: £89 million).

Shareholder information

Financial calendar

20 April 2017	Ex-dividend date – Final dividend
21 April 2017	Record date to be eligible for the final dividend
27 April 2017	Annual General Meeting
27 April 2017	Q1 Trading Update for the year to 31 December 2017
24 May 2017	Final dividend payment for the year to 31 December 2016
2 August 2017	Half Year Results announcement for the year to 31 December 2017
early September 2017	Ex-dividend date – Interim dividend
early September 2017	Record date to be eligible for the interim dividend
late September/early October 2017	Interim dividend payment for the year to 31 December 2017
mid November 2017	Q3 Trading Update for the year to 31 December 2017

OUR WEBSITE

Our corporate website provides access to share price and dividend information as well as sections on managing your shareholding online, corporate governance and other investor relations information. To access the website, please visit ir.aggreko.com/investors

MANAGING YOUR SHARES ONLINE

Shareholders can manage their holding online by registering to use our Shareholder portal at <https://shares.aggreko.com>. This service is provided by our Registrar, Capita, giving quick and easy access to your shareholding, allowing you to manage all aspects of your shareholding online, with a useful FAQ section.

ELECTRONIC COMMUNICATIONS

We encourage Shareholders to consider receiving their communications electronically. Choosing to receive your communications electronically means you receive information quickly and securely and allows us to communicate in a more environmentally friendly and cost-effective way. You can register for this service online using our share portal at <https://shares.aggreko.com>.

PAYMENT OF DIVIDENDS

Shareholders whose dividends are not currently paid directly into their bank accounts may wish to consider setting this service up. We encourage Shareholders to have dividends paid direct to their bank accounts as this has a number of advantages, including ensuring efficient payment to receive cleared funds on the payment date.

If Shareholders would like to receive their dividends directly to their bank account, they should call the Registrar, Capita, using the details opposite.

UK Shareholders may also register using the share portal at <https://shares.aggreko.com>.

Overseas Shareholders may also be able to have the dividend converted to local currency before payment to your bank account using the international payment service. Please call the Registrar, Capita, using the details opposite, or visit www.capitaregistrars.com/international.

DIVIDEND REINVESTMENT PLAN

Our Dividend Reinvestment Plan (DRIP) is available for eligible Shareholders. This allows Shareholders to purchase additional shares in Aggreko with their dividend payment. Further information and a mandate can be obtained from our Registrars, Capita, using the contact details opposite, or by using the share portal at <https://shares.aggreko.com>.

DUPLICATE DOCUMENTS

Some Shareholders find that they receive duplicate documentation and split dividend payments due to having more than one account on the share register. If you think you fall into this group and would like to combine your accounts, please contact our Registrar, Capita.

CHANGES OF ADDRESS

To avoid missing important correspondence relating to your shareholding, it is important that you inform our Registrar, Capita, of your new address as soon as possible.

SHAREGIFT

If you have a very small shareholding that is uneconomical to sell, you may want to consider donating it to Sharegift (Registered Charity no.10526886), a charity that specialises in the donation of small, unwanted shareholdings to good causes. You can find out more by visiting www.sharegift.org or by calling +44 (0) 207 930 3737.

SHAREHOLDER QUERIES

Our share register is maintained by our Registrar, Capita. Shareholders with queries relating to their shareholding should contact Capita directly using one of the methods listed opposite. For more general queries, Shareholders can look at our website at ir.aggreko.com/investors

USEFUL CONTACTS

Registrar

Capita Asset Services, Shareholder Solutions
The Registry, 34 Beckenham Road
Beckenham, Kent BR3 4TU
United Kingdom
Telephone 0371 664 0300

Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom are charged at the applicable international rate. Lines are open between 9.00am – 5.30 pm, Monday to Friday excluding public holidays in England and Wales.

Website www.capitaregistrars.com
Email ssd@capitaregistrars.com

Stockbrokers

Bank of America Merrill Lynch – London
Citigroup Global Markets – London

Auditors

KPMG – Glasgow
Chartered Accountants

Aggreko's registered office

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Email investors@aggreko.com
Registered in Scotland No. SC177553

Group Legal Director & Company Secretary

Peter Kennerley

Additional documents

The Annual Report is available for download in pdf format at ir.aggreko.com/investors

Unsolicited mail and Shareholder fraud

Shareholders are advised to be wary of unsolicited mail or telephone calls offering free advice, to buy shares at a discount or offering free company reports. To find more detailed information on how Shareholders can be protected from investment scams visit www.fca.org.uk/consumers/scams/investment-scams/share-fraud-and-boiler-room-scams.

Definition and calculation of non GAAP measures

ADJUSTED RETURN ON AVERAGE CAPITAL EMPLOYED (ROCE)

Definition:

Calculated by dividing operating profit pre-exceptional items for a period by the average net operating assets at 1 January, 30 June and 31 December.

Calculation:

	Accounts reference	December 2016 £ million	December 2015 £ million
Operating profit pre-exceptional items	Income statement	248	275
Average net operating assets			
1 January	Note 4(h) of 2016 & Note 4(g) of 2015 Accounts	1,707	1,690
30 June	Refer to Note (a) below	1,991	1,650
31 December	Note 4(h) of 2016 & Note 4(g) of 2015 Accounts	2,124	1,707
Average (i.e. total of 1 Jan, 30 June and 31 Dec divided by 3)		1,941	1,682
ROCE (operating profit pre-exceptional items divided by average operating assets)		13%	16%
Note (a):			
Per June 2016 Interim Accounts			
Note 5(e)			
Assets		2,286	1,976
Liabilities		(295)	(326)
Net operating assets		1,991	1,650

ADJUSTED EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTISATION (EBITDA)

Calculation:

	Accounts reference	December 2016 £ million	December 2015 £ million
Operating profit pre-exceptional items (Earnings Before Interest and Taxation)	Income statement	248	275
Depreciation	Note 5	281	277
Amortisation	Note 5	4	4
EBITDA		533	556

ADJUSTED INTEREST COVER: EBITDA DIVIDED BY NET FINANCE COSTS

Calculation:

	Accounts reference	December 2016	December 2015
EBITDA (£ million)	Per above	533	556
Net finance cost (£ million)	Income statement	27	23
Interest cover (times)		20	24

ADJUSTED NET DEBT TO EBITDA

Calculation:

	Accounts reference	December 2016	December 2015
Net debt (£ million)	Cash flow statement	649	489
EBITDA (£ million)	Per above	533	556
Net debt/EBITDA (times)		1.2	0.9

ADJUSTED DIVIDEND COVER

Definition:

Basic earnings per share (EPS) pre-exceptional items divided by full year declared dividend.

Calculation:

	Accounts reference	December 2016	December 2015
Basic EPS pre-exceptional items (pence)	Income statement	61.98	71.73
Full year declared dividend			
Interim dividend (pence)	Note 11	9.38	9.38
Final dividend (pence)	Note 11	17.74	17.74
		27.12	27.12
Dividend cover (times)		2.3	2.6

Financial summary

Revenue £m		Adjusted Operating Profit² £m	
16	1,515	16	248
15	1,561	15	275
14	1,577	14	310
13	1,573	13	358
12	1,583	12	385
Adjusted Operating Profit Margin² %		Dividend per Share¹ Pence	
16	16	16	27.12
15	18	15	27.12
14	20	14	27.12
13	23	13	26.30
12	24	12	23.91
Adjusted Profit Before Tax² £m		Adjusted Diluted EPS² Pence	
16	221	16	61.95
15	252	15	71.68
14	289	14	82.49
13	333	13	92.03
12	360	12	100.40
Average Number of Employees		Net Operating Assets £m	
16	6,090	16	2124
15	6,433	15	1,707
14	6,112	14	1,690
13	5,749	13	1,598
12	5,316	12	1,708
Adjusted Return on Average Capital Employed² %		Capital Expenditure £m	
16	13	16	263
15	16	15	254
14	19	14	251
13	21	13	228
12	24	12	440
Net Debt £m		Shareholders' Funds £m	
16	649	16	1,368
15	489	15	1,115
14	494	14	1,078
13	363	13	1,140
12	593	12	1,045

¹ The Board is recommending a final dividend of 17.74 pence per Ordinary Share, which, when added to the interim dividend of 9.38 pence, gives a total for the year of 27.12 pence per Ordinary Share.

² Adjusted excludes exceptional items in 2016, 2015 and 2012.

Glossary

CEO

Chief Executive Officer.

CFO

Chief Financial Officer.

CFM

Cubic feet per minute. A unit of volumetric capacity.

CO₂

Carbon dioxide.

Diluted earnings per share

Profit after tax divided by the diluted weighted average number of Ordinary Shares ranking for dividend during the relevant period, i.e. including the impact of share options.

EPA

Environmental Protection Agency.

GHG

Greenhouse gas emissions.

g/kWh

Emissions in grams per kilowatt hour.

HFO

Heavy fuel oil.

kVA

A thousand volt amperes.

Load shedding

Load shedding is an intentional power shutdown, where electricity is stopped for a period of time over different parts of the distribution region. They are a last-resort measure to avoid a total blackout of the power system and are a demand response where the demand for electricity exceeds the supply capability of the network.

LWA

Sound power level at source.

Market potential estimation calculation

1. In a market (say, oil-refining in the US) in which we are well-established and have high market share, calculate our rental revenues (a known number) in the sector as a proportion of the total economic output of oil refineries in the US (another known number). This produces a very small number, like 0.00001.
2. Make the assumption that if we can achieve, say, 0.00001 of the economic output of refineries in the US as revenues, we should, in theory, be able to achieve the same in oil refineries everywhere else. Therefore if we take the total economic output of oil refineries in, say China, and then apply the same multiple to that which we achieve in the US, that tells us how big the potential market is.
3. Take this same technique, and apply it to about 20 segments in around 30 countries, and we have an estimate for the market potential and a number for our revenues in the sector (an accurate number), and therefore an estimate of our share of 'market potential'.

MW

Megawatt - a million watts of electricity.

NOx

Oxides of nitrogen.

On-hire & Off-hire

When a contract is put out on rent, the equipment is referred to as on-hire. When a contract comes off rent, the equipment is referred to as off-hiring. The on and off-hire rates are calculated as the number of MW of equipment that either on or off-hire in the period, divided by the MW of equipment on-hire at the beginning of that period.

Operating profit (also known as EBIT)

Profit from operations after gain on sale of property, plant and equipment but before interest and tax.

Particulate

In general this term relates to visible smoke.

Power Solutions business

The part of our business which operates in emerging markets. It has two divisions, Utility which handles very large power contracts, typically for utilities and Industrial which offers solutions from our local service centres to industrial customers.

pp

Percentage points.

Profit after tax

Profit attributable to equity Shareholders.

Rental Solutions business

The part of our business operating in North America, Europe and Australasia, looking after customers local to our service centres.

tCO₂e

Tonnes of carbon dioxide equivalent.

Temperature control

The temperature control fleet includes chillers, air conditioners, cooling towers, boilers, heat exchangers, heaters, and the required ancillary products. It provides HVAC and moisture control equipment that helps customers minimise losses, manage risks and capture windows of economic opportunity. Applications include seasonal limitations or catastrophic failure of critical cooling equipment, planned and unplanned maintenance, process improvements, and temporary structures.

Tier 1, Tier 2, Tier 3, Tier 4

US Federal Government target emission reduction levels.

Notes

Overview

Business strategy

Performance review

Governance

Accounts & other information

Notes



Design and production Radley Yeldar | www.ry.com

Board photography George Brooks

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