aggreko

AGGREKO PLC

The power to make a difference

Annual Report and Accounts 2017

INSIDE THIS YEAR'S REPORT

Watch our Aggreko in 2017 video online: **plc.aggreko.com/investors/investor-centre/2017-annual-report-summary**

PERFORMANCE HIGHLIGHTS

Revenue
£1,730m 2016: £1,515m

Pre-exceptional Diluted EPS[3]
53.94p 2016: 61.95p

Reported Diluted EPS[4]
41.51p 2016: 48.86p

Pre-exceptional Return on Capital Employed[2,3]
11% 2016: 13%

Return on Capital Employed[2]
9% 2016: 10%

Pre-exceptional Profit before Tax[3]
£195m 2016: £221m

Reported Profit before Tax[4]
£154m 2016: £172m

Pre-exceptional Operating Profit[3]
£229m 2016: £248m

Reported Operating Profit[4]
£188m 2016: £199m

Dividend per share[1]
27.12p 2016: 27.12p

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 Exceptional items are explained in Note 7 to the accounts.
4 Reported is per the Accounts on pages 110 to 153.

We believe in the positive impact of power. The ability to provide power, heating and cooling 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. Something that inspires and challenges us every day.

TRANSPARENT REPORTING

To help you better understand how environmental, social and governance (ESG) factors are integrated into our business, we have highlighted them throughout the report using the following icons:

ENVIRONMENTAL

SOCIAL

GOVERNANCE

Q&A

We are beginning to deliver underlying growth

A Q&A with Chris Weston, CEO

Q: What are the highlights of 2017 for you?

A: Firstly, I want to thank all our people. The dedication to our customers and the focus on our strategic priorities have repositioned and stabilised Aggreko, providing a strong foundation from which to grow. This hard work is reflected in the underlying growth we are now seeing across the business when you exclude the legacy contracts in Argentina, which have repriced to reflect current market conditions.

The investment that we are making in the business, both for the immediate future and in recognition of longer term trends is exciting. Over the last three years we have taken over £100 million of cost out of the business and invested £20 million in new systems. This year we started to focus more on how we will take advantage of the energy market transition that is underway, and I am delighted with the work that our Global Solutions team are doing to lead this. It is the first time in Aggreko's history that we have a dedicated team looking 'up and out', identifying opportunities for sustainable growth. We have taken some important steps this year, including the deployment of our first solar-diesel hybrid project and the acquisition of Younicos, a business based in Berlin that specialises in integrated energy systems and energy storage.

The skills Younicos brings to the table fit well with our modular and mobile fleet. Combined, we can offer customers a flexible, reliable, lower carbon and lower cost energy solution, by integrating renewables, storage and thermal assets.

Q: And the lowlights?

A: It is inevitable that in any year there will be disappointments, but I was deeply saddened by an accident in Nigeria which caused the death of one of our technicians, Kingsley Inalu. We have investigated the accident and taken actions to remedy the causes, but of course, no actions taken today can undo what happened.

I cannot express to you how strongly I believe that safety is the number one priority at Aggreko. We deal with potentially dangerous equipment and it is imperative that we operate in a way that ensures everyone goes home safely at the end of the day. We have made good progress over the last few years but must redouble our focus on this critical area.

Q: You talk a lot about customer focus, why is this important when the majority of Aggreko's customers are businesses?

A: Customers, whether consumers or businesses, are at the heart of everything we do. Ultimately we are dealing with people who have expectations that must be met. Anything that jeopardises this detracts from our ability to generate revenue and grow.

End market conditions vary over time, commodity prices fluctuate, customers' expectations evolve and competition is ever present. As a result, we need to work harder to maintain our leading position and to grow our market share.

Through focusing on our customers and the sectors they operate in; continuing to develop innovative and relevant applications and solutions; investing in our systems to enhance our service, we are improving our market position. Our ideal is to be a partner to our customers, developing long-term relationships shaped by their needs.

Watch Chris discuss 2017 performance online:
plc.aggreko.com/investors/investor-centre/2017-annual-report-summary

"After a challenging few years I am pleased to see growth, albeit on an underlying basis, return to Aggreko. Our strategic priorities of Customer Focus, Technology Investment, Capital & Operational Efficiency and Expert People, are beginning to deliver and I am excited for what the future holds."

Chris Weston
Chief Executive Officer

Q: Can you update on your technology roadmap, have you made progress this year?

A: I have been pleased with the progress we have made in delivering our technology roadmap this year. We have upgraded 272 diesel engines to the market leading G3+ and it now makes up 25% of the Group's 1 MW diesel fleet. We have also invested in 252 MW of our new gas engines, and begun the roll-out of our medium speed Heavy Fuel Oil (HFO) product, both of which went through extensive testing. All of these products are consistent with our strategy to provide customers with products that lower the total cost of energy.

The Younicos investment is also an important step in lowering the total cost of energy, but importantly also reduces emissions. Harnessing renewables and using storage means that our thermal products can increasingly become a 'back-up' option, significantly reducing the fuel used.

The technology roadmap is an evolving plan with ongoing investigation into new technologies to assess applicability in our business and I am very pleased with the progress the team has made.

Q: There have been some arrivals and departures in your top team, how has this impacted the business?

A: Early in 2017 Stephen Beynon joined Aggreko as the Director of our Power Solutions business, replacing Nicolas Fournier. Stephen comes with fantastic experience running large service based businesses, including divisions of Virgin Media and the business and residential divisions of British Gas. Stephen brings invaluable B2B experience, has been a great addition to the team, and has impressed me with his quick grasp of the challenges we face and the opportunities ahead.

Our CFO Carole Cran left the business at the end of 2017 after 14 years with Aggreko. Carole was a brilliant CFO and I am personally grateful for the time she invested in Aggreko. She has been succeeded by Heath Drewett, who joins us from WS Atkins, where he was also CFO. Heath has a great pedigree working in similar markets to Aggreko's and I am excited by the insights he will inevitably bring to the table.

Grant Nairn, who has been with us four years, has been promoted to CIO and now sits on the Executive team. Other than that, the team is the same.

DECARBONISATION

DECENTRALISATION

DIGITALISATION

Y.Cube at our facility in Austin

Y.Cube is a fully integrated plug-and-play energy storage solution. In 2018, our engineers are redesigning this to fit within our standardised containers.

Q: You purchased Younicos, a storage and integration business, why?

A: Rapid, large-scale changes are occurring in energy markets, driven by three major themes: decarbonisation, decentralisation and digitalisation. Decarbonisation is self-explanatory and is driven by renewables making up a greater proportion of generation. Renewables are now lower cost and more accessible, leading to decentralisation, where power supply is made up of smaller local power sources, such as domestic solar. At the same time we are seeing increased digitalisation; larger data flows required to manage integrated and smart energy systems.

These emerging energy systems are multi-dimensional and dynamic, with many more participants. This creates challenges in balancing supply and demand as higher proportions of renewables create volatility in the energy system. Balancing renewable and thermal generation will increasingly require storage and sophisticated systems and software.

This is an opportunity for us. Our modular and mobile thermal fleet is already well suited to a decentralised energy system; the addition of Younicos' integration software and storage capabilities mean we are well placed to provide increasingly digitalised and renewable solutions.

The integration of renewable energy sources with batteries and thermal is also another way we can lower the cost of energy for our customers, whilst ensuring a reliable power supply.

Q: You talk about a sector focus, why not focus on all sectors?

A: We have focused the organisation on key sectors, such as Oil & Gas and Events (see page 24 for a full list). These sectors are aligned to where we believe our specialised engineering capability and high quality equipment can make the biggest difference to our customers.

By specialising in sectors we develop a detailed understanding of our customers' business and are able to tailor products and services to support them. We are not just a rental company, we provide engineered solutions, something that really differentiates us from the competition.

It also means we are directing our resources efficiently and approaching the market in a focused manner. It is not an exclusive focus; we will always work to support customers in other sectors and incubate sectors that we expect to grow.

Q: You have outlined medium-term targets for the business, are these still achievable?

A: As we approach the three year anniversary of establishing our Business Priorities, we are reflecting on what has been achieved. We believe that the initiatives we have delivered, particularly around sector focus, systems and technology investment, were the right actions to reposition this business for the future and this has been demonstrated by the improved performance in our Rental Solutions and Power Solutions Industrial businesses. Power Solutions Utility remains difficult and the market

Our megawatt-scale technology centre in Berlin

This facility enables us to test and optimise energy storage systems and components, including generators, under real-life conditions.

As energy markets continue to decarbonise, decentralise and become more digital, the integration and control of multiple energy sources, including thermal and renewable, will be essential to ensure the provision of reliable power. Our scale, fleet and global presence, coupled with a smart energy capability, will allow us to open up new markets and provide our customers around the world with a reliable, cheaper and cleaner source of energy."

Chris Weston
Chief Executive Officer

has not recovered as we expected and, as a result, our returns are not where we want them to be. We continue to work on a number of initiatives to improve our returns, including utilisation and working capital. Finally, we are evolving our strategy to reflect the gathering pace of transition in the energy markets, and we will provide a further update on our strategic progress and its financial impact at our interim results in August.

Q: As you look forward, what are you most excited about in 2018?

A: Seeing our new products come on line, particularly the hybrids; realising the benefits of the systems investments we are making, and at last being able to offer an online service to our customers; and seeing the results of the enhanced sales focus, leading to further top line growth. In short: the reality of the transformation we have all been working so hard on over the last three years.

We will also deliver some high profile events, including the PyeongChang Winter Olympics and the Commonwealth Games on the Gold Coast in Australia. These are important events where we are performing on the global stage and which make me very proud of Aggreko and what we do.

We operate in an exciting and evolving market, providing real and relevant services to our customers. The opportunity that the energy transition presents will become more real this year, demonstrating that we are well positioned to be a part of the future global energy market.

STATEMENT ON CLIMATE CHANGE

Climate change is one of the defining challenges of this era. The 2015 Paris Agreement brought 195 countries to a consensus on the magnitude of the challenge. In the same year the United Nations launched its Sustainable Development Goals to help facilitate international development. Whilst Goal 13 (Climate Change) is clearly relevant to our business, we believe that the area we can have most impact is Goal 7 (Affordable and Clean Energy).

In the energy sector we expect this to increase the emphasis on reducing greenhouse gas emissions, increasing the use of renewables, and stopping practices such as flaring gas. Whilst we have definitely seen this, we have also seen that for many developing countries the priority remains providing power and accessing the associated social and economic benefits.

One of our strategic priorities is to invest in technology with the aim of lowering the cost of energy for our customers through improved fuel efficiency, whilst also working to reduce the environmental impact our products have. We are responsible for playing our part in addressing climate change and we acknowledge that this is inextricably linked to remaining a successful business in the future.

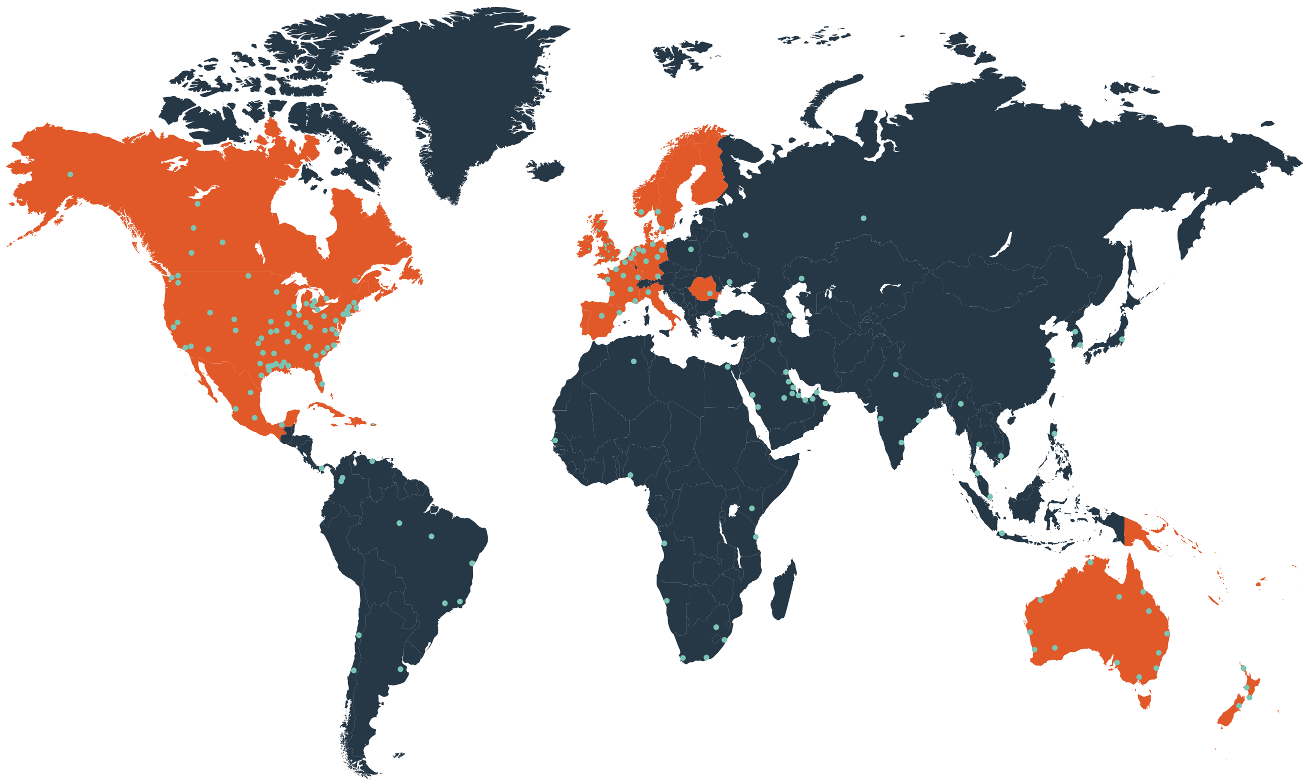
Read more about our Technology **page 28**

We are a global company focused on customers operating in key sectors.

This sector focus allows us to build our expertise and develop products and solutions that address particular problems our customers face. To optimally deploy our equipment and expertise around the world we are organised into two business units: Rental Solutions and Power Solutions.

We operate in over 80 countries through 193 sales and service centres and with around 6,000 permanent employees.

ORGANISED TO SERVE OUR CUSTOMERS



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.

For more information visit: aggreko.com/aboutus

WHAT WE DO FOR OUR CUSTOMERS

Identify need
Our global sales team will approach new and existing customers to understand their businesses and discuss their requirements.

Develop solutions
We will tailor a sector specific solution and submit a detailed proposal for approval.

Mobilisation
Once accepted, we will mobilise the equipment, install, test and either handover to the customer or begin operating by the specified deadline.

Operational support
Our service engineers are on hand to provide support, together with remote monitoring systems that will alert us to problems before they occur.

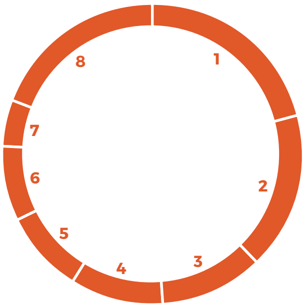
Demobilisation
Once the customer decides to off-hire we take the equipment back to our service centres to service or upgrade it and make it ready for the next customer.

START AGAIN

Rental Solutions

We provide power, heating and cooling to customers in developed markets. These requirements tend to revolve around smaller, short-term projects and key events.

OUR KEY SECTORS %



1	Business Services and Construction	21
2	Petrochemical & Refining	17
3	Utilities	11
4	Events	10
5	Oil & Gas	9
6	Manufacturing	8
7	Quarrying & Mining	5
8	Other	19

Revenue

£720m

45% of Group

EVENTS CASE STUDY

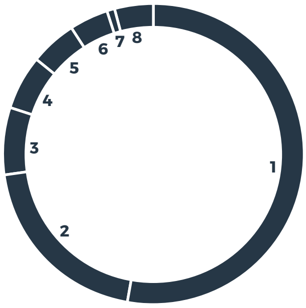
When one of the US women's National Basketball Association teams made the playoffs, it moved to a bigger stadium which did not comply with strict league temperature regulations. Our specialist knowledge and equipment allowed us to provide the required temperature and humidity conditions.

Read more about Rental Solutions on **page 38**

Power Solutions

We provide power, heating and cooling to emerging markets. These requirements tend to be larger industrial and utility customers with longer term power needs.

OUR KEY SECTORS %



1	Utilities	53
2	Oil & Gas	20
3	Business Services and Construction	7
4	Quarrying & Mining	6
5	Manufacturing	5
6	Events	4
7	Petrochemical & Refining	1
8	Other	4

Revenue

£871m

excluding pass-through fuel
55% of Group

UTILITY CASE STUDY

The Sorovskoye oil field in Salym, Russia, has no available grid connection. We mobilised and installed 12 MW of our QSK60 gas engines, renowned for their ability to operate in extreme cold temperatures, to use by-product petroleum gas to power the oil field.

Read more about Power Solutions on **page 40**

We are positioned to benefit from long-term trends.

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, for example hospitals to provide medical care and schools to educate future generations.

The global power generation market is undergoing substantial change. Whilst demand continues to grow, we are seeing a transformational shift in regulatory, environmental and societal expectations. In developing a long-term view on the market, many factors need to be considered.

These can vary by country and sector, but can be broadly defined within global megatrends. These megatrends offer significant opportunities for our business.

We address the market through our two business units which are well positioned to provide solutions for our customers as energy markets transform.

GLOBAL MEGATRENDS

Urbanisation

Urbanisation contributes to economic development, but is also a direct result of it. Today, more than **half of the global population live in urban areas** and the UN estimates that this is growing by 1.5 million people every week; this is already placing **huge demands on infrastructure globally.**

1.5m
urban population growth every week

In emerging markets, investment in new and replacement power supplies has not kept pace with demand, resulting in frequent breakdowns and damaging power cuts. As cities continue to grow, the increasing demand for power will be a major challenge.

Climate Change

Rising greenhouse gas emissions are causing average temperatures to rise which could result in significant and potentially irreversible environmental changes.

70%
of greenhouse gas emissions come from cities

According to the World Bank, cities consume two-thirds of natural resources and account for over 70% of global greenhouse gas emissions. This has a significant impact on health and wellbeing, which in turn impacts economic performance. For example, it is estimated that in China air pollution costs the economy about 6.5% of GDP annually.

As governments in both developed and emerging markets introduce regulation to tackle emissions, we are seeing a **shift in how power is generated,** including a revolution in transportation with the growth of electric vehicles. This will change the demand for power and its associated infrastructure.

Shift in Economic Power

As an economy grows, so does demand for power; businesses want to expand quickly and **outsource the supply of power, heating and cooling to maintain productivity and capital efficiency**.

Whilst growth in emerging economies over the last few years has slowed, the long-term trends continue to suggest that emerging markets will grow faster than, and eventually overtake, many developed economies. The sharp decline in commodity prices experienced in 2014 was one of the biggest factors driving the downturn seen in many emerging economies, particularly in Africa.

4.9%
expected growth in emerging markets

In 2018, growth is expected to recover across emerging markets (estimated at 4.9%) and with the vast populations of China and India behind the economic recovery the shift in power will continue to move eastwards.

Digital Revolution

Digitalisation is expected to play a major role in solving existing inefficiencies in power networks, many of which have arisen as a result of increasing demand and decarbonisation. Existing inefficiencies, which are particularly prevalent in developed markets, include the need for thermal base load power to cover the intermittency of renewables, which leads to uneconomic utilisation of these permanent power assets.

In addition, huge volumes of data are collected by companies and this is increasingly being used to provide insight into how customers use products and services; this can then be translated into competitive advantage.

Population Growth

As **populations continue to grow, demand for electricity increases;** according to the UN, the global population is expected to rise by more than 1 billion by 2030.

1 billion
global population growth by 2030

Over 90% of this population growth will come from emerging or developing countries, which typically have low electrification rates and where electricity is available, reliability is often poor.

Population growth will inevitably increase the power shortfall.

RESULTANT DRIVERS OF OUR BUSINESS

1. **Increasing demand for power**
2. **Commodity prices**
3. **Regulation**
4. **Energy in transition**
   - 4a Decarbonisation
   - 4b Decentralisation
   - 4c Digitisation
5. **Natural disasters and major events**

1 Increasing demand for power

Our markets have historically grown as a country's economy grows, particularly in industrial sectors where finance is more available. The average GDP growth for the countries in which we operate is forecast to be around 2% per annum in Rental Solutions and 4% per annum in Power Solutions over the next few years (Source: IMF, October 2017).

In emerging markets, a lack of power can hinder a country's economic development and as a result, we expect to see an increase in opportunities to support industrial customers in these markets. The Economist Intelligence Unit estimates that the average Sub-Saharan African manufacturing firm loses 5.5% of annual sales due to power outages, over double the global average (2.6%). Nigeria has nearly 33 outages a month according to the World Bank.

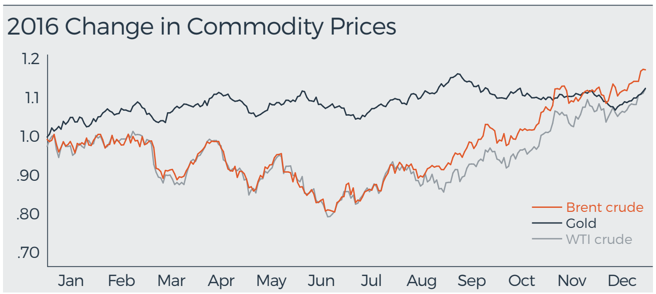
+58%
global power demand increase by 2040

In addition to increased economic activity, the longer term growth in global population and urbanisation will inevitably mean upward pressure on power demand and a worsening of the power gap in certain markets. Bloomberg New Energy Finance forecasts a 58% increase in global power demand between now and 2040.

2 Commodity prices

Commodity dependent economies were particularly hard hit in recent years as prices fell substantially. In many countries this has driven diversification which, coupled with **improving commodity prices in 2017, has resulted in a rise in industrial activity in many of our markets**. Customers in these sectors have become more aware of the cost of energy and in response, we have been developing sector specific applications to meet their needs, such as the solar-diesel hybrid on mining sites and flare gas-to-power solutions.

The rise in oil prices, which fell below $30/bbl in 2016 and have since risen above $60/bbl, have varied effects on our customers. Those oil dependent countries should see liquidity constraints ease and commodity customers such as oil producers and miners may increase their output, which is beneficial for our business. However, higher oil prices will make power more expensive for other customers and so we continue to look at ways at reducing the overall cost of energy.



3 Regulation

Governments around the world are **removing restrictive legislation** in order to support private investment and innovation in power infrastructure, thereby ensuring affordability and security of supply. In many countries this is the only way to provide the capital needed to generate and deliver more energy to support growing demand.

Policies supporting **emissions reductions** will continue to drive the growth in renewable energy. As renewable energy penetration increases, grids will become less stable and there will be a need for decentralised generation, such as ours, to provide stability and reliability.

Ageing infrastructure in both developed and emerging economies and the retirement of technologies which are no longer deemed favourable, such as coal, will see a rise in construction of new power plants. However, with investment in developed market power infrastructure requiring trillions of dollars, we expect to see lower capital investment for power in emerging markets; this provides opportunities for us to meet bridging power needs for both utility and business customers in emerging markets, whilst deregulation offers opportunities for us in developed markets as energy systems decentralise.

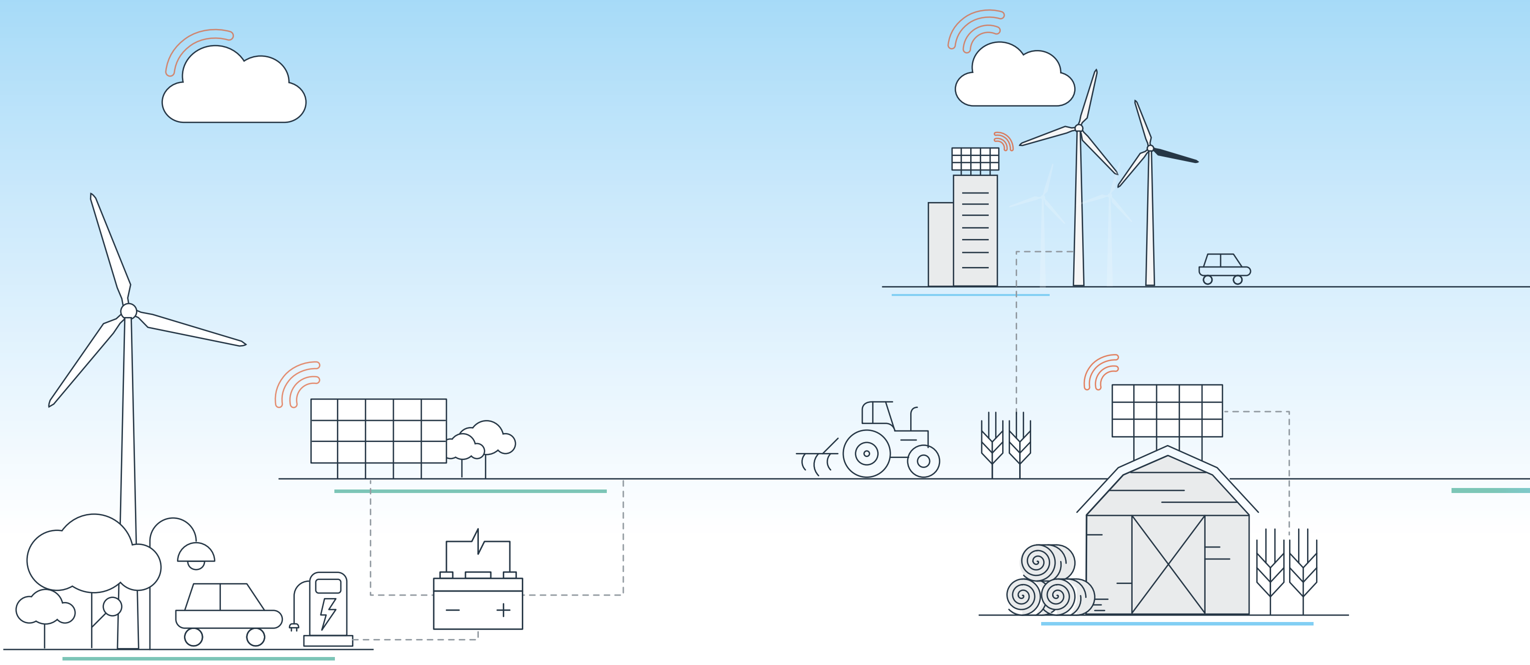
4 Energy in transition

Globally, the energy sector is going through a major transition; the **challenge is to find the optimal way to secure energy supplies, affordably and sustainably**.

There are three key themes of this transition:

DECARBONISATION DECENTRALISATION DIGITALISATION

We are positioning ourselves for this future through the introduction of solar-diesel hybrid technology, next generation gas engines, increasing the overall efficiency of our engines and through the acquisition of energy storage integration specialist Younicos which will allow us to compete in the energy market of the future.



4a Energy in transition:

Decarbonisation

Despite the US withdrawing from the Paris Agreement in June 2017, the **transition towards clean energy** will continue, as the world faces the realities of climate change. The US are now the only country in the world not to ratify the agreement, but individual cities and businesses are still working to comply.

In recent years, the price of renewables and storage has fallen substantially and innovation in technology, business models and payment structures will continue to support decarbonisation. Whilst 69% of electricity is still produced from fossil fuels globally, the International Energy Agency expects that 40% of total power needs will come from renewable energy by 2040.

Fluctuations in power supply to the grid as renewable energy penetration rises will see an increasing need by utilities around the world for distributed generation such as ours, to stabilise the grid supply, and by businesses to guarantee reliability. Industrial customers are increasingly focused on decarbonising their operations where there is no economic penalty to do so, and our hybrid solutions enable them to do this.

4b Energy in transition:

Decentralisation

Future energy systems face the challenge of **decarbonising at least cost while also ensuring that security of supply is met**; distributed generation solves this problem.

There is a clear trend towards distributed generation – in the UK, for example, power needs were previously met by 80 power stations; now the UK has over 900,000 generating facilities, including domestic solar and wind. The rise of decentralised power has gone hand in hand with an increase in the number of individuals, organisations and communities setting up their own energy assets – commonly known as the democratisation of the energy system.

Our mobile and modular power is by its nature one of decentralised generation; we have the flexibility and the know-how to scale up or down, from large-scale utilities to small independent businesses, to meet our customer needs. Diesel generators have the fastest response time and relatively easy fuel sourcing, while gas and hybrid technologies offer a cheaper, cleaner alternative in certain conditions.

5

Natural disasters and major events

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 and our global footprint enables us to deliver when we are needed most.

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 Harvey in North America and the Caribbean in 2017, and historically our military support in Iraq and Afghanistan.

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 these contracts. In the last year we have won contracts for the Olympic Winter Games PyeongChang 2018 and the 2018 Gold Coast Commonwealth Games in Australia.

DIGITALISATION

4c Energy in transition:

Digitalisation

As energy systems become more complex, **sophisticated systems and controls are required to integrate a variety of energy sources, whilst ensuring grid stability and reliability, and maximising efficiency**. In addition, data connectivity and the associated data analytics and insight are transforming how we consume energy, by raising consumer awareness and giving more control over consumption.

Digitalisation is also improving the operations of power generation, by giving instant feedback on outages, thus preventing failures and saving time and effort during repair. Furthermore, through our acquisition of Younicos we now have capabilities around storage and controls software enabling us to monitor and optimise energy production whilst ensuring stability and reliability.

We are also implementing several systems throughout our business and across different functions, such as our remote monitoring service, to change how we generate, deliver and maintain electricity generation for our customers.

THE IMPACT OF COMPETITION

Across all our markets we compete with regional, national and local businesses. These are a mixture of privately-owned specialist rental businesses, divisions of large plant hire companies or OEM (Original Equipment Manufacturer) dealerships; few provide the sector specific solutions or engineering expertise that Aggreko does.

In developed markets, we have seen an increase in the larger general rental companies moving into speciality sectors, including power, heating and cooling over the last few years. This poses a potential threat to us and our strategic priorities and individual country and sector strategies are designed to address this.

In emerging markets we have several competitors who cover a wider geographical area across emerging markets, but we believe we are the only company with a truly global footprint. Overall demand has been slower in recent years due to the global economic downturn and, coupled with an oversupply situation, this has increased competitive tension in some markets. Our response, to maintain our position in this changing environment, has been to improve our technology offering, efficiency and customer focus.

SECTOR SPECIFIC MARKET DRIVERS

	Demand for power	Commodity prices	Regulation	Decarbonisation	Decentralisation	Digitalisation	Natural disasters and major events
Utilities	✔	✔	✔	✔	✔	✔	✔
Oil & Gas		✔		✔	✔	✔	✔
Petrochemical & Refining		✔		✔	✔	✔	✔
Quarrying & Mining		✔		✔	✔	✔	✔
Events				✔	✔	✔	✔
Manufacturing				✔	✔	✔	✔
Business Services & Construction				✔	✔	✔	✔

We create value by providing innovative solutions in power, heating and cooling for our customers in key market sectors.

The fundamental inputs we need are aligned with our strategic priorities, which will drive growth.

THE INPUTS

65%
net promoter score

Customer focus

Our customers are the focus of everything that we do. Investing in our services to them enables us to deliver solutions with the power to make a difference for all our stakeholders.

Other stakeholder relationships
Engagement with all our stakeholders is critical in gaining and maintaining our license to operate, particularly in local communities.

Read more about Customers on page 24 and our other stakeholders on page 26

1.2x
net debt/ebitda

Capital & operational efficiency

Our scale and strong balance sheet brings operational efficiencies and minimises our capital costs. Financial resources are allocated to deliver the best returns over the long term.

Read more about Efficiency on page 27

563
development engineers

Technology investment

Our engineers design and develop packages to deliver the lowest levelised cost of energy and unique tailored solutions for our customers.

Fleet
Our fleet is modular and mobile so can be configured into any number of different solutions and can be moved to where it is most needed around the world.

Read more about Technology and Fleet on page 28

55
years

Expert people

We have 55 years of operational experience and engineering capability which combined with sector expertise enables our people to make a massive difference.

Read more about People on page 30

HOW WE CREATE SHARED VALUE

THE OUTPUTS

Our outputs are the services we deliver to meet customer needs. Power, heating and cooling also result in unavoidable emissions, which we strive to minimise through our innovative approach.

4% underlying* revenue growth

£195m profit before tax and exceptional items

1.8% reduction in CO_2 emissions

5 regions fully ISO 14001 and OHSAS 18001 certified with plans for global certification

*underlying excludes currency and pass-through fuel

Read more about our financial performance on page 36 and about our CO_2 emissions on page 101

THE OUTCOMES

Through our core business activities we create and sustain jobs, help businesses to thrive, pay taxes to government and enable countries and communities to develop. We believe that this opens up opportunity for people all over the world – Aggreko has the power to make a difference.

Taxes borne and collected **£228**m

Wages and benefits expended **£401**m

79% local workforce

Read more about our approach to tax on page 44

We focus on seven key sectors

Utilities | Petrochemical & Refining | Events | Business Services & Construction | Oil & Gas | Quarrying & Mining | Manufacturing

WHAT WE DO FOR OUR CUSTOMERS

Read more on page 7

Identify need → Develop solutions → Mobilisation → Operational support → Demobilisation

START AGAIN

WHY OUR CUSTOMERS BUY INTEGRATED SOLUTIONS FROM US

Flexibility

Our customers value the flexibility that we offer them. That could be in the way that we can increase or decrease the services that we provide as their needs change, or in the way that we work to understand their particular needs and provide a tailored solution for them.

Scale

Our global reach combined with local presence means that we understand customer needs and market opportunities. We have the equipment and infrastructure in place to quickly serve customers around the world.

Total cost of energy

We are continually finding ways to reduce the cost of energy for our customers, be that through improved efficiency, introducing technology which uses cheaper fuels and increasingly the integration of thermal generation with renewables and storage.

CUSTOMER FOCUS

Reliability

Many of the solutions we provide our customers are critical supply, where the opportunity cost for lost production or reputational damage are not an option. This makes reliability a critical factor and shapes the way we design our equipment and solutions.

Health, safety and ethics

The way we do business affects the world around us. We operate responsibly with a focus on health & safety and conduct ourselves ethically to support our customers, our people and the communities in which we operate.

Emissions

As climate change becomes an ever more important global issue, we have a responsibility to play our part. We constantly evolve our equipment to reduce emissions and explore new, more environmentally friendly fuels whilst also developing new ways to generate power, such as integrating renewables and storage.

Delivered by our two business units

DEVELOPED MARKETS	EMERGING MARKETS
Rental solutions	**Power solutions**
£720m	£871m
Revenue	Revenue (excluding pass-through fuel)

OUR STRATEGIC PRIORITIES

We have the power to make a difference

Our markets are dynamic and always evolving. To make sure that we remain well placed to optimise these opportunities and deliver improved financial performance, we are focused on four strategic priorities.

Customer Focus

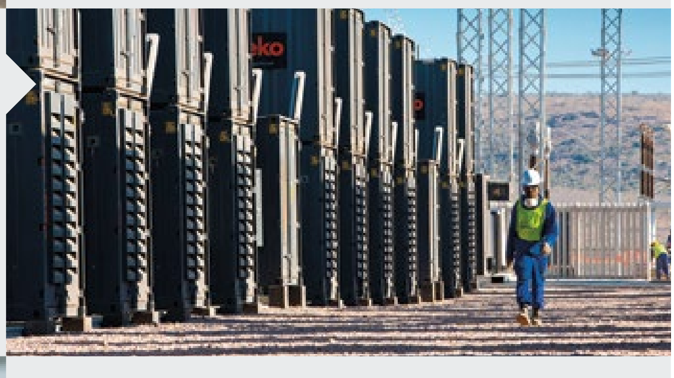
Tailoring solutions to improve customer experience

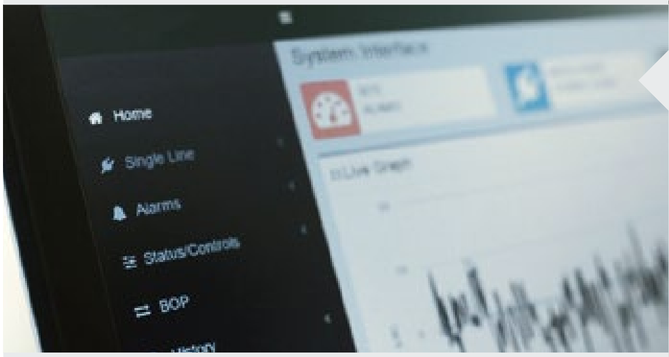
- Focusing on key sectors
- Developing and deploying engineered solutions
- Tailoring sales and service channels to customers
- Maintaining good relationships with other stakeholders

Capital & Operational Efficiency

Optimising deployment of resources

- Continued focus on costs
- Improving processes and systems
- Disciplined use of capital





Technology Investment

Reducing the total cost of energy through innovation

- Develop market leading products
- Improve fuel efficiency and environmental impact
- Broaden range of energy sources
- Maintaining an efficient and optimally sized fleet

Expert People

Cultivating a high performance organisation

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

STORIES AROUND OUR STRATEGY

We have a huge sense of pride in delivering excellent, often time critical work for our customers, all over the world.

These are some of the stories that show how we make a difference.

CUSTOMER FOCUS

Providing solutions to our customers' complex problems

Customers rely on Aggreko to use our 55 years of specialist knowledge, combined with a detailed sector focus, to provide services above and beyond the competition. A customer in the Petrochemical & Refining sector learned the value of the Aggreko approach when their flagship facility on the Gulf Coast experienced a collapse in its cooling tower.

The collapse meant that the capacity of the facility fell by between 20% and 40%, costing the plant $5 million a day. In 6 days the Aggreko Cooling Tower Services team designed and mobilised a solution involving 9 miles of cable, 8 MW of gas power, diesel back-up generators and 30,000 tons of cooling tower capacity. Initial estimates were that 60,000 tons of cooling tower would be required, but despite the short timeframe the team managed to design a solution that cut this in half. So not only did the solution quickly prevent a $5 million a day loss, it did so efficiently.

8 MW DELIVERED IN 6 DAYS

"The team were able to use experience, engineering knowledge, and sector expertise to respond to an emergency situation with a high quality, efficient and effective solution."

ROBERT HARRISON, REGIONAL SALES, SOUTHERN & CENTRAL UNITED STATES

CAPITAL & OPERATIONAL EFFICIENCY

Moving equipment to meet demand

Our equipment is designed and packaged to be moved with ease, so that we can follow customer need around the globe. Sometimes we need to move equipment quickly to meet our customers' requirements.

Victoria, Australia was approaching the key Summer season with a tight power margin and needed a flexible solution that could help manage peak demand. They asked Aggreko to provide 110 MW for an initial period of 3 months, to help them ensure reliable supply.

The equipment had to comply with local noise and emission guidelines, so we needed to source it from a region with similar requirements. Another consideration was cost; shipping equipment costs money.

A site in Japan was off-hiring, and by working with the customer, we were able to source the majority of the equipment from there. This has kept the costs low for our customer and has enabled us to maintain utilisation of the equipment, despite it having just off-hired. Crucially, we have ensured that the people of Victoria will not suffer blackouts over the Summer.

74 MW SOURCED FROM JAPAN

3

MONTH INITIAL DURATION

110

MW provided

TECHNOLOGY INVESTMENT

In July 2017 Aggreko acquired Younicos, a market leader in developing integrated energy systems

Younicos specialises in developing complex control systems to integrate renewable power sources with battery storage, and remove the intermittency in supply that renewables create. For example, a solar array can provide power to supply the grid, while also recharging the batteries, so these can take over at night or if there is cloud cover.

Aggreko's traditional thermal offering, such as the G3+ diesel generators, or new gas engines, can easily be integrated in such a solution, providing back up power for periods of high demand, or where renewables are disrupted and the batteries run down. This means the customer has a guaranteed, reliable source of energy, and because the main fuel used is renewable, not fossil, they can substantially reduce their total cost of energy whilst reducing their environmental impact.

OVER $100 MILLION

INVESTED IN R&D PRIOR TO THE ACQUISITION

> "I am thrilled Younicos are joining the Aggreko team. With their skill set and knowledge of storage solutions and energy systems integration we can deliver environmentally friendly, economic solutions to our customer base. The possibilities are very exciting."

DAN IBBETSON,
MANAGING DIRECTOR, GLOBAL SOLUTIONS

YOUNICOS ALREADY HAS

200 MW

OF INSTALLED SYSTEMS GLOBALLY

Coming together to help Houston

In August Hurricane Harvey had a devastating impact on Houston, the home of our Rental Solutions Head Office and many of our employees.

Our people wanted to help, and more than 70 volunteered to refurbish homes in the 5th ward, a historically underprivileged area that had been devastated. In particular, a complex of homes had been flooded by 15 feet of water and were unfit to live in.

Together with All Hands, a non profit organisation specialising in disaster recovery, the Aggreko team set about stripping out the homes and spraying them down with a toxin cleaner, so they were suitable for living and ready for further refurbishment. We also supplied our dehumidifiers to the site, for free, to help with the further recovery.

Our team had the chance to give back to their community, using their teamwork, the Aggreko values, and our market leading equipment.

> "It was great to see our equipment and our people make a real difference to the community in its time of need; it reminds me what we do every day across the globe."

ERIKA LEE, COMMUNICATIONS MANAGER, RENTAL SOLUTIONS

77

Aggreko employees volunteered

8

DEHUMIDIFIERS SUPPLIED

5 family homes restored

How we have the power to make a difference

We expect to grow ahead of our markets and deliver margins and returns around 20% in the medium-term.

CUSTOMER FOCUS

Tailoring solutions to improve customer experience

CAPITAL & OPERATIONAL EFFICIENCY

Optimising deployment of resources

TECHNOLOGY INVESTMENT

Reducing the total cost of energy through innovation

EXPERT PEOPLE

Cultivating a high performance organisation

CUSTOMER FOCUS

Customers are at the heart of what we do. We are focused on how we interact with them: how we identify them, sell to and service them, and deliver the products and solutions that they need to deliver an exceptional customer experience.

We have a deep understanding of customer needs and we use this to constantly create new applications to help solve their problems and expand our market opportunity. We are focused on providing a more tailored service to customers by better allocating our resources and being smarter about the way we meet customer needs.

Our customers range from the very transactional who want standard equipment packages, an easy and repeatable experience and typically minimal human interaction, to full solution customers, who value our engineering and technical expertise. In both cases they can benefit from our detailed understanding of key sectors and the systems and processes that we are investing in to improve the customer experience.

Market & Sector Expertise
We are focused on seven key sectors where we have a deep understanding of customer needs. In these sectors our ability to provide complex, integrated solutions that help solve our customers' problems differentiates us from our competitors. For customers in these sectors, the opportunity cost of lost production or reputational damage are not an option. This is not an exclusive focus and we will invest in new sectors as they emerge.

The development of our Market Intelligence Platform, which gives us an in depth understanding of the market dynamics affecting the customers in each of our geographic markets, has enabled us to focus our attention on areas with the greatest opportunities for our business. It uses data from multiple sources to give our sales teams a detailed view of their markets under key areas such as economic and political stability; ability of customers to pay; the electricity supply and demand balance; and fuel availability and pricing.

Key sectors

Utilities
Expertise in high voltage and grid connections, providing solutions from emergency response to base load power.

Petrochemical & refining
Power and temperature control solutions optimise processes and improve production rates.

Events
A valued and trusted partner, offering high profile event knowledge and experience, combined with flexibility.

Business services & construction
Provision of reliable power, heating, cooling and dehumidification solutions to our customers in construction, services and contracting.

Oil & gas
Solutions where the grid is unavailable, to eliminate bottlenecks and monetise gas by-products, from exploration to production.

Quarrying & mining
Fully flexible, cost effective, solutions for every stage of the mining life cycle.

Manufacturing
Solutions to enhance processes and overcome power and temperature control challenges, reducing costly downtime.

Systems & Processes

We have introduced an enhanced customer relationship management (CRM) system, which has been rolled out across most of the business and will be complete early in 2018. This allows us to better understand customer requirements by analysing history and service provision, which will benefit both customer service and sales. It is also changing the way we work, increasing collaboration and the speed with which we can serve our customers.

During the year we also implemented a new website and improved digital offering. In time this will evolve to be an ecommerce platform, providing a more agile, cost-effective sales channel and a better service proposition.

Sales Capability & Training

We have invested some of the savings generated from streamlining our operating model in recruiting more sales people with specific industry expertise in our key sectors. The majority of these are local hires with strong networks and complement the wealth of experience we already have. To develop our sales capability, we have created a bespoke training programme for all of our sales people including the new joiners. This is supported by a new online tool which builds detailed knowledge of our products, how we deliver them and our key market sectors, as well as ethics and safety. Our classroom and on the job training modules are comprehensive, ensuring our people are well-equipped to understand our customers' needs and to propose solutions.

Global Accounts & Lines of Business

For smaller product lines that are common across the Group we have established global lines of business. This includes our renewables and storage offering, as well as power adjacencies such as temperature control and loadbanks. By creating a global accountability for these products we are incubating them as we look to capture incremental adjacencies.

As a global business, we serve a number of customers in multiple countries and we are uniquely positioned to provide services globally. For these larger customers we are implementing global account management. These are existing customer relationships which we can develop across geography or sector to replicate solutions, savings and share learnings whilst delivering growth and a better customer experience.

Given the opportunity we see in this area, this has become a standalone business unit, Global Solutions, in 2018 and will be led by Dan Ibbetson. As the contracts will mainly be delivered through the Rental Solutions and Power Solutions businesses, it will not result in any change in reporting structure.

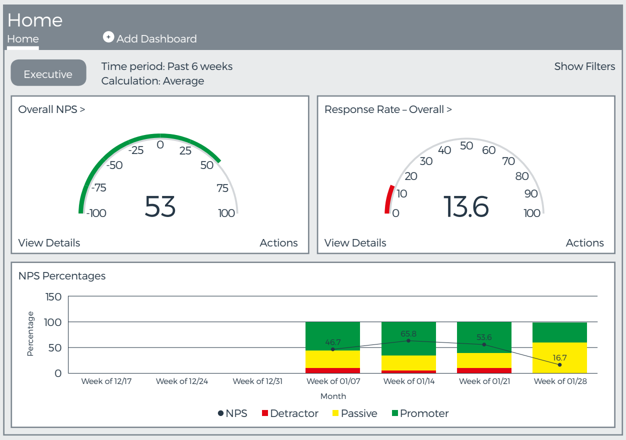
Watch Dan discuss how energy markets are changing online:
plc.aggreko.com/investors/investor-centre/2017-annual-report-summary

INNOVATING THE WAY WE COLLECT CUSTOMER FEEDBACK

As we began our transformation we undertook detailed research into our customers' views. We also realised that our existing tool for collecting more regular feedback was inadequate for today's market. Towards the end of the year we upgraded our Net Promoter Score (NPS) programme which is now called Aggreko Listens.

aggreko listens

The new programme is designed to engage customers and help us address issues that matter most to them. This will help us accelerate revenue growth by uncovering new opportunities and prioritise investments that will benefit our customers. The programme incorporates both experiential feedback (about particular steps in the customer journey) and relationship feedback (capturing how customers feel about being an Aggreko customer). Every member of our customer facing team will have access to real-time feedback from their customers via their mobile phones, and the solution is fully integrated into our CRM system.



We are transforming the way we do business and serve our customers. Improving the way we collect feedback is just another piece of the puzzle that will strengthen our customer relationships going forward.

Read more about NPS on **page 32**

OUR STRATEGIC PRIORITIES (CONTINUED)

SOCIAL

CUSTOMER FOCUS (CONTINUED)

Other key stakeholder relationships

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

Open and honest engagement is critical in gaining and maintaining our licence to operate. As we work in a wide variety of countries, and the end user of our products is not always our customer, it is particularly important that we build and maintain constructive relationships in the communities in which we operate.

Our key stakeholders and what we offer them are outlined below:

Investors

- Investment in long-term growth with good returns
- Exposure to a mix of developed and emerging markets
- Sustainable dividend policy

Local Communities

- Supporting industry and commerce
- Providing power for communities
- Local employment and skills development

Employees

- Potential to develop skills and opportunities
- Strong 'Always Orange' culture
- The power to make a positive difference

Suppliers

- Partnership
- Shared insights and innovation
- Consistent commercial terms being implemented across the Group

Read more about our people **page 30**

Read more about how we engage with our stakeholders **page 74**

CAPITAL & OPERATIONAL EFFICIENCY

We finance our business with a combination of equity and debt; our scale brings operational efficiencies and minimises our capital costs. Financial resources are allocated where they can deliver the best returns over the long term, always ensuring we retain a strong balance sheet.

Given fast changing customer expectations and a competitive environment, it is important that we continue to drive efficiency improvements through our business and optimise deployment of our resources.

Operational efficiency

Over the last few years our focus has been on a number of specific actions, in particular removing duplication and streamlining back office processes. Efficiency is a continuous process and we are working to deliver ongoing savings across the Group through a continued analysis of costs and improving processes and systems.

Our procurement programme has now delivered savings of around £60 million and we expect it to continue to realise further incremental savings. We are now looking at how we can improve fleet utilisation through further automating fleet management and implementing condition based servicing. This will help drive an improvement in return on capital employed.

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.

Read more about fleet utilisation **page 33**

Capital allocation

Effective capital allocation is critical to delivering value given the capital intensive nature of our business. We take a disciplined approach to allocating our capital, forecasting returns for each project before, during and after its completion. This keeps the business focused on return on capital employed which is a key metric for ensuring we deliver long term value.

Read more about return on capital employed **page 35**

Our priority is to invest for long-term growth. We retain our fleet throughout its useful life, and therefore invest in fleet maintenance. As demand grows, we invest against the opportunities, both with existing and new technologies. During the year we spent £246 million on fleet capital expenditure.

Beyond organic investment our capital allocation framework looks to bolt-on acquisitions for scale or capability where we see opportunities for growth. We remain committed to a sustainable ordinary dividend and where we have excess capital will look to distribute it to our Shareholders.

How we plan to use our capital

Capital allocation framework

Invest for growth	Bolt-on M&A opportunities	Sustainable dividend	Return surplus cash to Shareholders

Maintain strong balance sheet
Leverage c.1 x net debt/EBITDA

Balance sheet strength

Our aim is to maintain a balance sheet structure that safeguards our financial position through economic cycles.

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 appropriate to run the business with a modest amount of debt. However, given our high operational gearing we believe that it is unwise to also have high financial gearing. Therefore, 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. At the end of 2017, net debt to EBITDA was 1.2 times (2016: 1.2 times).

During the year, cash flows from operations were £450 million and, subject to Shareholder approval, the proposed final dividend of 17.74 pence will result in a full year dividend of 27.12 pence per Ordinary Share.

Read more about our approach to financing **page 47**

OUR STRATEGIC PRIORITIES (CONTINUED)

ENVIRONMENTAL

TECHNOLOGY INVESTMENT

We innovate and invest in our technology to better meet customer needs, either saving our customers money by lowering the total cost of energy, or reducing emissions. At a minimum, all our solutions are fully compliant with local emissions regulations, which vary from country to country.

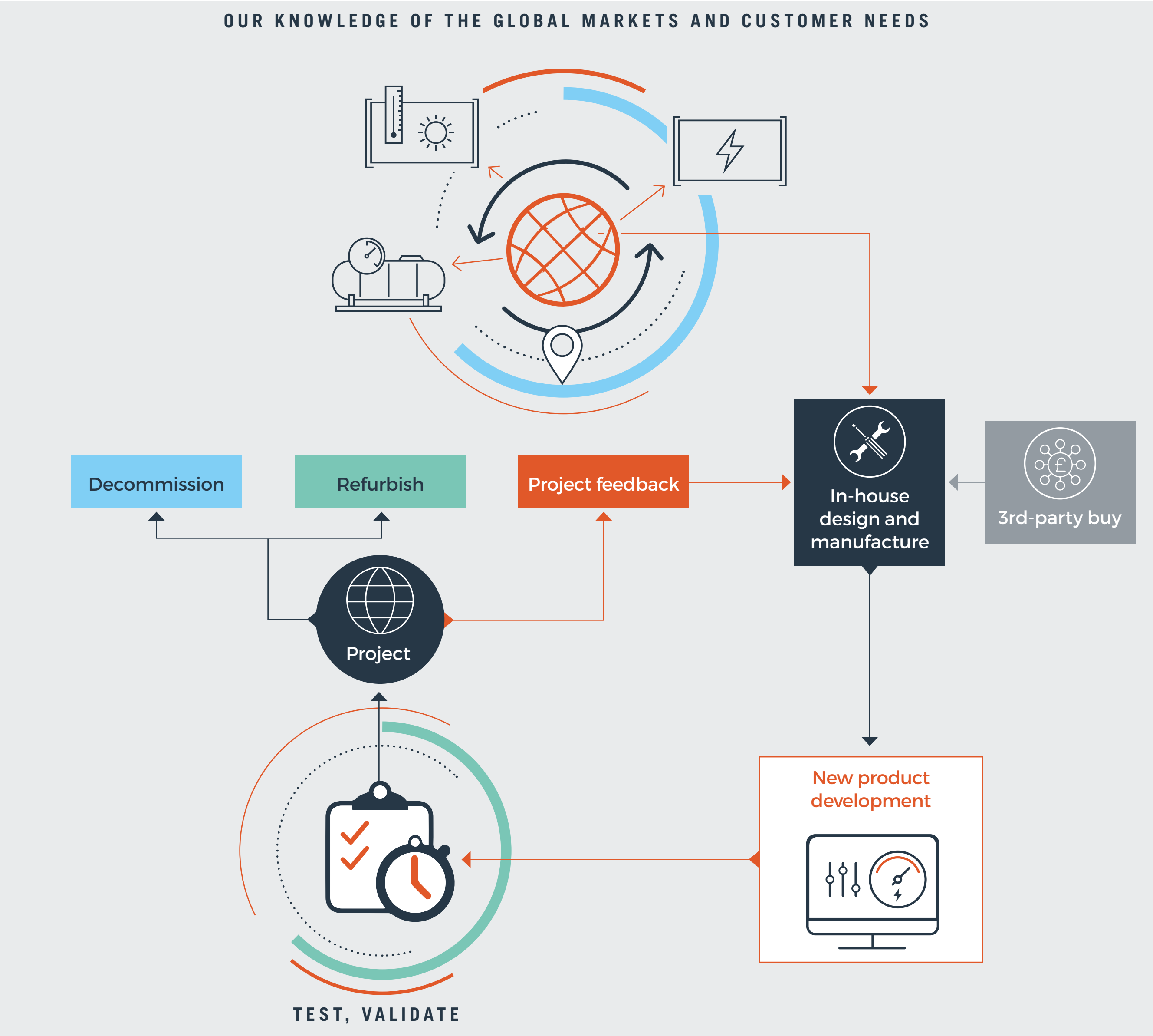
We have built a team of specialist engineers at our in-house manufacturing and technology facility in Dumbarton, Scotland. They intimately understand the requirements of the environments in which the fleet operates and in the last few years we have strengthened our capability to adapt to the changing market conditions.

Technology life cycle

Our substantial knowledge of customer wants and needs by sector and geography allows us to focus on developing products to suit them. We then invest to make sure we have the best equipment in the market. Out in the field, our engineers develop unique tailored solutions for our customers which in some cases are patented. These can then be shared globally to benefit all our customers.

As we design and develop our equipment in-house, we have considerable intellectual property. To capitalise on this we have implemented a process to capture and manage it.

Our technology investment is focused on two main areas, reducing the total cost of energy and our environmental impact.



ENVIRONMENTAL

TECHNOLOGY INVESTMENT (CONTINUED)

Reducing the total cost of energy

As fuel is the greatest element of cost in producing power, particularly diesel, we have worked to improve the fuel efficiency of our equipment and continue to do so under our strategic priorities.

Upgrading our existing fleet to improve efficiency

Diesel: 25% of our 1 MW fleet is now refurbished to the market leading G3+. This delivers a five percentage point improvement in fuel efficiency and a 14 percentage point increase in power output versus the original engine. We undertake this refurbishment in-house for a lower capital cost than the original engine.

In 2018 we plan to complete around a further 200 MW of refurbishments, and will also introduce an even more fuel efficient variant, the G16.

Gas: we are gradually replacing our legacy gas fleet with a market leading engine, Next Generation Gas (NGG). We have 252 MW of these new engines in the fleet, and will bring more in with market demand and as we replace the older engines at the end of their useful life. It delivers greater power output at a lower capital cost and offers customers a 10 percentage point improvement in fuel efficiency versus the QSK60, which equates to c.£5 million of savings a year for a customer running 80 MW of gas as base load.

Introducing new fuel types and integrating renewables

Solar diesel hybrid: in 2017 we signed our first solar-diesel hybrid contract in Eritrea. This integrates solar panels with our existing diesel solution. By prioritising solar energy and using diesel when there is insufficient sun or at night, the customer lowers its total cost of energy.

Younicos: during the year we purchased Younicos, a specialist in battery storage and the integration of multiple energy sources.

By integrating our diesel or gas fleet with renewables and storage we can offer customers lower cost, cleaner and more reliable solutions.

HFO: we have introduced 177 MW of Heavy Fuel Oil (HFO) engines to our fleet. HFO is a less expensive fuel than diesel, but is more readily available than gas.

Flexibility and reliability of fleet

Our fleet is modular and mobile, so it can be configured to provide any number of different solutions to meet our customers' needs. It can also be moved to where it is most needed around the world, which enables us to quickly respond to our customers whilst ensuring optimum utilisation.

There are three main product types: power generation, temperature control and oil free air. Power generation is the largest part of the fleet, with a net book value of £831 million and generating £1,010 million of revenue.

By working closely with our strategic suppliers we take established, but market leading, technology and use our engineering expertise to package it in a modular, mobile format. Our equipment is designed and assembled by us, most commonly into 20 foot shipping containers which makes it easy to move, at the lowest possible cost.

Our supplier agreements cover the life of the assets, and through looking at the ongoing planned and unplanned maintenance as well as the initial build cost, we are reducing the total cost of ownership. The substantial performance data that we collect on our equipment also enables us to gain insight into the optimum operating conditions over the lifetime and provide a differentiated service to our customers.

Environmental impact

The provision of electricity, heating and cooling are essential activities in our global economy; however, they come with challenges, particularly environmental. 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 are constantly exploring new ways of reducing emissions from our fleet and increasing fuel efficiency. We regularly review product technologies, looking for advances that we can adopt into our product portfolio; our technology roadmap is looking at bio-fuels, fuel cells and waste heat recovery.

We acknowledge that the carbon footprint of our fleet is substantial. However, in countries where electrification rates are low, there is understandably less interest in the environmental impact; cost is more important as power helps economic development and improves the quality of life for local communities. That said, it is our responsibility to mitigate the carbon footprint of our products where we can.

Read more about our greenhouse gas emissions **page 101**

In 2017, 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 also aware of the other environmental impacts of our operations, such as refrigerant emissions and noise pollution. In each case we continuously work to reduce the impact that we have on the environment, for example using custom-built acoustic enclosures, high performance isolation and attenuation systems to reduce noise.

POWERING A REMOTE MINE IN ERITREA

In May we signed a 10-year contract to provide solar-diesel hybrid power to a mining customer, Nevsun, in Eritrea.

Our solar-diesel hybrid package combines cost-effectiveness and clean renewable energy with the reliability of diesel-generated power to provide uninterrupted power 24/7.

Our solution comprises 22 MW of diesel and 7.5 MW of solar-generated power and has reduced the customer's fuel consumption by 3.8 million litres, avoiding 10,500 tons of CO_2 annually.

SOCIAL GOVERNANCE

EXPERT PEOPLE

Our people are central to the great service Aggreko provides and are a critical contributor to our success. We have 55 years of operational experience and engineering capability, combined with sector expertise and customer focus, and it is key that we retain this.

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. Through our Always Orange culture, we are focused on providing our people with the power to make a difference.

Ensuring a safe place to work

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. During the year we implemented an authorisation process for all our people that work on our equipment. It is with deep regret that we report that one of our employees lost his life in an electrical accident during the year. An in depth investigation into the cause of this accident has been carried out and recommendations implemented in the country concerned. These are now being rolled out more widely across the Group.

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. We want everyone who works for Aggreko to return home safely every day.

During the year we implemented a single global travel management system which enables us to know where our people are at all times. Our Group security function works 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.

Read more about Lost Time Injuries **page 34**

Read more about safety and security risk **page 52**

Always Orange

Aggreko is a strong and unique business and our culture reflects that. We have a clear purpose underpinned by four values and associated behaviours.

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.

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.

Making a massive difference

Aggreko is fortunate to work in a wide variety of countries and our social contribution is one way of giving back to the community. During 2017 we began implementing our new community investment strategy.

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, with over 100 nationalities across the Group; for example, in both Brazil and Russia, 99% 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 and 2017 marked the 10th anniversary of our partnership with BookAid.

Attracting and developing great people

We 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. Globally, 79% of our workforce is locally employed. We also have a number of programmes around the world to develop the skills of school-leavers, such as Aggreko University (Ivory Coast), SelecTech (USA) and our UK apprenticeship programme.

This year we delivered over 115,000 hours of employee training and development, particularly focused on our growing sales team. Whilst it is essential that our people are properly trained, we recognise that investment in our employees has a direct and positive impact on our employee retention rates and the engagement levels of our staff; training is a combination of on-the-job learning and specific skill development through training courses. Succession planning is used to identify employees for potential future roles and align development with this objective to ensure that the Group continues to have effective management well into the future.

Read more about Talent Management risk **page 51**

Recognising 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.

Read more about remuneration policy **page 90**

Increasing employee engagement

'Be Heard' is our quarterly survey to capture sentiment across the Group on a regular basis. 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 75%, up 3% on last year. Within this, 88% of people said they are proud to work for Aggreko, again up 3%.

Read more about employee turnover **page 34**

Diversity

We are acutely aware that our long-term success depends on the people that we attract, retain and develop. In a diverse and competitive world a workforce that reflects the diversity of our customers and the communities in which we operate, together with an inclusive culture, is critical to ensure that we can deliver a better service for our customers. Improving diversity and inclusion – including gender, ethnicity, social mobility, age, religion, disability and sexuality – is therefore becoming increasingly important for us. We are on a journey to shape the awareness, attitude and behaviour of our people to diversity and inclusion.

INVESTING IN THE FUTURE

It is important that we provide a lasting legacy in the communities in which we operate. In the Ivory Coast, close to our 200 MW gas power station, we worked with the Vridi Canal Group of schools to provide electrical expertise and supplies as part of their refurbishment.

Our engineers helped train the local school technicians in how to install lighting, switches and other related equipment we donated, along with basic electrical safety skills. This investment will help secure a better future for these children, their families and their country.

Our workforce of around 6,000 people comprises over 100 nationalities, whilst our Senior Leadership Team (SLT) of around 70 individuals, includes 16 nationalities, demonstrating that we are already bringing together a variety of experiences and views. During the year, we also introduced a diversity policy for the Board.

The UK Government requires UK businesses with more than 250 employees to publish their Gender Pay Gap Reporting statistics as at 5 April 2017 within one year of this date, and then on an annual basis. Whilst the gender pay gap is not about equal pay for men and women doing the same job, ensuring that we equally pay men and women wherever we operate in the world is imperative. The gender pay gap takes into account all jobs, at all levels and all salaries within an organisation. This means the gender pay gap paints a picture of the level of roles that women carry out in an organisation.

In common with many other businesses in our sector, women in Aggreko are disproportionally represented in more junior verses more senior roles; this will be reflected in our Gender Pay Gap data. We have always considered ourselves to be welcoming of women at all levels and believe that diversity and inclusion more broadly promotes the inclusion of different perspectives, which has been proven to deliver better business outcomes.

Diversity and inclusion, and the gender pay gap in particular, are now an area of focus as we acknowledge the need, and desire, to address the imbalance. We are establishing a team which will look at diversity on a group-wide basis, determine what changes need to be made and work with the business to implement them over the next few years. Our full gender pay gap disclosure, including the actions we are taking, will be published on our website in line with the government guidelines. Our diversity statistics for 31 December 2017 are below.

Gender of Executive Committee*

	No.	%
Male	7	78%
Female	2	22%

* Since Carole Cran's departure and the appointment of Heath Drewett, in January 2018, our current Executive Committee gender balance is Male 8 (89%) and Female 1 (11%).

Gender of Executive Committee direct reports*

	No.	%
Male	33	75%
Female	11	25%

* We have selected the direct reports of our Executive Committee 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 112 males and 13 females.

Gender of permanent employees

	No.	%
Male	4,847	84%
Female	906	16%

Nationality diversity of permanent employees

	No.	%
European (incl. Russia)	1,813	32%
North American	1,045	18%
Latin American	919	16%
Asian	1,013	18%
African	588	10%
Australian	301	5%
Middle Eastern	74	1%

Read more about Board diversity **pages 61 and 67**

How we performed

Customer Focus, Capital & Operational Efficiency, Technology Investment and Expert 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 FOCUS

Customer loyalty

Measure
Net Promoter Score (NPS). From 2018 this will be known as Aggreko Listens. The data gathered will be more comprehensive and therefore how we present this may change.

Relevance
It is important that we understand the extent to which we meet our customers' needs. 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
The improvement in the year has mainly been driven by an improvement in customer feedback in Rental Solutions, as the strategic measures we have implemented take effect.

Net Promoter Score

65%

Year	Net Promoter Score
2017	65%
2016	63%
2015	63%
2014	58%
2013	64%

Read more about our customer initiatives **page 24**

Customer activity

Measure
Group average power megawatts on-hire. Historically we have reported Power Solutions Utility order intake and off-hire rate. This does not represent the whole Group, only a part of it and therefore this year we have changed the metric to better reflect the business mix.

Relevance
Average megawatts on-hire across the year provides a good measure of the activity of the business globally. It also provides a good indicator of how our strategy, sales approach and pricing are being received in the market.

Target
Over time we aim to increase the average megawatts on-hire, however this cannot be at the expense of price and therefore this KPI should always be considered alongside the financial metrics.

Performance
During the year we have seen a very slight improvement in the average megawatts on-hire, however the chart also shows that over the past five years this metric has been fairly steady. This demonstrates the resilience of our business and the strength of the product and brand.

Group Average Power MW on-hire

6,613 MW

Year	MW on-hire
2017	6,613
2016	6,571
2015	6,771
2014	6,621
2013	6,625

Read more about the performance of the business **page 36**

CAPITAL & OPERATIONAL EFFICIENCY

Capital activity

Measure
Fleet utilisation by business unit.

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 MW 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 2017 we saw utilisation in our Rental Solutions and Power Solutions Industrial businesses improve as our business priority initiatives helped grow our businesses. We need to see further improvements to meet our targets, but the progress is encouraging.

In our Power Solutions Utility business order intake was slow in the first part of the year, and so utilisation fell.

Power Solutions: Industrial Utilisation

68% ↑

2017	68%
2016	63%
2015	65%
2014	65%
2013	62%

Power Solutions: Utility Utilisation

74% ↓

2017	74%
2016	79%
2015	77%
2014	76%
2013	74%

Rental Solutions Utilisation

56% ↑

2017	56%
2016	52%
2015	55%
2014	57%
2013	57%

Read more about Capital & operational efficiency **page 27**

TECHNOLOGY INVESTMENT

Fleet size and composition

Measure
Total power fleet size (in MW), split between generation type (diesel, diesel G3+, gas, Next Generation Gas (NGG), HFO).

Relevance
Our strategy is to grow ahead of the market. To remain competitive we have to offer our customers cheaper and cleaner sources of energy that can be adapted to meet their needs. The best way to do this is through more fuel efficient engines and using cheaper and cleaner fuels where appropriate.

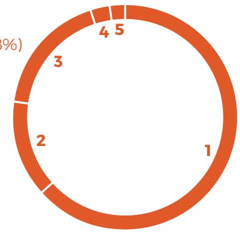
Target
Increasing proportions of our market leading products in fuel efficiency, the diesel G3+ and Next Generation Gas engine, and the introduction of clean energy sources such as solar and storage.

Performance
During the year we have refurbished more diesel engines to the G3+ and introduced more NGG engines. We have also begun to introduce solar, but this is immaterial in the context of the overall fleet.

Power Fleet Composition at 31 December 2017

9,920 MW

1 **Diesel 64%** (71%)
2 **Diesel G3 +14%** (8%)
3 **Gas 18%** (18%)
4 **NGG 3%** (2%)
5 **HFO 2%** (1%)



(2016 total: **9,666** MW
figures in parentheses)

Read more about our technology initiatives **page 28**

EXPERT PEOPLE

Safety

Measure
Lost Time Injury Frequency Rate (LTIFR).

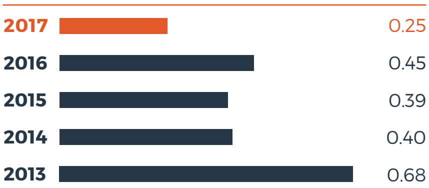
Relevance
Rigorous safety processes are absolutely essential if we are to avoid accidents or incidents which could cause injury to people and damage to property and reputation. The main KPI we use to measure safety performance is Lost Time Injury Frequency Rate (LTIFR) which takes the number of lost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

Target
Continued reduction in accident rates.

Performance
Safety has been an area of focus in 2017, with a number of initiatives to improve awareness, such as Energy Safety Rules and a manual handling programme. Importantly, there have been more management safety walks and safety conversations, all of which helped drive the reduction in LTIFR.

Lost Time Injury Frequency Rate

0.25



Read more about health and safety **page 30**

Employee satisfaction

Measure
Employee turnover.

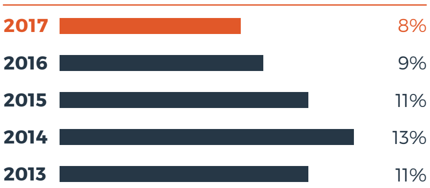
Relevance
It is the attitude, skill and motivation of our people which makes the difference between mediocre and excellent performance. We monitor permanent employee turnover as a reasonable proxy for how employees feel. It is measured as the number of employees who left the Group (other than through 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 slightly lower than the prior year as the business has stabilised and measures taken to improve engagement begin to have an effect.

Employee Turnover

8%



Read more about our people **page 30**

Underlying 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 Power Solutions Utility as a result of the repricing of contracts in Argentina. Across the rest of the business adjusted revenue grew, with Rental Solutions up 9% and Power Solutions Industrial up 20%.

Underlying Revenue Growth

4%

Read more about our markets **page 8**

GROUP FINANCIAL PERFORMANCE

Pre-exceptional operating profit margin

Measure
Pre-exceptional operating profit margin.

Relevance
Our business has a large fixed cost base, therefore strong operating profit margins demonstrate variable cost control and leverage of the fixed asset base. This is calculated as operating profit pre-exceptional items divided by revenue.

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

Performance
The operating profit margin was adversely impacted by the decline in revenue following contract repricing in Argentina. Further detail is provided in the Performance Review on page 36.

Pre-exceptional Operating Profit Margin

13%

2017	13%
2016	16%
2015	18%
2014	20%
2013	23%

Read more about our financial performance **page 36**

Pre-exceptional return on capital employed

Measure
Pre-exceptional return on capital employed (ROCE).

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 strategy is for ROCE to be around 20%.

Performance
The ROCE was adversely impacted by the lower operating profit. Further detail is provided in the Performance Review on page 36.

Pre-exceptional Return On Capital Employed

11%

2017	11%
2016	13%
2015	16%
2014	19%
2013	21%

*Metrics that are used for remuneration

Read more about capital efficiency **page 27**

Pre-exceptional diluted earnings per share

Measure
Pre-exceptional diluted EPS.

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 reflects 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 target growing EPS in line with our strategic aims.

Performance
EPS was impacted by lower operating profit. Further detail is provided in the Performance Review on page 36.

Pre-exceptional Diluted EPS

53.94p

2017	53.94p
2016	61.95p
2015	71.68p
2014	82.49p
2013	92.03p

*Metrics that are used for remuneration

Read more about our earnings per share **page 129**

Underlying Group revenue was up 4% on the prior year, with Rental Solutions up 9%, Power Solutions Industrial up 20% and Utility down 9%.

Heath Drewett
Chief Financial Officer

Group revenue and growth

£1,730m **+4**%

Operating margin (pre-exceptional items)

13%

ROCE (pre-exceptional items)

11%

1 Underlying change excludes currency, pass-through fuel and exceptional items. A reconciliation between reported and underlying change is detailed on page 44.

2 Pre exceptional items.

3 Group and PSU reconciliation excluding Argentina is detailed on page 44.

This year's performance has been materially impacted by the repricing and off-hire of our utility contracts in Argentina, which masks the underlying improvement in performance across the rest of the business. These contracts were signed in 2008 when market conditions were significantly more favourable and the country was a much higher risk environment. We will make clear the impact of these contracts on the Group's performance where appropriate.

Underlying[1] Group revenue was up 4% on the prior year. Rental Solutions underlying[1] revenue was up 9%, with solid growth in Europe and a small increase in Australia Pacific. North America saw an uplift from hurricane related work, with revenue up 10% on the prior year (4% excluding hurricanes). Although revenue from Oil & Gas in North America was lower year on year, it has stabilised and delivered growth in the second half. Outside of this sector, revenue in North America grew 14%. Power Solutions Industrial underlying[1] revenue increased 20% with strong growth from Eurasia and Africa, while Power Solutions Utility underlying[1] revenue was down 9% due to repricing and off-hires in Argentina. Excluding the impact of Argentina, underlying Power Solutions Utility revenue was in line with the prior year[3].

The Group operating margin[2] was 13% (2016: 16%), with the year on year decline driven by Power Solutions Utility. In Rental Solutions the margin[2] was up three percentage points on last year, at 11%, driven by the increase in revenue together with the benefits from the implementation of our Business Priorities investment programme in North America. The Power Solutions Industrial margin[2] was up four percentage points at 16%, due to the growth in Eurasia and restructuring of our businesses in Latin America. The Power Solutions Utility margin[2] was down eleven percentage points at 18%, driven by the volume and price reduction in Argentina, an increase in our overall overdue debt provision for the business, and also the impact of one-off benefits in the prior year. The lower Group margin impacted the Group's return on capital employed (ROCE)[2], which was 11% (2016: 13%).

The Group delivered profit before tax[2] of £195 million (2016: £221 million). Diluted earnings per share[2] (DEPS) was 53.94 pence (2016: 61.95 pence).

Reported financial measures

Reported revenue and operating profit include the translational impact of currency as our revenue and profit 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 £84 million and operating profit by £9 million.

In addition, the Group separately reports 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 the volume of fuel consumed, and these can be volatile and may distort the view of the performance of the underlying business. In 2017, fuel revenue from these contracts was £139 million (2016: £60 million).

Reported Group revenue was up 14% on the prior year, with Rental Solutions up 15% and Power Solutions Industrial and Utility up 30% and 7% respectively.

During the period the Group incurred exceptional costs relating to the implementation of our Business Priorities programme of £41 million (2016: £49 million). This spend was split across Rental Solutions £13 million (2016: £40 million), Power Solutions Utility £17 million (2016: £6 million) and Power Solutions Industrial £11 million (2016: £3 million), and is explained further on page 43.

Group operating margin post-exceptional items was 11% (2016: 13%). The Rental Solutions margin was up eight percentage points on a post-exceptional basis at 10%. The increase in the margin on a post-exceptional basis is higher than on a pre-exceptional basis because of the higher exceptional charge in 2016, due to the prior year impairment of small gas generators used in the North American Oil & Gas sector.

The Power Solutions Industrial margin was up two percentage points on a post-exceptional items basis. The Power Solutions Utility margin, excluding pass-through fuel and on a post-exceptional items basis, was down 13 percentage points.

Group ROCE post-exceptional items was 9% (2016: 10%). Profit before tax and post-exceptional items was £154 million (2016: £172 million) and diluted earnings per share post-exceptional items was 41.51p (2016: 48.86p).

Dividends

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 (2016: 27.12 pence) per ordinary share; this equates to dividend cover pre-exceptional items of 2.0 times (2016: 2.3 times). Dividend cover post-exceptional items is 1.5 times (2016: 1.8 times). Dividend cover is calculated as basic earnings per share for the period divided by the full year dividend per share.

Cash flow and balance sheet

During the year, we generated an operating cash inflow of £450 million (2016: £388 million). The increase in operating cash flow is mainly driven by lower working capital outflows year on year, with an outflow of £51 million in 2017 compared to £119 million in 2016. This year's outflow reflects a £163 million increase in trade and other receivables, offset by a £113 million inflow from trade and other payables. The receivables and payables balances include fuel balances from our contracts in Brazil.

At the start of 2017 we embarked on a global working capital improvement initiative to drive a sustainable improvement across the three main areas of working capital: receivables, payables and inventory. Following an initial diagnostic and scoping phase, the implementation began in Q2, focusing initially on the Aggreko locations where we believed the largest improvements could be made. The implementation was then extended to the rest of the Group during Q3 and our heightened focus on working capital has continued into this year.

The increase in trade and other receivables is analysed by business unit as a £86 million increase in the Power Solutions Utility business, a £30 million increase in Power Solutions Industrial and a £47 million increase in Rental Solutions. The increases in Power Solutions Industrial and Rental Solutions are driven primarily by the growth and improved activity levels in these businesses. In Power Solutions Utility, £54 million of the increase in the debtor book relates to new contracts in Brazil which were commissioned in the first half of 2017 and include fuel, therefore the revenue per megawatt generated is much greater. The remaining increase is driven by a few customers in Africa and Venezuela who are taking longer to pay. No customers dispute the debt and we continue to believe that the primary reason for delay in payments is liquidity and access to US Dollars. We recognise the increase in the debtor book and as a result we have increased the Power Solutions Utility debtor provision to $86 million, $23 million higher than December 2016 and $13 million higher than June 2017.

The increase in trade and other payables balances is a reversal after a number of years of outflow, following the establishment of the Group's procurement function. We have improved supplier terms, through the adoption of best practice, to fully leverage our scale and spend. Despite increased levels of activity in 2017, inventory has remained broadly flat year on year. Inventory held for the production of NGG and HFO sets at the end of 2016 has been consumed this year, offset by purchases during the second half supporting major events and growth in Eurasia.

Fleet capital expenditure was £246 million (2016: £241 million) which was 0.9 times fleet depreciation (2016: 0.9 times), reflecting our drive to increase asset utilisation. Of this, £78 million was invested to continue to develop our medium speed HFO fleet and £46 million in continuing to refurbish our diesel fleet to the more fuel efficient, higher output G3+ engine; this engine now makes up around 31% of the Power Solutions Utility diesel fleet.

Net debt of £652 million at 31 December 2017 was similar to the prior year (2016: £649 million), with net debt to EBITDA on a rolling 12-month basis of 1.2 times (2016: 1.2 times).

Going concern

The Directors are confident that it is appropriate for the going concern basis to be adopted in preparing the financial statements. The Group balance sheet shows consolidated net assets of £1,317 million (2016: £1,368 million) of which £1,104 million (2016: £1,203 million) relates to fleet assets. The defined benefit pension deficit is £25 million (2016: £30 million), representing only 2% of the Group's net assets. The retained earnings of the Company as at 31 December 2017 are £428 million and the majority of these earnings are distributable, enabling the Company to continue making dividend payments. As noted above, net debt is similar to the prior year, resulting in significant headroom under our committed facilities.

Outlook

We have seen good growth and improved profitability and returns in our Rental Solutions and Power Solutions Industrial businesses this year which we expect to continue into 2018 as we benefit from our Business Priorities programme and further growth.

In Power Solutions Utility we have previously highlighted two notable off-hires impacting 2018. In Argentina we have 174 MW of fixed site contracts which at the time of our last market update we expected to off-hire this year. We now expect that these sites will renew, although at a further price discount to the extensions secured in 2016. In Japan, we updated in Q3 that 74 MW of 148 MW had off-hired early, and we continue to expect the remaining volume to off-hire in March. Order intake in the year to date for 2018 is 137 MW (2017: 81 MW).

The global provision and consumption of power is experiencing a significant transition as markets seek to decarbonise, decentralise and digitalise. As a result, we are investing for future growth, particularly in distributed energy solutions, where our modular, mobile fleet combined with storage and renewables integration capability position us well in this changing landscape. These initiatives will be captured within our new Global Solutions business, under the leadership of Dan Ibbetson. We see clear opportunities, and to capitalise on these benefits for the future we must invest today; in 2018 we expect this investment to be around £9 million (2017: £7 million).

Overall, we anticipate that the Group's underlying profit before tax in 2018, before the impact of currency, will be in line with 2017. As in 2017, these results will be weighted to the second half.

Rental Solutions

Our Rental Solutions business had a good year with solid growth in Europe, a steady performance in Australia Pacific and the benefit of hurricane related work in North America.

Bruce Pool
President, Rental Solutions

I am pleased to see an improving financial performance as we begin to benefit from the initiatives that have been implemented over the last few years. We are well positioned for continued growth in 2018.

Underlying revenue up 9%

Underlying operating profit up 49%

41 MW of Next Generation Gas contracts won

Underlying temperature control revenue up 9%

Market Context

Rental Solutions is a cyclical business and exposed to economic factors in each of the countries we operate in and in 2017 we have largely seen an improvement in our markets. North America continues to be strong with good opportunities across most sectors, the exception being Oil and Gas. In Australia and Northern Europe, market conditions have been largely favourable, although in each case some sectors are performing better than others. In Continental Europe the picture has been more mixed, with Germany, Italy and Spain performing well, whilst Benelux and France underperformed.

The competitive environment across all our markets remains stable and we do not currently expect market conditions to prevent us from growing.

Financial & operating review

Our Rental Solutions business had a good year with revenue excluding the impact of currency up 9% on the prior year and operating profit (pre-exceptional items) up 49%. This performance was supported by incremental work following the hurricanes that impacted the southern United States and Caribbean, which was in part off-set by loss of work in our base business in these regions. Excluding this net incremental activity revenue increased 5%.

The increase in operating margin for the year was driven by the increase in revenue, together with the operational benefits from the Business Priorities programme in North America.

North American revenue excluding currency was up 10% on the prior year; 4% excluding the impact of the hurricanes. The decline in the Oil & Gas sector that we saw throughout 2016 has stabilised, although against stronger prior year comparators revenue was down 10%; quarter on quarter Oil & Gas revenue has been improving. Elsewhere in North America most of the other sectors grew well, with revenue excluding Oil & Gas increasing 14%. There was also a strong performance in temperature control, up 10%. Overall operating profit (pre-exceptional items) was up 90%.

In our Australia Pacific business revenue excluding currency increased 2%, a good performance given the 108 MW Tasmania utility contract in the prior year. We saw good growth in the Mining and Construction sectors, although this was partially offset by a decline in Oil & Gas and Utilities.

In Continental Europe, revenue excluding currency increased 3%, supported by growth in the German Manufacturing and Telecom sectors and fuel revenue in Eastern Europe. This partially offset a weaker Shipping sector in the Netherlands and tougher comparators in France, which had revenue from the European Football Championships in 2016. The Northern European business delivered good growth with revenue excluding currency increasing 12%, driven by the Utility and Construction sectors.

BUSINESS UNIT PERFORMANCE REVIEW

Rental Solutions

	Revenue				Operating Profit			
	2017	2016	Change	Change excl. currency	**2017**	2016	Change	Change excl. currency
Pre-exceptional items £ million	**720**	629	15%	9%	**81**	52	57%	49%
Operating margin pre-exceptional items					**11%**	8%		
Post-exceptional items £ million	**720**	629	15%	9%	**68**	12	509%	450%
Operating margin post exceptional items					**10%**	2%		

Sector performance

During the year, the strongest sector performances were seen in Petrochemical & Refining, Manufacturing and Business Services and Construction, particularly in North America. Business Services and Construction is now the largest sector, and in North America, Australia and Northern Europe market conditions have been good, particularly in construction. Historically Oil & Gas has been the largest sector for Rental Solutions, but has declined substantially in recent years; in Europe the sector remains subdued, whilst we are seeing some improvement in North America. Utilities are a growing part of the business, with growth experienced in North America and new opportunities identified in our Australian and European markets; this has been supported by better sales deployment and understanding of customer issues.

Outlook

We expect to deliver growth in 2018 as the impacts of our sector deployment strategy take effect and we fully leverage the benefits of our new systems. These will also enable us to more efficiently service customers who have less technical needs and already know what they want. We are also working to finalise our ecommerce plans which we hope to roll out in early 2019.

ENVIRONMENTAL

GOING ULTRA LOW

In 2017 the UK business replaced more than 6% of its car fleet with electric vehicles as part of its commitment to reducing its impact on the environment. Across Northern Europe more broadly, we have implemented other initiatives, such as fitting energy efficient and automatically controlled lighting and automated roller shutters to regulate and maintain ambient temperatures. Whilst some of these initiatives are costly to implement, they are the right thing to do and benefit our people and our planet in the long term.

These actions have resulted in our Northern Europe business being recognised with CEMARS (Carbon and Energy Management Reduction) and therefore being awarded ISO 14065 status, one of only 100 companies worldwide to do so. In addition, we have been recognized by Go Ultra Low, a joint-funded government and automotive campaign to raise awareness and encourage businesses to run low-emissions vehicles.

Power Solutions Industrial delivered a strong performance, particularly in Eurasia. Power Solutions Utility was impacted by repricing and off-hires in Argentina.

Stephen Beynon
Managing Director, Power Solutions

"We are addressing the underperformance of our Utility business, which has taken longer than anticipated. The Industrial business is performing well and I am pleased with the progress that has been made restructuring the business and further reducing our cost base.

Industrial underlying operating profit up 53%

Utility impacted by legacy contracts in Argentina

Utility debtor provision increased by $23 million

66 MW of Next Generation Gas contracts won

Market Context

For our Power Solutions business, demand has been impacted by the economic cycle across our markets. Much of our business is in sectors and countries with exposure to commodities, and movements in these prices have had an impact. In our Utility business lower commodity prices have been challenging, with this directly impacting liquidity in many of our key markets reducing both our customers' appetite to fund new power projects and their ability to pay in a timely manner. Our Industrial business is also exposed to commodity prices as many of its customers are involved in production of oil and gas or minerals, but in this segment we have seen growth this year, most significantly in Eurasia. Competition remains broadly stable, overcapacity still exists within the market but in general competitors are behaving rationally and returns on new projects have remained consistent. We expect the Industrial business to continue to grow in 2018, particularly as the wider commodity environment continues to improve. The Utility business tends to lag the Industrial business and should broadly stabilise as the economic cycle improves.

Financial & operating review

Overall, our Power Solutions business saw revenue excluding currency and pass-through fuel in line with last year and operating profit (pre-exceptional items) decrease 26%.

In our Power Solutions Industrial business revenue excluding currency increased 20%. In Eurasia revenue grew 64% driven by continued strength in the Oil & Gas sector. In the Middle East revenue grew 7% with good growth in Dubai and Kuwait partially offset by a decrease in Saudi Arabia. Revenue in Africa increased 15%, albeit off a low base, with particular strength in Nigeria and Angola. In Asia, revenue was flat, while in Latin America the restructuring work and cost base reduction has progressed well and, despite revenue being down 15%, operating profit (pre-exceptional items) was up by £7 million. We also benefited from the first tranche of revenue from the South Korea Winter Olympics (£17 million).

Our Power Solutions Utility business saw revenue excluding currency and pass-through fuel decrease 9% due to repricing and off-hires in Argentina, which represented a reduction of £59 million on 2016. Excluding the impact of Argentina, revenue was in line with the prior year[1]. The operating margin decreased to 18% (2016: 29%); this was driven by a number of factors, including the flow through from Argentina, an increase in the debtor provision, and one-off benefits in the prior year comparatives, most notably in indirect tax and service material costs. Excluding the impact of Argentina, the operating margin decreased by four percentage points[1]. In Argentina we expect our existing fixed site contract, providing 174 MW, to be extended until the end of 2018 at a discount to the current rates. The standby contract of 30 MW is in the process of fully demobilising.

1 PSU reconciliation excluding Argentina is detailed on page 44.

BUSINESS UNIT PERFORMANCE REVIEW (CONTINUED)

Power Solutions

Pre-exceptional items £ million	Revenue 2017	Revenue 2016	Revenue Change	Revenue Change excl. pass-through fuel and currency	Operating Profit 2017	Operating Profit 2016	Operating Profit Change	Operating Profit Change excl. pass-through fuel and currency
Industrial	**340**	262	30%	20%	**55**	32	71%	53%
Utility excl. pass-through fuel	**531**	564	(6)%	(9)%	**96**	164	(42)%	(42)%
Pass-through fuel	**139**	60	129%	103%	**(3)**	–	(100)%	(100)%
Total Power solutions	**1,010**	886	14%	–%	**148**	196	(25)%	(26)%

Operating margin	2017	2016
Industrial	**16%**	12%
Utility excl. pass-through fuel	**18%**	29%
Total Power Solutions excl. pass-through fuel	**17%**	24%

Post-exceptional items £ million	Revenue 2017	Revenue 2016	Revenue Change	Revenue Change excl. pass-through fuel and currency	Operating Profit 2017	Operating Profit 2016	Operating Profit Change	Operating Profit Change excl. pass-through fuel and currency
Industrial	**340**	262	30%	20%	**44**	29	52%	34%
Utility excl. pass-through fuel	**531**	564	(6)%	(9)%	**79**	158	(51)%	(51)%
Pass-through fuel	**139**	60	129%	103%	**(3)**	–	(100)%	(100)%
Total Power solutions	**1,010**	886	14%	–%	**120**	187	(37)%	(37)%

Operating margin	2017	2016
Industrial	**13%**	11%
Utility excl. pass-through fuel	**15%**	28%
Total Power Solutions excl. pass-through fuel	**14%**	23%

We continued to see delays in customer payments in Power Solutions Utility, in particular on a handful of projects in Africa and as a result of the ongoing economic situation in Venezuela. Our overdue debt provision increased through the year by $23 million to $86 million to reflect these issues.

Overall order intake for the year in our Power Solutions Utility business was 799 MW (2016: 1,057 MW). New business included 295 MW in Bangladesh, 78 MW in Malawi, 60 MW in Yemen and 60 MW in Sri Lanka. We are pleased to have won 66 MW of Next Generation Gas contracts (in addition to the 41 MW won in Rental Solutions) as well as initial contracts for HFO (28 MW, Madagascar) and solar-diesel (7 MW, Eritrea). Our sales pipeline for HFO and NGG contains a number of opportunities which are well progressed.

At the end of the period, our order book was over 78,000 MW months, the equivalent of 30 months' revenue at the current run-rate (2016: 22 months), albeit off a lower revenue base. The off-hire rate was 32% (2016: 30%).

Sector performance

During the year, the strongest sector was Oil & Gas fuelled by high growth in Eurasia, where we benefited from our customers' continued drive for high output coupled with an increasing propensity to rent as a means of reducing capital expenditure. Oil & Gas continues to be our primary sector in the Middle East, albeit with some price pressure from our customers, and continues to grow in Latin America. The Utility sector remained subdued with liquidity pressures impacting both new project activity and timeliness of payments, especially in Africa. Events had a good year, with part of the South Korea Winter Olympics impacting the second half of 2017.

Outlook

We expect to deliver continued growth in 2018 in our Industrial business as the impacts of our restructuring take effect and market conditions continue to improve. In Utility we are anticipating increased traction from our new technology with a strengthening pipeline for both HFO and Next Generation Gas laying the foundations for 2019 and beyond. However, with the off-hire of Japan and market conditions remaining challenging, we expect a lower performance year on year.

Why invest in Aggreko?

Our objective is to be the global specialist in modular, mobile energy services and related solutions. Acting as a partner to our customers through the energy transition, we aim to deliver sustainable long-term value to all our stakeholders.

1. We operate in attractive markets which provide significant opportunity for growth

- Global megatrends underpin an increasing demand for power whilst climate concerns require ever more innovative solutions
- In emerging markets there is a structural power deficit, whilst in developed markets decarbonisation and decentralisation are increasingly impacting energy services
- We are focused on seven core sectors and use our expertise and leading technology to provide specialist solutions to our customers, which often save money, optimise performance or simply keep the lights on

Read more about our markets on **page 8**

2. We have several important competitive advantages that make us unique in our markets

- Specialised engineered solutions
- Integrated renewables and storage
- Sector expertise
- Flexible and reliable technology
- Ability to adapt to changing market conditions
- Strong health & safety and ethical culture

Read more about our business model on **page 12**

3. We are strengthening these competitive advantages through our strategic priorities

- Tailoring solutions to improve customer experience
- Reducing the total cost of energy through innovation
- Optimising deployment of resources
- Cultivating a high performance organisation

Read more about our strategic priorities on **page 14**

4. The combination of attractive markets, our competitive advantages and our strategic priorities will generate sustainable returns for all our stakeholders

- Support industry and commerce
- Provide critical services to countries and communities
- Rewarding careers for our people
- Sustainable returns for Shareholders

Read more about stakeholder engagement **page 74**

A summarised Income Statement for 2017 as well as related ratios are set out below. The first table excludes exceptional items and the second table includes exceptional items.

	Pre-exceptional items			
	2017 £m	2016 £m	Change	Change excl. pass-through fuel and currency
Revenue	**1,730**	1,515	14%	4%
Operating profit	**229**	248	(8)%	(10)%
Net interest expense	**(34)**	(27)	(28)%	
Profit before tax	**195**	221	(12)%	
Taxation	**(57)**	(63)	9%	
Profit after tax	**138**	158	(13)%	
Diluted earnings per share (pence)	**53.94**	61.95	(13)%	
Operating margin	**13%**	16%	(3)pp	
ROCE	**11%**	13%	(2)pp	

	Post-exceptional items			
	2017 £m	2016 £m	Change	Change excl. pass-through fuel and currency
Revenue	**1,730**	1,515	14%	4%
Operating profit	**188**	199	(6)%	(7)%
Net interest expense	**(34)**	(27)	(28)%	
Profit before tax	**154**	172	(11)%	
Taxation	**(48)**	(47)	(1)%	
Profit after tax	**106**	125	(15)%	
Diluted earnings per share (pence)	**41.51**	48.86	(15)%	
Operating margin	**11%**	13%	(2)pp	
ROCE	**9%**	10%	(1)pp	

Currency translation

The movement in exchange rates in the period had the translational impact of increasing revenue by £84 million and operating profit by £9 million. This was driven by the strength, against Sterling, of nearly all the principal currencies impacting the Group, but most notably the US Dollar. Currency translation also gave rise to a £98 million decrease in the value of net assets. Set out in the table below are the principal exchange rates which affected the Group's income statement and net assets.

	2017		2016	
(per £ Sterling)	Average	Year end	Average	Year end
Principal Exchange Rates				
United States Dollar	**1.29**	**1.35**	1.36	1.23
Euro	**1.14**	**1.13**	1.22	1.17
UAE Dirhams	**4.74**	**4.96**	4.98	4.53
Australian Dollar	**1.68**	**1.73**	1.83	1.71
Brazilian Reals	**4.12**	**4.48**	4.74	4.01
Argentinian Peso	**21.36**	**25.92**	20.00	19.61
Russian Rouble	**75.19**	**78.15**	91.04	75.23

(Source: Bloomberg)

Exceptional items

An exceptional charge of £41 million before tax was recorded in the year to 31 December 2017 in respect of the implementation of the Group's Business Priorities programme. These costs include employment costs, professional fees, severance costs and facility closure costs directly related to the programme.

Interest

The net interest charge of £34 million was £7 million higher than last year, reflecting higher average net debt year on year and an increase in the effective interest rate. Interest cover, measured against rolling 12-month EBITDA (Earnings before Interest, Taxes, Depreciation and Amortisation) remained strong at 16 times (2016: 20 times) relative to the financial covenant attached to our borrowing facilities that EBITDA should be no less than four times interest.

Capital structure & dividends

The objective of our strategy is to deliver long-term value to Shareholders while 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 that 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 into product 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. While our first priority is investment to generate growth, we recognise the importance of the dividend in providing value to our Shareholders. 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 2017 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 (2016: 27.12 pence) per Ordinary Share, giving dividend cover (Basic EPS pre-exceptional items divided by full year declared dividend) of 2.0 times (2016: 2.3 times). Dividend cover post-exceptional items is 1.5 times (2016: 1.8 times).

Cash flow

The net cash inflow from operations during the year totalled £450 million (2016: £388 million). The increase in cash inflow from operations was mainly driven by the reduction in the working capital outflow of £68 million. This operating cash flow funded capital expenditure of £272 million (2016: £263 million), of which £246 million (2016: £241 million) was spent on fleet. The working capital movements are explained on page 37.

Reconciliation of underlying movement to reported movement

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

Revenue

	RS			PSI			PSU			Group		
	2017 £m	2016 £m	Change %	**2017 £m**	2016 £m	Change %	**2017 £m**	2016 £m	Change %	**2017 £m**	2016 £m	Change %
As reported	**720**	629	15%	**340**	262	30%	**670**	624	7%	**1,730**	1,515	14%
Pass-through fuel	**–**	–		**–**	–		**(139)**	(60)		**(139)**	(60)	
Currency impact	**–**	34		**–**	22		**–**	28		**–**	84	
Underlying	**720**	663	9%	**340**	284	20%	**531**	592	(9)%	**1,591**	1,539	4%

Operating profit

	RS			PSI			PSU			Group		
	2017 £m	2016 £m	Change %	**2017 £m**	2016 £m	Change %	**2017 £m**	2016 £m	Change %	**2017 £m**	2016 £m	Change %
As reported	**68**	12	509%	**44**	29	52%	**76**	158	(52)%	**188**	199	(6)%
Pass-through fuel	**–**	–		**–**	–		**3**	–		**3**	–	
Currency impact	**–**	3		**–**	4		**–**	2		**–**	9	
Exceptional items	**13**	40		**11**	3		**17**	6		**41**	49	
Underlying	**81**	55	49%	**55**	36	53%	**96**	166	(42)%	**232**	257	(10)%

Note (i) RS – Rental Solutions; PSI – Power Solutions Industrial; PSU – Power Solutions Utility.
Note (ii) the currency impact is calculated by taking 2016 numbers in local currency and retranslating them at 2017 average rates.

Group and PSU Reconciliation excluding Argentina

	PSU			Group		
	2017 £m	2016 £m	Change %	**2017 £m**	2016 £m	Change %
Revenue excl. pass-through fuel and currency impact	**531**	592	(9)%	**1,591**	1,539	4%
Less Argentina	**(53)**	(112)		**(53)**	(112)	
	478	480	–%	**1,538**	1,427	9%
Operating profit (pre-exceptional items) excl. pass-through fuel and currency impact	**96**	166	(42)%	**232**	257	(10)%
Less Argentina	**(23)**	(73)		**(23)**	(73)	
	73	93	(23)%	**209**	184	13%
Operating Margin ex pass-through fuel	18%	29%		14%	17%	
Operating Margin ex pass-through fuel & Argentina	15%	19%		14%	13%	

Taxation

Tax Strategy

We operate in an increasingly complex global environment, doing business in over 80 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 in all countries in which we operate.

Our tax strategy is reviewed and revalidated annually, and is revised as appropriate to reflect any material changes in our business 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 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.

In applying the tax strategy, we undertake to comply with the applicable tax legislation in all countries in which we operate utilising, where appropriate, 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.

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 any legislative change, advisory and technical support is provided by large accounting firms with which the Group has a long association. The use of the Group's external auditor 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 ratified annually by the Board. Given the risk profile of many of the 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 are key areas of focus. This is particularly so for our Power Solutions business, where we may only be in a country on a temporary basis. 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 for some time with respect to complex or changing legislation. We may therefore need to create tax provisions for any potential uncertain 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 2017 we held tax provisions totalling £31 million, of which £29 million is in respect of direct taxes and £2 million for indirect taxes (2016: £39 million, £37 million for direct and £2 million for indirect taxes). The movement in provisions between 2016 and 2017 is principally due to the utilisation of a provision in respect of an ongoing matter in Bangladesh, which has now been referred to the High Court and is likely to take several years to be resolved. Supported by strong legal opinion, we believe that we have a robust defence on this issue and therefore no further amounts have been provided in respect of this matter. The remaining provisions are principally held to manage the tax impact of various potential historic tax exposures, largely in connection with our Power Solutions Utilities business in Africa and Latin America, and potential transfer pricing risks faced by the Group with respect to how we transact internationally within the business. In order to ensure that all potential risks are properly understood and mitigated, we look to 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.

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 Group's external auditor. In order to mitigate this risk, 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. In addition to the work done by the Group's external auditor to confirm the appropriateness of our tax provisioning, tax is a matter that is regularly considered and discussed by the Audit Committee. The Group's Internal Audit team will also consider any relevant tax risks as part of its core assurance programme and report on these to management as appropriate.

Legislative change

Through the course of 2017, while we continued to monitor global legislative change driven largely as a result of the OECD's work on Base Erosion and Profit Shifting (BEPS) and Country-By-Country Reporting (CBCR), our main focus has been on the tax reform agenda in the US. We anticipate that going forward, the US tax reform will have a positive impact on our tax position. While the process of assessing the full impact of the US tax reform is ongoing, due to the relative size of the US business in comparison to the rest of the Group we do not anticipate that the impact of this rate change on the Group tax rate will be material. We do however recognise that the interpretation of new legislation can be subjective in the period immediately following implementation and we therefore continue to follow developments in this area.

As the UK's Brexit negotiations with the EU continue, we are closely following developments. However, at this stage we continue to believe that Brexit will have not have a material tax impact for our business.

Taxes Paid

In 2017, Aggreko's worldwide operations resulted in direct and indirect tax payments of £228 million (2016: £215 million) to tax authorities in the various countries in which we operate. This amount represents all corporate taxes paid on operations, payroll taxes paid and collected, import duties, sales taxes and other local taxes.

Fig. 1: Total taxes paid by region £m

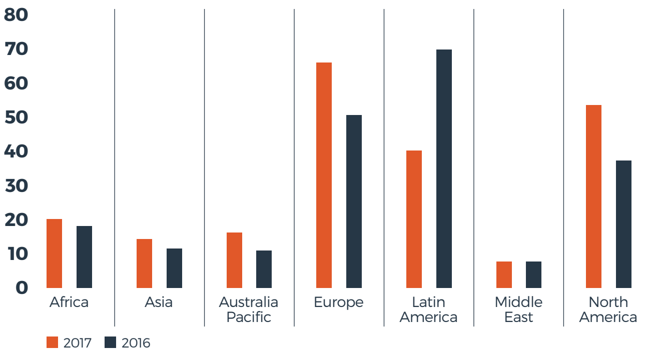
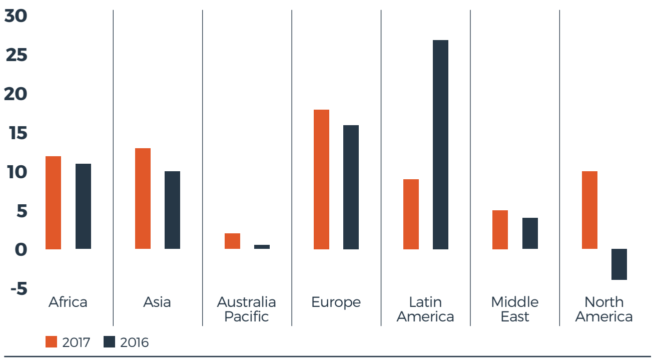
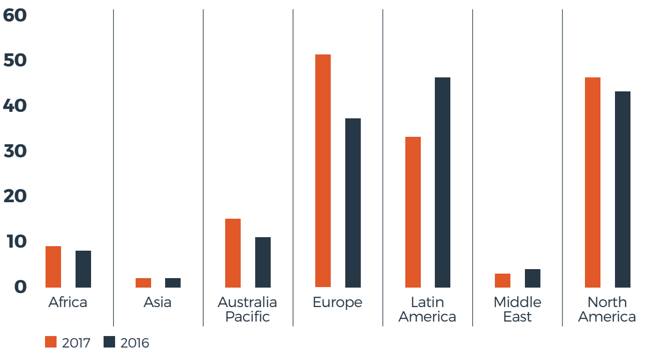


Fig. 2: Total corporate taxes paid and collected by region £m



In comparison to the prior year, corporate taxes paid in 2017 increased by £5 million to £69 million. While there were small increases in several countries, the main increase was in the US where we had a refund position in 2016 due to the late extension of the accelerated tax depreciation regime, which was not repeated in 2017. These increases were partially offset by a large decrease of the tax paid in Latin America, driven by the reduction of profits in Argentina following the off-hiring of equipment.

Fig. 3: Total indirect taxes paid and collected by region £m



Overall our indirect tax costs in 2017 increased by £8 million to £159 million. Underlying the net increase is a reduction in the amount of sales taxes paid in Argentina as a result of off-hires, which is offset by increased payroll taxes in North America and Europe, principally in the UK and Russia (where our headcount has increased).

Tax Charge

The Group's pre-exceptional effective corporation tax rate for the year was 29% (2016: 28%) based on a tax charge of £57 million (2016: £63 million) on a pre-exceptional profit before taxation of £195 million (2016: £221 million). While the Group's effective tax rate has risen in 2017 as a result of an increase in profits in higher tax locations such as North America (due to additional work following the hurricanes), the underlying rate increase has been offset by a one-off tax benefit due to the US tax reform which was passed into law in December 2017. As a result of the US reform, the Group benefited from a one-off tax credit following the revaluation of our deferred tax liabilities in respect of the US business.

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

Looking beyond 2017, our effective tax rate will continue to depend principally on the geographical mix of profits, the resolution of open issues and whether there are any changes in tax legislation in the Group's most significant countries of operation.

Reconciliation of the Group's income statement tax charge and cash taxes

The Group's total cash taxes borne and collected were £228 million, reflecting £159 million of non-corporate taxes and £69 million of corporate taxes. The latter cash tax figure differs from the Group's post-exceptional tax charge of £48 million reported in the income statement, with the difference analysed in the table below.

	£ million
Cash taxes paid	228
Non-corporate taxes	(159)
Corporate tax paid	**69**
Movements in deferred tax[1]	(27)
Differences relating to timing of tax payments – US	9
Differences relating to timing of tax payments – Argentina	(4)
Other differences relating to timing of payment of taxes	1
Post-exceptional corporate tax charge per the income statement	48

1 Of this amount £10 million relates to US tax reform.

Net operating assets

The net operating assets of the Group (including goodwill) at 31 December 2017 totalled £2,078 million, £46 million lower than 2016. Excluding the impact of currency, net operating assets are £101 million higher. The main components of net operating assets are detailed in the table below.

£ million	2017	2016	Movement	Movement excl. the impact of currency
Rental fleet	**1,104**	1,203	(8)%	(1)%
Property & plant	**110**	106	4%	9%
Inventory	**232**	247	(6)%	–%
Net trade debtors	**490**	454	8%	16%

A key measure of Aggreko's performance is the return (expressed as adjusted operating profit) generated from average net operating assets (ROCE). We calculate ROCE by taking the operating profit for the year and expressing it as a percentage of the average net operating assets at 31 December, 30 June and the previous 31 December. In 2017 the ROCE decreased to 11% compared with 13% in 2016, primarily driven by the decrease in the Group's operating margin.

Property, plant and equipment

Rental fleet accounts for £1,104 million, which is around 91% of the net book value of property, plant and equipment used in our business. The great majority of equipment in the rental fleet is depreciated on a straight-line basis to a residual value of zero over 8 years, with some classes of rental fleet depreciated over 10 and 12 years. The annual fleet depreciation charge of £275 million (2016: £261 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 their remaining lives in light of technological change, prospective economic utilisation and the physical condition of the assets.

Acquisitions

During the year we made three acquisitions, Younicos, a pioneer and global market leader in the development and deployment of integrated energy systems; KBT, an Indonesian utility business; and TuCo a US based temporary heat and air conditioning business. Further details on these acquisitions can be found in Note 29 to the accounts.

IFRS 15

IFRS 15, 'Revenue from contracts with customers', is effective for annual periods beginning on or after 1 January 2018. Under the standard, revenue is recognised when an entity transfers control of goods or services to a customer. The costs to fulfil the service to a customer (mobilisation and demobilisation costs) will be amortised over the period of the initial contract, in line with when we are earning revenue. We have assessed the impact on 2017, which would have been an immaterial impact on profit before tax; revenue would have been £2 million higher, and costs £5 million higher, resulting in a £3 million reduction in profit before tax. When we report our 2018 interim and full year results we will restate the 2017 comparative numbers to take account of IFRS 15. Note 1 to the accounts explains these changes in detail.

Shareholders' equity

Shareholders' equity decreased by £51 million to £1,317 million, represented by the net assets of the Group of £1,969 million offset by net debt of £652 million. The movements in Shareholders' equity are analysed in the table below:

Movements in Shareholders' equity	£ million	£ million
As at 1 January 2017		**1,368**
Profit for the period post-exceptional items	106	
Dividend[1]	(69)	
Retained earnings		37
Employee share awards		8
Remeasurement of retirement benefits		5
Currency translation		(98)
PDVSA private placement notes: net change in fair value		(4)
Movement in hedging reserve		3
Other		(2)
As at 31 December 2017		**1,317**

1 Reflects the final dividend for 2016 of 17.74 pence per share (2015: 17.74 pence) that was paid during the period.

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 defined contribution schemes.

Under IAS 19: 'Employee Benefits', Aggreko has recognised a pre-tax pension deficit of £25 million at 31 December 2017 (2016: £30 million) which is determined using actuarial assumptions. The decrease in the pension deficit is primarily driven by higher than expected returns achieved on the scheme's assets over the year and additional contributions by the Company, partially offset by the impact of a lower discount rate being applied to the scheme's liabilities.

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

		Deficit (£m)	Income statement cost (£m)
Assumption	Increase/ (decrease)	(Increase)/ decrease	(Increase)/ decrease
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 2017, these facilities totalled £1,283 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 2017, these stood at 16 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 £652 million at 31 December 2017 (2016: £649 million) and, at that date, undrawn committed facilities were £624 million.

Interest rate risk

The Group's policy is to manage its exposure to interest rates by ensuring an appropriate balance of fixed and floating rate debt. At 31 December 2017, £610 million of the net debt of £652 million was at fixed rates of interest resulting in a fixed to floating rate net debt ratio of 94:6 (2016: 59:41). The proportion of our debt with fixed interest rates is higher than usual at the year end ahead of some fixed rate debt maturities in the first half of 2018.

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, Indonesian Rupiah, Mexican Peso, Indian Rupee, 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.

GOVERNANCE

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.

RISK MANAGEMENT FRAMEWORK – ROLES AND RESPONSIBILITIES

The Board has implemented a risk management framework that is summarised in the diagram below.

Ultimate Responsibility
Board

- Ultimate responsibility for risk management and internal control
- Approves the risk management framework
- Approves the risk appetite and monitors compliance
- Approves the Group Register of Principal Risks
- Approves the viability statement

Oversight
Audit Committee
(makes recommendations to the Board)

- Responsible for reviewing the effectiveness of the Group's systems for internal control and risk management
- Reviews and challenges the risk management framework
- Reviews the effectiveness of the control environment
- Reviews the effectiveness of and approves the approach for the viability statement

Management & Monitoring
Group Risk Committee
(makes recommendations to the Audit Committee and Board)

- Responsible for implementing and embedding risk management and internal controls
- Defines the risk management process to be followed by the business (including risk appetite)
- Reviews and challenges the Group Register of Principal Risks ensuring controls identified are operating and tracks closure of items
- Facilitates risk process, collating risk registers and consolidating the Group risk register
- Aligns assurance activity

Ownership
Business Units, Senior Leadership Team and Group Functions
(supported by Group Risk)

- Responsible for identification, prioritisation, assessment and monitoring of risk which may arise in the business
- Risks and associated controls are owned and operated by management
- Risk registers are maintained and form the basis of the Group risk register

Read more about roles and responsibilities for risk management in the Governance section **on page 71**

Read about our risks and viability statement on **page 55**

Approach to managing risk

Our approach to risk management aims to deliver effective and efficient management of risk, whilst also making a positive contribution to effective decision making and performance improvement.

The Group compiles a Register of Principal Risks from risk registers held by our Business Units and Central Functions. We monitor the level of each risk against our appetite for it using quantitative and qualitative measures and identify any actions required to manage the residual risk after considering our existing controls.

Risk appetite

The Group is willing to take and manage considered risks within clear boundaries set by the Executive Committee and approved by the Board. We have defined our appetite for risks in each of the categories below and use that to decide what mitigation is required for each risk.

Risk categories

We allocate risks into the five categories below and use them to help define our risk appetite.

Strategic Risk	Operational Risk	Hazard Risk	Compliance Risk	Financial Risk
Risks related to the Group's ability to deliver on strategic 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.
• People, Organisation & Culture • Mergers & Acquisitions • Technology • Market Dynamics	• Asset Life Cycle • Service Delivery • Supply Chain • Contractual • Information Technology • Information Security	• Health & Safety • Security • Environment	• Ethics • Corporate Governance • Laws and Regulations	• FX and Interest Rate Volatility • Liquidity and Funding • Credit Risk • Tax • Financial Management and Control

Focus during the year

In 2017 we have further developed our methodology and continued to embed the risk framework into the business. We have assessed estimates of the likelihood of each risk and the potential impact. We have also agreed actions to increase the effectiveness of risk prevention and mitigation.

Changes since 2016

Our Group Register of Principal Risks will change from time to time as we take action to improve the management of risks, improve the processes we use to identify risks and as the business environment in which we operate evolves. This year we have seen three additional risks elevated to the Group register and three risks have been removed.

Risks elevated to the Group's register this year:

- **Disruptive technology**: Alternative and more distributed energy sources are becoming increasingly available and affordable. This could affect our competitiveness as power providers. In recognition of this, we acquired Younicos in 2017, introducing new technology and micro-grid capability, and have evolved our business strategy to incorporate this new offering.
- **Equipment obsolescence**: We are introducing new fleet and technologies into the business as some of our existing fleet is approaching the end of its useful life. The older fleet is still available for rent and is required for specific applications within our business. We are focussing on ensuring the continued utilisation of this fleet.
- **Working capital management**: Our working capital has increased in recent years, mainly driven by an increase in trade and other receivables. We have implemented a working capital improvement initiative to drive a sustainable improvement and are already seeing the results in trade and other payables.

Risks removed from last year's register:

- **Change management relating to our new business priorities**: We have made good progress towards delivery of the Business Priorities programme and many of the initiatives have now been incorporated into our business as usual activities.
- **An environmental incident occurs due to a project delivery failure**: Whilst we do not believe this risk has been eliminated, we believe we have improved our management of this area and will continue to monitor this risk within our Business Unit risk registers.
- **Unanticipated tax liabilities in developing countries**: Robust tax risk management processes have allowed us to reduce this risk's expected impact and likelihood in the future.

  Determining whether appropriate direct and indirect tax provisions are in place in respect of contentious historic or current liabilities remains a primary area of judgement for the Audit Committee. See page 69 for details of how this is addressed.

Primary strategic area affected symbols

Customer Technology Efficiency People

PRINCIPAL RISKS AND UNCERTAINTIES

The Directors have carried out a robust assessment of the principal risks and uncertainties facing Aggreko, including those that would threaten our future performance, business model, solvency and liquidity. The list below is not exhaustive; our operations are large and geographically diverse and the list might change if something that seems immaterial today becomes more important tomorrow.

The order in which our principal risks are presented follows our risk categorisation model.

STRATEGIC

Market dynamics – Power Solutions

Executive responsible: Stephen Beynon, Managing Director Power Solutions

Primary strategic area affected

Risk	Primary KPIs impacted	Background and impact	Prevention and mitigation
Changes in power market dynamics result in major contracts maturing with no equivalent replacements.	• Fleet size and composition • Capital activity • Margins • Returns	A change in power market dynamics could have a material impact on revenue and profit. The impact of low commodity prices on the economies of developing countries has reduced their capacity to pay for temporary power. Customer buying power has increased because of more competition for power projects.	• A diverse customer base and development of our Industrial business • Mobile, modular, homogeneous equipment allows transfer between markets • Improved sales capability, resourcing and performance management • Technology improvements make our offerings more competitive

Changes during 2017: We have had a challenging year within the Power Solutions Utility as the impact of repricing and off-hires in Argentina significantly impacted results. Power Solutions Industrial had a strong year as our strategic priorities begin to take effect.

Read more about Power Solutions performance on page 40

Market dynamics – Rental Solutions

Executive responsible: Bruce Pool, President Rental Solutions

Primary strategic area affected

Risk	Primary KPIs impacted	Background and impact	Prevention and mitigation
Challenging market dynamics reduce volume and profitability in our Rental Solutions business.	• Revenue growth • Margins • Returns • Capital activity	North America is the largest region in Rental Solutions. Oil & Gas and Petrochemical & Refining have traditionally been its largest market sectors, so continued challenges in these sectors have had a material impact on revenues and profits. Customer buying power has increased because of an increase in supply of fleet in the market and increased competition.	• Diversification into other market sectors • Mobile, modular, homogeneous equipment allows transfer between markets • Improved sales capability, resourcing and performance management • Delivery of our strategic priorities to improve the ease with which customers can do business with us • Continued development of our Temperature Control business to offset slower growth in power

Changes during 2017: Despite ongoing competitive pressures, the changes we are making to our business processes and systems have begun to deliver benefits and Rental Solutions had a good year in 2017. Further strategic progress, as we differentiate our offering, positions us well going forward.

Read more about Rental Solutions performance on page 38

Disruptive technology

Executive responsible: Volker Schulte, Group Manufacturing and Technology Director

Primary strategic area affected

Risk	Primary KPIs impacted	Background and impact	Prevention and mitigation
The introduction of new technology into the power market reduces our ability to remain competitive.	• Fleet size and composition • Returns • Capital activity	Alternative and more distributed energy sources are becoming increasingly available and affordable. New energy business models using technology to manage the on- and off-grid environment are emerging. These developments could affect our competitiveness as power providers.	• Diversified product portfolio • Technology roadmap for existing and alternative technologies • Bolt-on acquisition of new technologies and capabilities • Market requirements monitoring

Changes during 2017: We acquired Younicos in 2017, introducing a new technology and micro-grid capability. We have updated our business strategy to incorporate this new offering and are developing opportunities to utilise this new capability in tandem with our existing offerings.

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

STRATEGIC (CONTINUED)

Talent management

Executive responsible: Anna Filipopoulos, Group Human Resources Director

Primary strategic area affected

Risk	Primary KPIs impacted	Background and impact	Prevention and mitigation
Failure to attract, retain and develop key personnel.	• Employee satisfaction	Our people make the difference between great performance and mediocre performance. We are keenly aware of the need to attract the right people, establish them in their roles and manage their development. Failure to do so could result in loss of productivity and intellectual capital, increased recruitment costs and lower staff morale.	• Succession planning • Talent management reviews and development plans • Feedback from staff surveys incorporated into strategic priorities • Remuneration and benefits to attract and retain the required talent • Long-term incentive Plans

Changes during 2017: Staff turnover reduced slightly in 2017. When issues arise in specific jurisdictions, we take action to address them or implement our succession plans. There were fewer instances of this kind than there were in 2016. Several new high potential managers were recruited in the year.

Read more about People on page 30

New technology market introduction

Executive responsible: Stephen Beynon, Managing Director Power Solutions

Primary strategic area affected

Risk	Primary KPIs impacted	Background and impact	Prevention and mitigation
Ineffective new product development and market introduction hinders growth.	• Fleet size and composition • Capital activity • Revenue growth • Margins • Returns	New product development and introduction is one of our key strategic priorities. New products introduced recently 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). Failure to develop and introduce new products may lead to product obsolescence and reduce revenue and profit.	• New product introduction process identifies and resolves product performance issues • Standard operating procedures for new technology facilitate effective commissioning and operation • Marketing strategies formulated 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

Changes during 2017: We are satisfied with the operational performance of our new technology products and are introducing them to the market. This has been a slower process than originally anticipated but there is a stable pipeline of customer interest.

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

OPERATIONAL

Cyber security

Executive responsible: Grant Nairn, Group Chief Information Officer

Primary strategic area affected

Risk	Primary KPIs impacted	Background and impact	Prevention and mitigation
A cyber security incident leads to a loss of data, a loss of data integrity or a disruption to operations.	• Revenue growth • Customer loyalty • Earnings per share	A cyber security incident may be caused by an external attack, internal attack or by user error. 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. 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.	• A cyber security forum has been formed to monitor risk threats and ensure appropriate actions are being taken • Suite of security technology in place including antivirus and malware software, firewalls, email scanning and internet monitoring • Third-party expertise engaged to assist with incident response and security penetration testing • User awareness training designed and rolled out across the organisation • Future system developments incorporate encryption and security at design stage

Changes during 2017: Whilst we believe we have implemented significant improvements over the course of this year, there has been an increase in the number of firms suffering cyber security breaches. As a result of the general increase in the level of threat we believe that this risk score has increased since last year.

Primary strategic area affected symbols

Customer Technology Efficiency People

OPERATIONAL (CONTINUED)

Equipment obsolescence

Executive responsible: Stephen Beynon, Managing Director Power Solutions

Primary strategic area affected

Risk	Primary KPIs impacted	Background and impact	Prevention and mitigation
Equipment becomes obsolete before the end of its expected useful life.	• Capital activity • Returns	We are introducing new fleet and technologies into the business as some of our existing fleet is approaching the end of its useful life. Whilst the older fleet is still available for rent and is required for specific customer applications, there is an increased likelihood that the utilisation of this older equipment falls as it is displaced by new equipment.	• Mobile, modular, homogeneous equipment allows transfer between markets • Sales team training on applications for older equipment • Equipment disposal policy to optimise our sales process in the event that excess fleet is identified • We design and manufacture our own fleet allowing us to undertake refurbishment programmes which extend its useful life, improve performance and avoid obsolescence

Changes during 2017: We are focussing on ensuring the continued utilisation of our older fleet. We have identified specific applications where this fleet can best serve our customers and are taking advantage of the mobile, modular nature of our equipment to redeploy this equipment where necessary.

HAZARD

Health & Safety

Executive responsible: Chris Weston, Chief Executive Officer

Primary strategic area affected

Risk	Primary KPIs impacted	Background and impact	Prevention and mitigation
A health and safety incident occurs which results in serious illness, injury or death.	• Safety	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 care. Some of our people work in high risk locations. Besides the security considerations (discussed below), issues facing these personnel include: poor road infrastructure, a lack of availability of healthcare and exposure to contagious diseases. We also operate on high risk customer sites such as offshore oil and wind platforms and at mine sites.	• Group HSE policy communicated globally in all relevant languages • Appropriate training is delivered to all staff • Staff are empowered to stop work when they feel safety may be compromised • HSE risk assessments are undertaken and safety procedures developed in line with our standard operating practices • HSE compliance audits are conducted regularly and all staff are encouraged to report risks and incidents • Our equipment is subject to rigorous testing prior to use and is maintained to a high standard • 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 deployed into a new country • Defensive driving training is provided in high risk countries whilst journey management is an important part of our HSE system

Changes during 2017: Our lost time accident frequency rate fell markedly in 2017. We continue to improve our online risk and accident management system and, since the introduction of reporting capability through mobile devices, we have seen a significant upturn in the volume of risk reports. Energy Safety Rules training has continued at pace throughout 2017 with all relevant employees now authorised. Tragically, one of our technicians was fatally injured when he came into contact with an exposed live electrical cable while working at a customer's site. We held a safety stand down and briefing across all operational sites across the Group and have taken additional steps to reduce further the likelihood of such an event occurring again.

Read more about Health & Safety on page 30

HAZARD (CONTINUED)

Security

Executive responsible: Chris Weston, Chief Executive Officer

Primary strategic area affected

Risk	Primary KPIs impacted	Background and impact	Prevention and mitigation
A security incident occurs which affects our people, assets, or our operations.	• Safety • Fleet size and composition • Revenue growth	A security incident may adversely affect the wellbeing of our people, the security of our assets, our reputation or our ability to generate revenue.	• Group security policy communicated globally in all relevant languages • Group Security team under the direction of the Group Head of Security provides guidance and direction on appropriate security requirements • Monitoring of security environments in countries where we operate • Security compliance reviews undertaken periodically by the Security team • Group-wide Travel Management System, provides pre-travel guidance and allows monitoring of travellers • Head of Security provides monthly briefings to the Executive management team • In some cases, insurance against losses has been procured

Changes during 2017: Whilst we continue to face specific security challenges in Afghanistan, Iraq, Venezuela and Yemen, we have taken further steps to reduce our risk exposure with the communication of our Security Policy and implementation of our group-wide travel management system this year.

COMPLIANCE

Failure to conduct business dealings with integrity and honesty

Executive responsible: Peter Kennerley, Group Legal Director & Company Secretary

Primary strategic area affected

Risk	Primary KPIs impacted	Background and impact	Prevention and mitigation
We are prosecuted as a result of an employee or person acting on our behalf having made a payment which is, or is perceived to be, a bribe.	• Customer loyalty • Revenue growth • Margins	The scale and global nature of much of our business exposes us to risks of unethical behaviour. This risk is particularly relevant owing to the following factors: • 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 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.	• Anti-bribery and corruption framework designed in line with UK Government guidance and implemented across the Group • 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 • 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. • 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 team monitors compliance with policy requirements in this area • An independent whistle-blowing system is in place which allows employees to report concerns confidentially and anonymously. Any reports received are fully investigated

Changes during 2017: No material changes during 2017. We have continued to undertake training for all new starters and high risk third-party relationships.

Read more our ethics policy and anti-bribery and corruption framework on page 73

Primary strategic area affected symbols

Customer Technology Efficiency People

FINANCE

Failure to collect payments or to recover assets

Executive responsible: Heath Drewett, Chief Financial Officer

Primary strategic area affected

Risk	Primary KPIs impacted	Background and impact	Prevention and mitigation
Significant customer payment default or impounding of assets.	• Margins • Earnings per share • Returns	The Group has some large contracts in emerging market countries where payment practices can be unpredictable, where their liquidity has been adversely affected by a fall in commodity prices or where they have competing demands on a limited budget. 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. We take a rigorous approach to credit risk management and to date have not suffered a significant loss. 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.	• 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 • Active customer relationship management, including escalation to senior management • The scale of our business and diversity of our customer portfolio make it less likely that any unprovided for bad debt or equipment seizure would be material to the Group's balance sheet

Changes during 2017: Our risk in this area has risen in 2017 with debtor days increasing. While we have not suffered a significant loss in this area during the year, we have chosen to increase the provision against overdue debts in Power Solutions Utility due to delays in payment.

Read more about Power Solutions performance on page 40

Working capital management

Executive responsible: Heath Drewett, Chief Financial Officer

Primary strategic area affected

Risk	Primary KPIs impacted	Background and impact	Prevention and mitigation
Unexpected funding requirement for working capital affects our ability to fund the strategic plan.	• Capital activity • Returns	A large, unexpected increase in working capital could reduce the amount of funds available for our strategic priorities and make it more difficult to deliver our strategic plan.	• We maintain financial headroom over the forecast level of gross debt in the form of undrawn committed debt facilities to cope with unexpected funding requirements • Working capital is monitored and managed to reduce the likelihood of unexpected funding requirements • We maintain access to diverse sources of funds to meet additional funding requirements should they arise at short notice • A working capital improvement programme to improve creditor days, inventory levels, debtor days and related processes

Changes during 2017: A project to improve working capital was launched in 2017 with the help of external advisers which will continue into 2018. We have already seen a significant improvement in creditor days and, towards the end of the year, some improvement in debtor days.

Read more about our financial performance on page 36

Brexit

The main impact of Brexit to date has been the depreciation of the Pound. A weaker Pound has increased the Sterling value of our revenues, the majority of which are denominated in US Dollars. The Sterling value of our debt and borrowing facilities has increased by similar amounts. 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 it to be material because a large majority of the Group's business is outside of the UK and the EU. We will continue to follow developments closely.

Assessment of prospects and viability

The prospects for our Rental Solutions business are linked to growth in local economies and commodity cycles. Our Power Solutions Industrial business is driven by growth in developing markets, which can be commodity dependent, whilst Power Solutions Utility is driven by shortfalls in permanent capacity caused by economic growth, ageing power infrastructure, hydro-shortages and social pressures.

The Executive Committee and the Board regularly discuss factors that might affect Aggreko's prospects. 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 carried out the viability assessment over a three-year period to 2020. Although the Board considers prospects of the Group over a longer period, three years was deemed appropriate for the viability assessment because:
  - The Group's funding requirement can be forecast with sufficient accuracy over the viability period.
  - The Board expects to be able to arrange sufficient finance to meet its funding requirement over the viability period.
  - Power Solutions Utility's historical off-hire rate of 30% suggests an average contract life of three years. Rental Solutions and Power Solutions Industrial have shorter hire periods than Power Solutions Utility.
- It stress-tested the Group's strategic plan to 2020 by modelling scenarios linked to each principal risk.
- It stress-tested the Group's strategic plan to 2020 by modelling scenarios of combinations of principal risks.

The results of this stress-testing showed that the Group has sufficient scale, diversity and balance sheet strength to withstand the impact of these scenarios 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.

Ken Hanna
Chairman

"The governance framework put in place by the Board to support the delivery of our strategic priorities is starting to deliver results."

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 April 2016 and are pleased to report that Aggreko has complied in full with all relevant provisions of the Code throughout the year.

Overview

Although 2017 shows another year of earnings per share decline, the underlying business unit results demonstrate significant progress on a number of our strategic priorities.

Both Rental Solutions and Power Solutions Industrial business units reported significant increases in Operating Profits. However as has been the case for several years, Group Performance has been materially affected by a significant decline in the Power Solutions Utility business, and in 2017 this was almost exclusively due to the off-hire and repricing of our long standing 'legacy' contracts in Argentina.

The Board believes that the strategic priorities of the Group are totally appropriate and will position Aggreko for a return to growth.

Corporate governance reform and consideration of all stakeholders

We have paid close attention to the debate on corporate governance reform in 2017 and will continue to do so, amending our internal policies, procedures and disclosures, as guidance is formalised in 2018. One area of particular note is the move towards asking Boards to improve their disclosures in the annual report in relation to stakeholders. Stakeholders are key to the successful and sustainable development of any business and, without good relationships, we would not have a business to report on. We also believe that trust in our business and our reputation is driven by how we engage with our stakeholders. With all of that in mind, we have expanded our usual disclosure to include consideration of a number of other key stakeholders. We hope that this new section is useful and informative.

Diversity

The Board believes that diversity, both in the Boardroom and throughout the organisation, is key to our success. I am pleased to report that 30% of our Board roles are currently held by women (40% prior to Carole Cran's departure at the year end). For the first time, we formalised our approach to Board diversity by adopting a Board diversity policy in December 2017, you can read more about this on page 67. We do, however, acknowledge that there is more to do to ensure the development of diversity across the organisation. Diversity and inclusion, and the gender pay gap in particular, are now an area of focus as we acknowledge the need, and desire, to address the imbalance. We support management in their efforts to address this by establishing a team which will look at diversity on a group-wide basis, determine what changes need to be made and work with the business to implement them over the next few years. Our full gender pay gap disclosure, including the actions we are taking, will be published on our website in line with the government guidelines.

Talent, development and succession

During the year the Board spent considerable time reviewing succession plans for the Executive Committee and their direct reports. This was a key area of focus arising from the 2016 Board Evaluation Exercise. I am pleased to report significant progress on the strengthening of our talent management programme together with the external recruitment of a number of high potential managers.

We worked closely with the Nomination Committee to make a number of changes to our Board in 2017 and early 2018. In March 2017, we were delighted to announce the appointments of Barbara Jeremiah and Miles Roberts as Non-executive Directors. Barbara and Miles undertook comprehensive inductions into the business and the detail on their appointment and induction processes were provided in last year's report.

Our CFO, Carole Cran, left the business in December 2017 after 14 years with Aggreko. The Board and I are extremely grateful to Carole, her support and dedication to Aggreko over the years has been outstanding. Carole was succeeded by Heath Drewett in January 2018. Heath brings a wealth of experience as a finance professional and his full biography is set out on page 58.

After nine years with Aggreko, Russell King will retire from the Board at our 2018 AGM. During this time, Russell has served as Chairman of our Remuneration Committee and Senior Independent Director. His experience with Aggreko has brought stability and oversight and the Board and I are extremely grateful for his service. I am pleased to announce that Barbara Jeremiah will succeed Russell as Remuneration Committee Chair and Uwe Krueger will be appointed as Senior Independent Director. Further detail on both of these appointments can be found on page 67.

These appointments bring energy, challenge and oversight to the Board.

Board oversight and monitoring

The Audit Committee has played a key role in ensuring that there was appropriate challenge and governance around the accounting treatment of the decisions taken during the year and ensuring robust risk management, controls and assurance were in place.

Following the withdrawal of the proposed resolutions relating to a new Remuneration Policy and Restricted Share Plan at our AGM in 2017, fairness and pay has also featured strongly in the Board's debate this year. Whilst we were disappointed to make the decision to withdraw these resolutions, we were not comfortable with the level of support received from Shareholders and felt we should do better. The Remuneration Committee has supported this work by reviewing our remuneration framework and overall policy, going back to Shareholders to discuss areas of particular concern or misunderstanding. We believe that the new proposed Remuneration Policy for approval at the 2018 AGM takes account of those discussions and aligns Aggreko's interests with those of Shareholders and management. Further detail on the proposed Remuneration Policy is on page 76.

Looking ahead to 2018

The Board remains committed to ensuring the highest standards of corporate governance across the Group in all aspects of the delivery of our strategic priorities. I am confident that our people understand fully that how we work is as important as what we achieve and that, by focussing on our always orange culture and core values, we will deliver on those priorities. Finally, I would like to thank our employees for their dedication and support during 2017.

Leadership

The 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 58**

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 68**

Effectiveness

The 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 63**

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 our Shareholders and Stakeholder Relations **page 74**

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 76**

LEADERSHIP

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 (a position he will retire from at their AGM in May 2018), Chairman of Arena Events Group Plc, an AIM-listed company, 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.

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 CEO 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.

HEATH DREWETT

Chief Financial Officer

Appointed:
January 2018.

Experience
Heath is an experienced CFO and proven leader with experience in the engineering, leisure, transportation and industrial sectors. He has 28 years of experience within various finance, corporate finance, business performance, financial and strategic planning roles. He has extensive international experience in both M&A and corporate development activities.

Prior to his appointment at Aggreko, Heath was Group Finance Director for eight years at WS Atkins plc where, following the acquisition of WS Atkins by SNC-Lavalin, he was most recently appointed President, with responsibility for its global engineering, design, project and programme management business. Before that, Heath worked at British Airways plc within corporate strategy, business planning and finance. Heath is a chartered accountant, having trained at PwC, with a MA in Mathematics from Cambridge University.

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 and a Non-executive Director at BDO LLP. 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.

Russell will retire as Non-executive Director with effect from the close of the 2018 AGM.

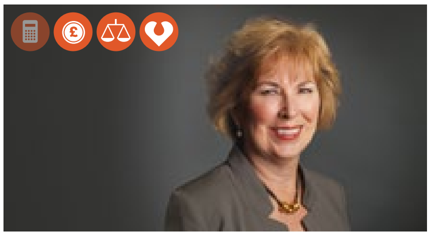
DAME NICOLA BREWER

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 also a Non-executive Director of Scottish Power and 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.



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 boards of the Weir Group, 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.

UWE KRUEGER

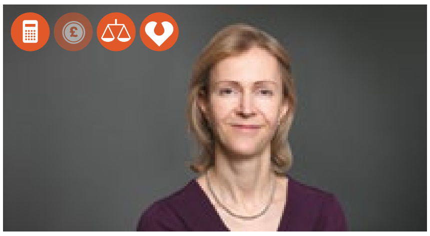
Non-executive Director

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 Global Senior Managing Director, Head of Business Services and Co-Head of Portfolio Management for Temasek. 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 Temasek, Uwe was Chief Executive Officer of WS Atkins plc, Chief Executive Officer of Oerlikon, Senior Advisor at Texas Pacific Group, President of Cleantech Switzerland, and held various senior leadership positions at Hochtief AG.

Uwe will be appointed as Senior Independent Director, following Russell King's retirement at the 2018 AGM.



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 Asia and Africa. She also brings experience in technology, finance, sales 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.

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 Chairman of Thames Water Utilities. He is also 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 100 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.

KEY TO COMMITTEE MEMBERSHIP

Audit
Remuneration
Nomination
Ethics

PETER KENNERLEY

Company Secretary

Appointed:
October 2008.

Peter is our Group Legal Director & Company Secretary.

Further details appear on page 60.

Other Directors who served during 2017:

CAROLE CRAN

Chief Financial Officer
until 31 December 2017.

Board attendance in 2017

Name of Director	Board meetings A	B	% attended
Ken Hanna	6	6	100
Chris Weston	6	6	100
Carole Cran	6	6	100
Nicola Brewer	6	6	100
Barbara Jeremiah[1]	5	5	100
Russell King	6	6	100
Uwe Krueger[2]	6	5	83
Diana Layfield	6	6	100
Ian Marchant	6	6	100
Miles Roberts[3]	5	4	80

A maximum number of meetings Director could have attended.
B actual number of meetings Director attended.

1 Barbara Jeremiah joined the Board in March 2017.
2 Uwe Kruger was unable to attend the June 2017 meeting owing to a pre-existing arrangement.
3 Miles Roberts joined the Board in March 2017 and at the time of his appointment, advised that he would be unable to attend the July 2017 meeting.

Our Executive Committee

The Executive Committee meets every month and operates under the direction and authority of the Chief Executive Officer; it is responsible for supporting him in all aspects of his role. Each of the principal risks and uncertainties outlined in the Strategic Report has been individually assigned to a member of the Executive Committee.

At least twice a year, the Executive Committee members meet as the Group Risk Committee to review the risks; this helps to embed our risk management processes within our management teams.

1 CHRIS WESTON

Chief Executive Officer

Appointed: January 2015.
Tenure with Aggreko: 3 years.

Full biography appears on page 58.

2 HEATH DREWETT

Chief Financial Officer

Appointed: January 2018.
Tenure with Aggreko: less than 1 year.

Full biography appears on page 58.

3 STEPHEN BEYNON

Managing Director, Power Solutions

Appointed: May 2017.
Tenure with Aggreko: less than 1 year.

Stephen has responsibility for the leadership of the Power Solutions business and overseeing the delivery of our strategic priorities within Power Solutions.

4 ANNA FILIPOPOULOS

Group Human Resources Director

Appointed: April 2016.
Tenure with Aggreko: 2 years.

Anna has responsibility for human resources and internal communications, focusing on talent and leadership development, employee engagement and culture.

5 DAN IBBETSON

Managing Director, Global Solutions

Appointed: October 2016.
Tenure with Aggreko: 10 years.

Dan has responsibility for the leadership of our Global Solutions business. This includes global business development, account management and M&A coordination, providing a critical focus on securing growth and maximising opportunities into the future.

6 PETER KENNERLEY

Group Legal Director & Company Secretary

Appointed: October 2008.
Tenure with Aggreko: 9 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.

7 GRANT NAIRN

Group Chief Information Officer

Appointed: May 2017.
Tenure with Aggreko: 4 years.

Grant has responsibility for developing and implementing Aggreko's digital platform with the goal of improving customer service and efficiency. He is also responsible for building our advanced analytics capability and for cyber security.

8 BRUCE POOL

President, Rental Solutions

Appointed: December 2015.
Tenure with Aggreko: 19 years.

Bruce has responsibility for the leadership of the Rental Solutions business overseeing the delivery of our strategic priorities within Rental Solutions.

9 VOLKER SCHULTE

Group Manufacturing and Technology Director

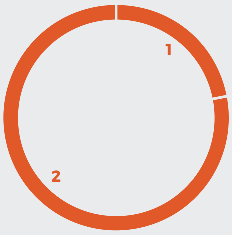
Appointed: August 2015.
Tenure with Aggreko: 3 years.

Volker is responsible for global engineering and technology, including our newly acquired battery storage and software capability, manufacturing, product management and strategy, as well as our digital and data strategy for serving our fleet of assets with the aim of delivering market leading products to our customers.

Diversity metrics

BOARD COMPOSITION AND ROLES AT 31 DECEMBER 2017

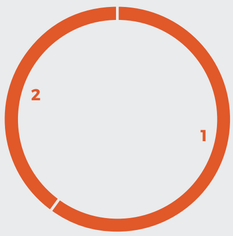
Executive/Independent Non-executive composition of Board



		No.	%
1	Executive	2	22%
2	Non-executive*	7	78%

* 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 Board*



		No.	%
1	Male	6	60%
2	Female	4	40%

* Since Carole Cran's departure and appointment of Heath Drewett, in January 2018, our current Board gender balance is Male 7 (70%) and Female 3 (30%).

Tenure of Non-executive Directors

		No.	%
1	0-3 years	4	57%
2	3-6 years	2	29%
3	6-9 years	1	14%

Sector experience of Board

Customer 90%

Finance 50%

Energy 70%

Geo-politics/diplomacy 20%

Operational 70%

Technology 20%

Independence of Directors

The Board reviews the independence of its Non-executive Directors as part of its annual Board effectiveness review. The Chairman is committed to ensuring the Board comprises a majority of independent Non-executive Directors who objectively challenge management, balanced against the continuity on the Board. The Board considers that all of the Non-executive Directors bring strong independent oversight and continue to demonstrate independence.

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, HSE statement 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 risks 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 is 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.

Read our Schedule of Matters reserved for the Board:
www.plc.aggreko.com

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.

Board

AUDIT COMMITTEE

Ensures the integrity of Aggreko's financial statements, the relationship with the external auditor, internal auditor and provides oversight of our systems for internal control and risk management.

Committee report
page 68

REMUNERATION COMMITTEE

Determines the remuneration for the Chairman, Executive Directors and the Executive Committee members and oversees Aggreko's overall remuneration policy, strategy and implementation.

Committee report
page 76

NOMINATION COMMITTEE

Monitors and reviews the composition and balance of the Board and its Committees to ensure Aggreko has the right structure, skills and experience in place for the effective management of the Group.

Committee report
page 66

ETHICS COMMITTEE

Monitors compliance with, and oversees the effectiveness of, our ethical policies and procedures to ensure that Aggreko conducts its business with integrity and honesty and in accordance with the law.

Committee report
page 72

CEO

DISCLOSURE COMMITTEE

Overseas compliance with Market Abuse Regulation and supports the Board in approving the final form of any announcement or statement relating to the performance of the Group, or any other potentially price sensitive information.

FINANCE COMMITTEE

Responsible for approving financial facilities, bonds and guarantees.

ALLOTMENT COMMITTEE

Responsible for the allotment of shares.

EXECUTIVE COMMITTEE

Operates under the direction and authority of the CEO and is responsible for supporting the CEO in all aspects of his role.

GROUP RISK COMMITTEE

Responsible for the implementation of our risk framework, and processes for risk reporting.

KEY TO COMMITTEES

Board

Non-Board

EFFECTIVENESS

Board meetings in 2017

BOARD MEETINGS

Jan 17	Feb 17	Mar 17	Apr 17	May 17	Jun 17	Jul 17	Aug 17	Sep 17	Oct 17	Nov 17	Dec 17

In 2017, the Board held six scheduled meetings. At each scheduled meeting the Board received reports from:

- The CEO on strategic, operational and business developments, people and health and safety. This report is a particularly important tool, focussing on the key issues affecting the business, so that the Board really understands the current status.
- The CFO on the performance of the business, capital structure, fleet, budget, treasury and investor relations.
- The Chairmen of 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 of technology investment, customer focus, capital and operational efficiency and expert people	Held a one day strategy review session to discuss current thinking, progress and developments: • Reviewed our Group strategy for the next five years. • Examined the impact of general rental companies on our Rental Solutions business in North America. • Looked at the sustainability of our order pipeline in Power Solutions utility and industrial sectors. • Analysed the likely impact of new technology on our core markets, including renewables and distributed energy. • Received a detailed update on technology and operations. Monitored the roll out and performance of field trials and pilot sites for new technology. Reviewed progress against our digital technology strategy, looking at CRM, cyber security and site performance management. Received detailed updates on strategic initiatives in the Rental Solutions and Power Solutions businesses. Monitored the integration of Younicos into Aggreko to ensure an effective operating model and engagement of Younicos employees. Approved the creation of a standalone business unit, Global Solutions. Global Solutions is responsible for smaller product lines common across the Group, such as renewables and storage offering, as well as power adjacencies such as temperature control and loadbanks. Global Solutions is also responsible for global account management for larger customers, replicating solutions, savings and sharing learnings, across geography and sectors, whilst delivering growth and a better customer experience.
	Monitor opportunities for acquisitions	Reviewed a number of opportunities in 2017. Approved the acquisition of Younicos, a global market leader in the development and deployment of integrated energy systems, based on battery storage. This acquisition strengthened our position and is in line with our strategy to invest in technology in order to reduce the cost of energy for our customers. Approved the acquisition of KBT, an Indonesia-based power rental company. This acquisition strengthened our relationship with PLN, the local utility company in Indonesia, adding 200 MW to the 140 MW Aggreko had already contracted. Approved the acquisition of TuCo Industrial Products, a North American specialist provider of heat and air conditioning equipment to the construction, industrial, commercial and special events industries. Strengthening our business in these sectors.

Read more about our Business Priorities **page 14**

Board meetings in 2017 (continued)

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

Topic	Activity/Discussion	Actions arising/Progress
Governance, risk management and internal control	Regulatory environment and internal governance processes	Reviewed our own processes against the requirements of the Modern Slavery Act and approved our modern slavery statement for website publication. Approved updates to the delegated authority matrix.
	Board evaluation	Assessed the outcome of the 2017 Board evaluation and approved the action plan for 2018.
	Half yearly and annual review of Group risk profile	Received regular reports from the Group Risk Committee. Reviewed 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. Approved the Group risk register. Approved updates to the risk management methodology.
People, culture and values	Succession planning	Discussed succession and talent development for CEO and CEO-1. Received an update on the Executive Committee work on succession planning for roles at CEO-2 and CEO-3. Reviewed movements within the Senior Leadership Team.
	Employee engagement and culture	Approved Board diversity policy and working group to look at diversity across the Group and identify actions to close gaps. Monitored the launch of the refreshed culture, including regular updates on employee engagement scores. Approved all employee sharesave offer.
	Safety	In addition to regular HSE update in CEO's report, received biannual update on HSE and approved HSE priorities for 2018.
	Ongoing training, development and stakeholder engagement for Board members	Board visit to South Africa and Zimbabwe in June 2017 to promote interaction between the Board and employees and provide insight for the Board into the Power Solutions business in Africa. Completed induction programmes for Barbara Jeremiah and Miles Roberts.
Shareholders	Strong engagement with stakeholders and investors	Received regular Investor Relations reports on all Shareholder contact, including an update on a teach-in on our customer business priority; covering how this work is refocusing our businesses and providing more detail on some of our key sectors. The teach-in included presentations from our senior and operational management. Following Shareholder feedback on the RSP element of the remuneration policy proposed for the 2017 AGM and withdrawal of associated resolution at the AGM, sought more detailed Shareholder engagement on a new remuneration policy to put to Shareholders for approval at the AGM in 2018.

Read more about our Risks **page 48**

Read more about our Stakeholder and Shareholder Engagement Programme **page 74**

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 Company Secretary.

A series of open questions were prepared for one-to-one discussion between the Company Secretary and the Directors, focusing on the actions from the 2016 review; namely, strategy and succession.

The conclusions of this year's review have been positive, confirming that the Board and its Committees operate effectively and that each Director contributes to the overall effectiveness and success of the Group.

Governance in action

SOCIAL

Board meeting in South Africa and Zimbabwe, June 2017

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.

Employees at the Aggreko site in Harare, Zimbabwe

In June 2017, the Board met at our Midrand Industrial depot in Johannesburg, a key location for our Sub-Saharan Africa business. During their visit, the Directors received presentations from the Africa management team and toured the depot. The depot tour included a number of informative carousels to highlight activities and opportunities being explored by the industrial business in Sub-Saharan Africa. There were also carousels on health and safety, HR, mining and Aggreko's Remote Monitoring. The Board hosted a lunch with the sales, operations and depot staff and dinner with the Africa management team to give the Board an opportunity to engage with the presenters informally. Chris Weston also addressed the lunch audience to update them on Aggreko's global plan and the important role the Power Solutions Industrial business had to play in achieving growth, inviting questions from the audience.

The Board also visited a large diesel fuelled site in Harare, Zimbabwe. As our largest customer sites are often in remote locations, the proximity of the site in Harare to the depot in Johannesburg presented a rare opportunity for the Board to visit and understand the operations of a project site. The Board learned about safety at the site, partaking in a 'management safety walk', received a presentation from management at the site and met with local employees based there, to hear their views about working for Aggreko and answer questions.

This site was built to provide power to the city of Harare. Owing to problems with the local infrastructure, the local utility company was losing a significant amount of power during the transmission process from their power plant 900km away, so an efficient solution was to set up a power plant specifically to supply the city. It took 16 weeks from signing the contract to providing power to the grid, and the delivery of over 300 containers to set up the site. In keeping with our commitment to support the local communities in which we work, we employ as many local people at the site as possible and are proud that 90% of the employees at the Harare site are local staff. We provide extensive on-the-job training for new recruits and give them the skills to become technicians.

This gives us the benefit of highly skilled staff, trained in our own equipment and helps us build relationships in communities where we may be operating for many years. We also like to support initiatives to improve children's welfare and education, so for the schools within one kilometre of the site, we drilled and equipped boreholes to provide a safe source of drinking water and built toilet blocks to improve sanitation. Basic initiatives like this provide a more stable and secure environment for children, allowing them to focus on their education.

Key priorities for 2018

- Track progress against the actions agreed upon following the strategy review discussions in Q4 2017 and ensure good governance around this.
- Ensure a thorough induction programme to Aggreko for Heath Drewett, so that he is able to perform effectively in his new role as CFO.
- Continue to closely monitor the integration of Younicos into Aggreko.
- Plan an externally facilitated Board evaluation.
- Plan a Board visit to Dubai to learn more about the Middle East business and engage with local employees and other stakeholders.
- Monitor the work of the team established to look at diversity on a group-wide basis.
- Continue to monitor developments in corporate governance reform, amending our processes and procedures where necessary.

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 2017

- Recommended the appointments of Barbara Jeremiah and Miles Roberts as Non-executive Directors and oversaw their inductions.
- Recommended the appointment of Heath Drewett as CFO.
- Recommended appointment of Barbara Jeremiah as Remuneration Committee Chair.
- Reviewed succession plans.
- Recommended the appointment of Uwe Krueger as Senior Independent Director.

Members in 2017

	Meetings attended
Ken Hanna – Nomination Committee Chairman	✓ ✓ ✓
Nicola Brewer – Non-executive Director	✓ ✓ ✓
Barbara Jeremiah – Non-executive Director[1]	✓ ✓
Russell King – Senior Independent Director	✓ ✓ ✓
Uwe Krueger – Non-executive Director[2]	✓ ✓
Diana Layfield – Non-executive Director	✓ ✓ ✓
Ian Marchant – Non-executive Director[3]	✓ ✓
Miles Roberts – Non-executive Director[4]	✓ ✓

1 Barbara Jeremiah was appointed to the Board after the March 2017 meetings
2 Uwe Krueger was unable to attend the June 2017 meetings owing to a pre-existing work commitment
3 Ian Marchant was unable to attend the December 2017 meeting
4 Miles Roberts was appointed to the Board after the March 2017 meetings and was unable to attend the June 2017 meetings owing to a pre-existing work commitment

Areas of focus for 2018

- Induction of Heath Drewett.
- Continued focus on succession planning.
- Monitor the work of the team established to look at diversity across the Group.

Nomination Committee terms of reference:
www.plc.aggreko.com

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 CEO to attend our meetings in 2017.

In 2017 we held three formal meetings; the members also had several discussions on succession planning, reappointment of Directors and the search for our new CFO.

Role of the 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.
- 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

Appointment of a new CFO

In June 2017 we announced that Carole Cran intended to resign from her position as CFO. Carole committed to continue in her role until a successor had been identified and was ready to join the business. Following this announcement we commenced the process to recruit and appoint a new CFO. The Committee asked our Group HR Director, Anna Filipopoulos, and Chris Weston to lead the search. The Committee had a number of discussions to scope out the key skills, experience, characteristics and requirements for the role. We invited a number of recruitment firms to participate in a tender process in order to identify the appropriate one to support our search. We selected Lygon Group as search consultants. Lygon Group is a leading executive search practice, with whom we have worked on senior placements in the past, but otherwise it provides no other services to Aggreko and we regard it as independent.

A structured timetable was adopted for the process and regular Committee discussions and updates held throughout. Lygon Group put together an extensive range of potential candidates for consideration, this was narrowed down to a strong short list for interview. We also discussed and met with potential internal candidates based on our succession plan. Shortlisted candidates met with members of the Board and Chris Weston also spent considerable time with the final candidates. The Committee and CEO were unanimous in their final selection for CFO.

In November 2017 we were delighted to announce the appointment of Heath Drewett as CFO. Heath is an experienced CFO and proven leader with experience in the engineering, leisure, transportation and industrial sectors. He has 28 years of experience within various finance, corporate finance, business performance, financial and strategic planning roles. Heath also has extensive international experience in both M&A and corporate development activities. The Committee believes that Heath is well placed to support Chris Weston and the team as they deliver on the strategic priorities already underway. Heath's biography is set out in full on page 58.

Senior Independent Director ("SID")

On 26 April 2018 our existing SID, Russell King, will retire from the Board after serving nine years, and we recommended the appointment of Uwe Krueger as SID. Uwe joined the Board in February 2015, his experience with other listed companies and knowledge of Aggreko, means that Uwe is well qualified for the role. In making the appointment, the Committee carefully considered the question of the continued independence of Uwe Krueger. It is clear to the Committee that he continues to be independent in character, but the Committee gave particular thought as to whether his previous working relationship with the CFO, Heath Drewett, could affect his independence of judgement. Amongst other matters, we noted that Uwe Krueger had served on the Board of Aggreko for some three years before the appointment of Heath Drewett; that he was considered independent on appointment; and that as part of our Board succession plan we had identified Uwe Krueger as the potential successor as SID before the recruitment of Heath Drewett. Moreover, he was not directly involved in the selection process for the CFO. In conclusion, we decided that the appointment of a former colleague as CFO would not compromise the independence that Uwe Krueger had clearly demonstrated during his time on the Board or lead us to change our view that Uwe Krueger was the right choice for SID.

We also recommended Barbara Jeremiah to succeed Russell as Remuneration Committee Chair, Barbara is an experienced Non-executive Director and has served on the Remuneration Committee since her appointment in March 2017. Barbara has also taken an active role in our recent Shareholder consultation process on the proposed remuneration policy and is well equipped for this role.

Reappointment of Directors

Since the Committee's last report, the Company has extended the terms of appointment for Uwe Krueger, Diana Layfield and myself.

Uwe Krueger has served as a Non-executive Director for three years, since February 2015. After review, the Committee recommended his re-appointment for a further three years.

Diana Layfield has served as a Non-executive Director for six years since May 2012. In line with the UK Corporate Governance Code, we therefore reviewed her extension with particular care. We concluded that Diana's tenure had not compromised her independence in any way. We also agreed that it was important to retain her market and financial experience and knowledge of Aggreko in light of a number of new appointments to the Board over the past 12 months, particularly with the departure of our longest serving Non-executive Director, Russell King in April 2018. The Committee recommended her re-appointment for a further year.

My own extension was also reviewed with care; I have served as a Non-executive Director since October 2010 and as Chairman since April 2012. For this item of business, Russell King took the Chair and the Committee agreed to extend my term for a further three years. In coming to this decision the Committee considered the number and nature of my other commitments, particularly my roles as Chairman on the boards of two other listed companies. I will be stepping down as Chairman of Inchcape plc in May 2018 and my role as Chairman of Arena Events Group plc, an AIM-listed company whose business is not unusually complex or regulated, should not detract from my ability to perform my role at Aggreko. Moreover, they noted that I have a 100% attendance record for Board and Committee meetings.

The Committee unanimously recommends the election of Heath Drewett, our newly appointed CFO and re-election of each of our remaining Directors at the 2018 AGM, with the exception of Russell King, who has decided to step down at the conclusion of this meeting. In making this recommendation, we evaluated each Director in light of their performance, commitment to the role, independence, and capacity to discharge their responsibilities fully, given their commitments to other companies.

Succession planning

The Committee met with the CEO and Group HR Director to review succession plans. The focus of these discussions was to review our succession plans for the CEO and Executive Committee. 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

Aggreko acknowledges the importance of diversity and inclusion to the effective functioning of the Board. In 2017, we reviewed our approach to diversity to adopt a formal policy, extracted below. We will review this policy annually and assess its effectiveness in promoting a diverse business.

We also acknowledge that diversity extends beyond the Boardroom and the Board supports management in its efforts to build a diverse organisation. In 2018 we will monitor the work of the team established to look at diversity on a group-wide basis, determining what changes need to be made and working with the business to implement them over the next few years.

BOARD DIVERSITY POLICY

A diverse Board makes prudent business sense and makes for better corporate governance. Diversity promotes the inclusion of different perspectives and ideas and ensures that Aggreko has the opportunity to benefit from all available talent. Aggreko seeks to maintain a Board comprised of dynamic, expert and innovative individuals, who together demonstrate our values and lead our behaviours through a diverse mix of expertise, experience, skills and backgrounds. We aim to ensure that the skills and backgrounds collectively represented on the Board reflect the diverse nature of the business environment in which Aggreko operates. In particular, we look for a range of technical, financial and market expertise. We aim to balance long corporate memory with new insights from other fields. For the purposes of Board composition, diversity is taken to refer, but is not limited, to protected characteristics covered by UK legislation; other factors such as business experience and geography will also be relevant. We monitor our net diversity but do not set formal targets or quotas: our focus is on finding talented individuals from as wide a range of backgrounds as possible.

Aggreko is committed to a merit based system for Board composition within a diverse and inclusive culture, which solicits multiple perspectives and views. When assessing Board composition or identifying suitable candidates for appointment or re-election to the Board, Aggreko will consider candidates on merit against objective criteria having due regard to the benefits of diversity and the needs of the Board. Any search firm engaged to assist the Board or a Committee of the Board in identifying candidates for appointment to the Board will be specifically directed to include a diverse range of candidates that reflects this policy.

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 2017

- Close monitoring of contract provisions and tax provisions throughout the year, receiving detailed updates at the August 2017 and February 2018 meetings.
- Risk management oversight: reviewed our cyber security arrangements, tax risk management framework and management of financial risk in our Rental Solutions business.
- Received regular updates on the status of the internal control environment.
- Monitored the closure of outstanding internal audit findings.
- Reviewed the findings of the FRC's Audit Quality Review and agreed actions to address the matters identified.

Members in 2017

	Meetings attended
Ian Marchant – Audit Committee Chairman	✓ ✓ ✓
Russell King – Senior Independent Director	✓ ✓ ✓
Diana Layfield – Non-executive Director	✓ ✓ ✓
Miles Roberts – Non-executive Director[1]	✓ ✓

1 Miles Roberts was appointed to the Board after the March 2017 meetings

Areas of focus for 2018

- Continued risk management oversight, with presentations scheduled from the Director of Finance for our Power Solutions business and the Chief Information Officer on cyber security.
- Ensure proper application of new accounting standards, impacting the Group in 2018 and 2019: IFRS 9, 15 and 16.
- Monitor the review of the Speaking Up Policy and improvements to associated procedures planned for 2018.

Audit Committee terms of reference:
www.plc.aggreko.com

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 four 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, Miles Roberts and I are the members of the Committee identified with recent and relevant financial experience.

In 2017 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, CEO and CFO to attend our meetings in 2017, together with the Group Financial Controller, Director of Internal Audit and the KPMG Audit Partner.

Role of the 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 auditor and management as part of the 2017 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 had 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 55 and 116; and information presented by management on the process underpinning the fair, balanced and understandable assessment and confirmation on page 70.

THE PRIMARY AREAS OF JUDGEMENT CONSIDERED BY THE COMMITTEE IN RELATION TO THE 2017 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. 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. These factors include the political and economic conditions in the relevant country, duration and quality of relationship with the customer, age of debt, cash flows from the customer and any relevant communication throughout the year.	The Committee addressed contract provisions by considering an accounting judgements paper at the August 2017 and February 2018 meetings, which was tabled by the Chief Financial Officer. This detailed the latest position of debtors outstanding at the half year and year end, including cash received against amount invoiced during the year, 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. In particular, we focused on a handful of customers in Africa and Venezuela where we continued to see delays in payments during the year. In assessing the adequacy of the provision we considered if it was sufficient to cover the risks identified and also if it was in excess of the risks identified. Historically we have had a low level of bad debt write-offs. However the Group does operate in countries, especially in our Power Solutions Utility business, where payments are unpredictable, where political and economic conditions mean that there is a risk of default and that risk can increase quickly, and has increased this year as set out above, therefore the Group's history in this area may not be indicative of the likely future outcome. KPMG reported on these contract provisions at both the August 2017 and February 2018 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 receive 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 2017 was \$86 million. \$23 million higher than 31 December 2016, mainly driven by a handful of customers in Africa and Venezuela where we continued to see delays in payments, as well as worsening economic conditions, during the year. This movement is explained on page 37. More information on our risk profile and mitigation for failure to collect payment or to recover assets can be found on page 54.
Direct and indirect tax provisions	The Group's tax strategy is to manage all taxes, such that we pay the appropriate amount of tax in each country where we operate. 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 2017 and February 2018 meetings, which were tabled by the Chief Financial Officer. We discussed the changes to the provisions in detail and assessed their adequacy overall. Specific discussion was had on the level of provision required in respect of an ongoing tax case in Bangladesh. KPMG reported on these provisions at the August 2017 meeting in the context of the half year review, and at the February 2018 meeting 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 2017 was £31 million (2016: £39 million). More information on Aggreko's tax strategy and payments in 2017 can be found in the financial review on page 44.

In addition to the primary areas of judgement, outlined in the table above, the Committee also paid close attention to the following items during their assessment of Aggreko's financial reporting:

- We considered the appropriateness of carrying a deferred tax asset in respect of tax losses in Brazil and our ability to use these in the foreseeable future.
- We reviewed and agreed the accounting for our acquisitions of KBT, an Indonesia-based power rental company, and Younicos, an integrated energy systems specialist. More detail is provided in Note 29 to the Accounts.
- We reviewed impact assessments for new accounting standards applying to the Group from 1 January 2018. IFRS 15 applies to revenue from contracts with customers and IFRS 9 applies to financial instruments, addressing their classification, measurement and recognition. Further detail is provided on pages 116 and 117.
- We also reviewed an initial impact assessment of IFRS 16, a new accounting standard that will apply to the Group from 1 January 2019. IFRS 16 applies to leases and further detail is provided on page 118.
- 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 2017 Annual and Interim Reports to the Board.

Audit Committee report (continued)

Fair, balanced and understandable reporting

Aggreko recognises its responsibility to present a fair, balanced and understandable assessment in all of our reporting obligations. This responsibility covers the Annual Report and extends to the interim report and other regulatory announcements. At the request of the Board, the Committee has considered whether, in its opinion, the 2017 Annual Report is fair, balanced and understandable, and whether it provides the information necessary for Shareholders to assess the Group's position, performance, business model and strategy.

For the 2017 Annual Report, this process included:

- Review of the outline structure of Annual Report with broad indication of content, along with a summary paper on key messages and changes from 2016 in December 2017.
- Feedback was provided by Committee members following the December 2017 meeting and on a number of further drafts during January and February 2018.
- Full draft provided to the Committee and Board 10 days prior to the February 2018 meetings to enable time for review and comment and to provide a final opinion.
- Comprehensive management and statutory accounts processes, with written confirmations provided by the business unit senior management teams on the 'health' of the financial control environment.
- Confirmations provided by the business unit senior management teams, that the Performance Review text, is a fair reflection of their business and performance in 2017.
- 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 for 2017.

Following its review, the Committee was of the opinion that the 2017 Annual Report is representative of the year and presents a fair, balanced and understandable overview, providing the necessary information for Shareholders to assess the Group's position, performance, business model and strategy.

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, fees and assess their effectiveness.

Audit plan

KPMG presented its audit plan at the August 2017 meeting and an update at the December 2017 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 works 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.

KPMG carried out its work using an overall materiality of £11 million, as stated in its report on page 105, and confirmed to the Committee that there were no material unadjusted misstatements. We also agreed with the external auditor that it 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.

Tenure

KPMG was 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 2018.

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

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 its work, ensure independence was maintained and a successful external audit of the 2017 Annual Report.

We also used an internal questionnaire sent to Committee members, the Business Unit Finance Directors and Group Functional Heads in December 2017; respondents were asked to rate KPMG's effectiveness in a number of areas, including quality of processes, audit team, audit scope and communications. Results were collated and presented at the February 2018 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 (AQR) selected to review the audit of Aggreko's 2016 financial statements as part of its 2017 inspection of audit firms. The focus of the review and its reporting is on identifying areas where improvements are required rather than highlighting areas performed to or above the expected level. The Chairman of the Committee received a full copy of the findings and met with KPMG to close out the points raised by the review and reported back to the Committee on this discussion. The Committee reviewed the findings at its December 2017 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 2017 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 CFO 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.

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 the June 2017 Interim Review. In 2017 we spent £1,189,000 on audit fees and £59,000 on non-audit fees, this accounted for 5% of the overall audit fee for the year. In 2016, the audit fee was £1,008,000 and non-audit fees were £358,000, accounting for 36%. The 2016 amount was unusually high, as prior to KPMG's appointment as external auditor, we utilised Makinson Cowell, a division of KPMG, for investor relations work. Further details of the fees paid to the external auditor are set out in Note 6 to the accounts.

The non-audit services policy is available on our website at: www.plc.aggreko.com

Risk management and internal control

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. The process is designed to manage rather than eliminate risk, and can only provide reasonable and not absolute assurance against material misstatement or loss.

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 risk management, internal control and financial reporting. In 2017, we worked closely with the Group Risk Committee, receiving regular reports 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.

Internal Audit continues to play a key role in assisting the Committee and, as last year, we asked Internal Audit to provide assurance over management's assessment of the effectiveness of the operation of controls within the Group's Register of Principal Risks. This assessment was based upon the results of audits undertaken during the year, by reflecting on the outstanding audit issues and in cooperation with the business unit controls teams. No variances which would impact our risk scores were identified in 2017.

The Committee also maintains a programme of in-depth review into specific financial, operational and regulatory areas of the business. These reviews are critical to the role of the Committee, as they allow us to meet key members of the management team and provide independent challenge to their activities. Areas reviewed in 2017 included:

- Reviewed our cyber security arrangements with the Chief Information Officer to understand global trends, developments in malware, work undertaken internally to support current and new systems and training provided to employees.
- Received a detailed presentation on the management of financial risk in our Rental Solutions business, focussing on the capabilities of the finance leadership team, the status of internal audit actions and updates to financial controls.
- Reviewed our tax risk management framework with the Group Director of Tax, focussing on the internal and external tax environment, our strategy and control framework, transparency in tax reporting, potential impact of US tax reform and Brexit and additional disclosures included in the 2017 Annual Report. We also discussed our compliance readiness for the new corporate criminal offence of failure to prevent the facilitation of tax evasion.

The Group has in place an internal control environment to protect the business from material risks identified. Management is responsible for establishing and maintaining adequate internal controls over financial reporting and the Committee has responsibility for ensuring the effectiveness of those controls. In 2017 this process was enhanced by providing assurance to the Committee that financial controls were in place for items on the Group risk register and adopting a revised financial controls checklist, focussing on critical controls, which has been monitored closely in 2017.

The Committee has completed its review of the effectiveness of the Group's system of internal control, including risk management, during the year and up to the date of this Annual Report in accordance with the requirements of the Guidance on Risk Management, Internal Control and related Financial and Business Reporting published by the FRC. It confirms that no significant failings or weaknesses were identified in the review for the 2017 financial year and allowed us to provide positive assurance to the Board to assist it in making the statements required by the UK Corporate Governance Code. Where areas for improvement were identified, processes are in place to ensure that the necessary action is taken and that progress is monitored.

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 55.

Internal audit

Monitoring and review of the scope, extent and effectiveness of the activity of Internal Audit is an agenda item at each Committee meeting. We approve the annual audit plan prior to the start of each financial year and receive a detailed report from the Group Internal Audit Director on audit activities, audit results and remedial actions at each meeting. We also specifically followed up on a selection of areas where audit actions were outstanding to ensure the overall control environment was still adequate.

The Committee assessed the effectiveness of the internal audit function by reviewing its reports, progress against the 2017 plan, and meeting with the Director of Internal Audit without management being present. We also participated in two external benchmarking surveys, providing customised feedback, which we have included in our continuous improvement activity planned for 2018. In line with the Institute of Internal Auditors' guidance, we undertook an external evaluation of Internal Audit in 2016.

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.

We intend to refresh our Speaking Up Policy in 2018 to reference our culture and supporting purpose, values and behaviours to encourage employees to utilise the whistle-blowing hotline, where appropriate, to raise concerns.

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 2017

- Monitored the integration of a proportionate risk based due diligence process for supplier on-boarding.
- Reviewed trends of reports received and the effectiveness of the external Speaking Up Process.
- Received a briefing from the Managing Director of Aggreko Power Solutions on the management of compliance risks across this business unit.
- Reviewed the compliance framework relating to the use of sales consultants and the remuneration of sales consultants during 2016.
- Reviewed the outcome of investigations conducted in response to whistle-blowing reports received.

Members in 2017

	Meetings attended
Ken Hanna – Ethics Committee Chairman	✓ ✓ ✓
Diana Layfield – Non-executive Director	✓ ✓ ✓
Dame Nicola Brewer – Non-executive Director	✓ ✓ ✓
Barbara Jeremiah – Non-executive Director[1]	✓ ✓

1 Barbara Jeremiah was appointed to the Board after the March 2017 meetings

Areas of focus for 2018

- Oversee the review, amendment and recommunication of the Ethics Policy and Speaking Up Policy.
- Review the outcome of the regional compliance risk assessments.
- Monitor the completion of refresher ethics training across the business.
- Oversee the implementation of measures designed to address risks associated with the new corporate criminal offence of the Failure to Prevent the Facilitation of Tax Evasion.

Ethics Committee terms of reference:
www.plc.aggreko.com

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 three 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 2017 we held three meetings. We invited the Head of Compliance, Group Legal Director and CEO to attend all meetings.

Role of the 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 Group's business dealings.
- Oversee the Group's policies and procedures for the identification, assessment, management and reporting of ethical risk.
- Oversee the Group's policies and procedures to prevent persons associated with the Group from engaging in unethical behaviour.
- Monitor and review the operation of the Group'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

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, agents and JV partners 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, agents and JV partners used by the business has reduced over the last few years but there are circumstances in which sales consultants continue to be required to support some areas of the business. We have risk management measures in place which require all third-party sales consultants, agents and JV partners 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 Power Solutions Managing Director this year with a specific emphasis on understanding the use of sales consultants and the management of this risk.

We recognise that there are also other categories of third-party supplier relationships which potentially could attract risk for the business. In response to this we have monitored the controls being introduced to adopt a proportionate due diligence process for higher risk suppliers. This includes requiring all new suppliers to agree to comply with certain minimum standards set out in our Supplier Code of Conduct and identifying our highest risk existing suppliers and prioritising these suppliers to go through the due diligence process.

Speaking Up

We encourage all employees to speak up if they have any concerns. We have an external independent hotline which can be used by all employees to report any concerns anonymously and confidentially. All reports received are investigated thoroughly. In December 2017 we received a briefing on the types of reports received during the year and the outcome of the investigations conducted. We reviewed trends identified from these reports and specific actions arising from investigations conducted in response to the reports received.

Sanctions

We are committed to ensuring that Aggreko complies with all applicable sanctions and export control restrictions. We received briefings on changes to certain sanctions rules in Sudan, Cuba, Russia and Venezuela and actions undertaken to ensure that all activities undertaken by Aggreko comply with the sanctions restrictions.

Effectiveness of the compliance programme

We are committed to ensuring that our compliance programme remains robust and is in line with best practice. We continually monitor the effectiveness of the policies and procedures and recommend areas where further improvements could be made. In 2017 we instructed an independent review of our compliance programme in order to benchmark the framework against regulatory guidance and leading industry practice, and to identify any gaps or potential areas for improvement. This review confirmed that our compliance programme is well established across the business and there is a clear tone, set from the top, on our high ethical standards. The review identified some areas for improvement to further enhance the compliance programme and a number of actions have been implemented to address this in 2018.

Read more about how we manage our anti-bribery and corruption risk on **page 53**

An overview of our compliance programme

Our compliance programme is coordinated by our Head of Compliance and Compliance Manager 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. This policy sets out the standards and behaviours we expect from our employees and is an effective tool to allow us to challenge any improper behaviours identified. It is supported by a number of supplementary policies, procedures and guidelines to cover due diligence, gifts and hospitality, charitable donations, facilitation payments, conflicts of interest and speaking up. We provide training to all employees on these policies and we regularly monitor compliance with these policies to obtain assurance that the policies continue to work effectively.

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, which gives us comfort that our employees will remain alert to risks.

Third-party risks

All of our sales consultants and agents 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 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. This gives us a robust framework to enable us to clearly understand who our third-party representatives are and the activities they have undertaken on our behalf. This policy also enables us to avoid engaging with third parties who do not meet our ethical standards.

As mentioned earlier in the report, we have a Supplier Code of Conduct which sets out the standards we expect from all other suppliers to Aggreko and we require suppliers to confirm adherence to these standards. Any suppliers who do not agree to the standards or an equivalent standard will not be engaged by Aggreko.

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. This policy enables us to challenge any proposed gifts or hospitality which could be perceived as potentially inappropriate.

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. This policy enables us to challenge any donations or sponsorships which could be perceived as potentially inappropriate.

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.

Modern Slavery

We apply high employment standards across our business, complying with relevant employment, health and safety and human rights laws to ensure our employees are safe. We also expect our suppliers to adopt a similar approach in relation to the protection of their workers. Our Supplier Code of Conduct sets out the minimum standards we require from them. It specifically requires our suppliers to comply with workers' fundamental rights including standards of pay, working hours and freedom of association. Our modern slavery statement, available to read at www.plc.aggreko.com, provides more detail on the approach we take in relation to modern slavery.

SOCIAL

How we engage with our stakeholders

Trust in a company provides the licence to operate. Our reputation and the associated trust is driven by how we engage with all our stakeholders and this is vital to building a sustainable business.

Investors

Annual Report & Accounts
Each year we assess how we can improve understanding of our business and bring it to life through the annual report.

Annual General Meeting (AGM)
Our AGM provides a good opportunity for engagement with Shareholders.

Webcasts & Conference Calls
Our full year and half year results are webcast live on our website and we offer conference calls with some other announcements, such as the acquisition of Younicos.

Website refresh
In 2017 we launched a new corporate and investor website which won the IR Society FTSE250 Best use of Digital Communications award.

Institutional investors

Remuneration Consultation
Our current and incoming Remuneration Committee Chairs engaged with Shareholders, representing 66% of the register, on the proposed changes to remuneration policy.

Customer Capital Markets Day
In October we hosted a capital markets day providing great insight into our Customer Focus strategy. The event was attended by 45 analysts and investors.

Investor Perception Study
In January 2018 we undertook an investor perception study, the output of which will help inform how we engage going forward.

Ongoing engagement
The investor relations team and senior management conducted 174 meetings in 2017, engaging with 123 institutions.

Debt investors

Individual debt investor briefings
On an annual basis we offer our lenders a briefing and the opportunity to ask questions of management.

Private Shareholders

Ad hoc engagement
We always respond to private Shareholder enquiries and provide the same level of information as institutional Shareholders should they want it.

Employees

Quarterly Be Heard Surveys
We check in with a quarter of our employees every quarter so that every employee is invited to 'be heard' once a year. Overall engagement scores improved 3% in 2017.

Annual Plan on a Page
We share an annual Plan on a Page to help our teams align behind the key actions to focus activities to deliver budget, and update our progress on a quarterly basis.

Always Orange Launch
Launched our evolved culture, Always Orange, to 93% of our people over a three week period through a network of Orange Champions resulting in an 85% positive response.

Senior Leadership Team
Given the diverse and dispersed nature of our teams, we regularly brief a core group of senior leaders through calls, emails and face to face meetings to help manage communications and sentiment across the business.

INVESTORS

We actively seek dialogue with the market to understand what analysts and investors think about us and help them to understand our business. The Board receives regular updates through briefings and reports from investor relations, the CEO, CFO and company advisers.

EMPLOYEES

With our employees at the heart of our customer offer, we enthusiastically look to engage, align and listen to our employees about what matters to them as we transform our business together.

Local training and employment
Wherever we operate in the world we seek to employee and train local people; 79% of our global workforce are locally employed.

Apprenticeships
We run apprenticeship schemes at our larger locations across the Group and currently have 54 apprentices across six countries.

Orange Days of Difference
To launch our new community investment strategy we have piloted an employee volunteering approach in Houston which is being rolled out globally in 2018.

Code of Conduct
We expect our suppliers to share our commitment to conducting business with integrity, honesty and in a socially responsible and sustainable way and to work in partnership with us to achieve this goal. We monitor compliance with our Supplier Code of Conduct and have the ability to terminate a relationship in the event of a breach.

Development partnerships
Through sharing field data with our key suppliers we are reducing the total cost of ownership of our fleet, whilst continuously innovating to drive performance improvements.

Aggreko Listens
Our upgraded NPS programme was introduced at the end of the year and enables us to better engage with customers and help us address issues that matter most to them.

New website
Our new website was launched in May; it is easier to navigate and more user-friendly. Since its launch we have seen a marked increase in activity, dwell times and leads generated.

CRM system
Our new CRM system is being rolled out, replacing manual processes. It offers a more streamlined, automated service, to our customers.

Sector expertise
We partner with our customers to understand their specific problems and work with them and our engineers to develop solutions.

CUSTOMERS

Customers are at the heart of all that we do. Our Aggreko Listens tool is one of our management KPIs and is constantly reviewed to understand customer perceptions. Over the last two years, significant customer engagement has led us to make transformational changes to our business.

LOCAL COMMUNITIES

Whilst we often provide essential services for our customers, it is important that we take the wider stakeholders on the journey with us.

SUPPLIERS

In 2015 we introduced a Group procurement function to improve relationships with suppliers and generate savings across the Group. We work in partnership with our key suppliers, particularly around our fleet, and share operational data to drive innovation. We expect all our suppliers to sign up to our Code of Conduct and ways of doing business.

REMUNERATION

Annual Remuneration Statement

Russell King
Remuneration Committee Chairman

"The proposed new Remuneration Policy is focused on ensuring that executive incentives are aligned with Group strategy and performance."

Areas of activity in 2017

- Considered feedback following withdrawal of previous remuneration policy resolution at 2017 AGM.
- Consulted with major Shareholders and governance bodies on new Remuneration Policy to apply from 2018.
- Set targets for Long-term Incentive Plan and Annual Bonus Plan, both financial and personal/strategic objectives.
- Agreed leaver arrangements for outgoing Chief Financial Officer, no favourable discretion exercised, and joiner arrangements for incoming Chief Financial Officer.

Members in 2017

	Member since	Meetings attended
Russell King – Remuneration Committee Chairman	Feb 2009	✓✓✓✓✓✓✓
Ken Hanna – Company Chairman[1]	Oct 2010	✓✓✓✓✓✓✗
Barbara Jeremiah – Non-executive Director[2]	Mar 2017	✓✓✓✓✓
Uwe Krueger – Non-executive Director[3]	Feb 2015	✓✓✓✓✓✗✗
Ian Marchant – Non-executive Director	Jan 2016	✓✓✓✓✓✓✓

1 Ken Hanna was unable to attend a meeting owing to a pre-existing arrangement
2 Barbara Jeremiah joined the Committee in March 2017
3 Uwe Krueger was unable to attend two meetings owing to pre-existing arrangements and an extra meeting called at short notice

Areas of focus for 2018

- Determine outcomes for the 2017 Annual Bonus for financial and personal/strategic objectives.
- Set targets for the 2018 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 Remuneration Policy at the 2018 AGM.
- Approve awards under the Long-term Incentive Plan.

Remuneration Committee terms of reference:
www.plc.aggreko.com

Introduction by Russell King, Remuneration Committee Chairman

Dear Shareholders

Following the withdrawal of the proposed 2017 Remuneration Policy and Restricted Share Plan prior to the 2017 AGM, the existing Remuneration Policy, approved by Shareholders in 2015, remained in place for 2017. The Committee was disappointed with the lack of support for this proposal but accepted the views expressed by Shareholders and has invested considerable time looking further at the Remuneration Policy ahead of the 2018 AGM.

Policy review

Following an in depth review in conjunction with our new remuneration advisers, FIT Remuneration Consultants LLP, the Remuneration Committee concluded that retention of a more standard LTIP remains appropriate for Aggreko at the current time. (FIT were appointed in July 2017 following a competitive selection process.) The proposed new policy builds on the current policy and makes modifications to recognise developments in best practice since the policy was originally approved in 2015. It also aligns the policy with the long-term strategy of the Group, with for example, a focus on the efficient use of capital in updating our current fleet and the effective investment in and deployment of new/renewable technologies. This includes our recent investment in next generation gas generators and energy storage capabilities, with a greater emphasis on Return on Capital Employed (ROCE) being a key measure of long-term success. The Committee and I have engaged with our largest Shareholders and representative bodies. Their input has been very helpful in formulating the proposed changes and we appreciate the time they have spent on this matter. The Committee hopes that Shareholders will support the proposed new policy.

The Committee believes the incentive plan performance targets to be suitably stretching against internal plans and external forecasts. It has tested these proposals against historic performance in recent years and confirms that they would not have led to higher vesting levels than actually occurred.

The material changes in the new Remuneration Policy are:

- Pensions: we propose capping pension contributions/salary supplements for new Executive Directors at 20% of salary (consistent with the wider senior management population).
- Annual bonus: consistent with the proposal from 2017, the annual bonus element of the policy will include flexibility to change the performance measures in subsequent years. No change to the maximum bonus levels are proposed. The proportion of the bonus subject to deferral (25%) remains unchanged (the previous proposals had sought to remove this) and, for 2018, the split between Diluted Earnings Per Share (D-EPS) and personal objectives will remain unchanged at 80:20.

- Long-term incentives: we propose retaining a single Long-term Incentive Plan (LTIP) with the following key changes:
  - Annual grant level reduced from 300% of salary to 250%.
  - Consistent with market practice generally, the proportion of the award vesting at threshold will increase, for new awards, to 25% (from zero). The previous plans had award levels that recognised the lower vesting at threshold and the revised arrangements create a more normal market position without increasing the overall expected value.
  - Also consistent with market practice, the Committee will have the power to determine the appropriate measures and target ranges for each annual award. The 2018 award will be 50% subject to Earnings Per Share (EPS) growth with a range of 5-12% per annum over three years (measured using the aggregate EPS over the three-year performance period) and 50% subject to ROCE in the final year of the performance period with a range of 15-22%. It is an inherent part of the new policy that the Committee will review and set the scale prior to each grant, rather than the previous approach of fixing the scale for the life of the policy. It will also determine the approach to calculation, e.g. three year average performance or final (third) year performance for each grant.
  - To recognise the predominantly international source of revenues the EPS will be calculated by restricting the impact of currency movements (up or down) at 10%. This ensures alignment with the statutory results in normal circumstances but recognises that Shareholders are able to hedge against exceptional currency movements should they wish to do so. Applying floating rates within normal limits ensures that management is closely aligned with the end Shareholder experience but with protection against extreme volatility on a symmetrical basis. We propose a floating currency assumption to the ROCE component.
  - Awards will also be subject to a broad (downward only) discretionary underpin if the Committee feels that the formulaic level of vesting is not appropriate.
  - In line with evolving best practice awards to Executive Directors will also be subject to a two-year holding period preventing the transfer of awards until the fifth anniversary of grant.
- Share ownership guidelines for Executive Directors: will be increased to 250% of salary.

Full details are set out on page 79.

Performance outcomes for 2017

Chris Weston, Chief Executive Officer earned an annual bonus for 2017 of 96.2% out of a maximum 175% of salary. Chris has met the financial performance measures set by the Board and overachieved on the personal/strategic objectives.

Full details of the performance outcomes for the Annual Bonus are set out on pages 83 and 84.

LTIP awards granted in May 2015 did not meet the performance targets, so these awards will lapse in full.

The Committee has agreed with Chris Weston that his salary will remain unchanged for 2018 (also unchanged since his appointment in 2015). His salary will be reviewed again in December 2018.

As announced in June 2017, Carole Cran tendered her resignation and stepped down as Chief Financial Officer on 31 December 2017 and as a result was not considered for a 2017 bonus or LTIP vesting. In accordance with their rules, she retained the deferred elements of prior bonuses.

Further details are set out on page 86.

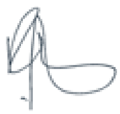
As announced in November 2017, Heath Drewett has been appointed as our new Chief Financial Officer. He joined the business on 3 January 2018. His remuneration is set out on page 80.

Committee changes

I will be stepping down from the Board at the 2018 AGM, following nine years of tenure. Barbara Jeremiah will be appointed as the new Remuneration Committee Chairman following the AGM. Barbara and I have worked closely together on the development of the new Remuneration Policy and she is fully supportive of the proposals made. The Committee will be in excellent hands under her chairmanship.

In the meantime Barbara and I welcome any Shareholder feedback and hope you will be supportive of the resolutions at the 2018 AGM.

Yours sincerely



Russell King
Remuneration Committee Chairman

Annual Remuneration Statement (continued)

Our aim

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

Application of our remuneration in 2017

The following table summarises how the policy was applied in 2017 and the components making up the reported single figure on page 82.

Element of remuneration	How it works	How it was implemented in 2017	CEO Total Single Figure (% change from 2016)
Salary	Increases normally limited to those of wider employee base	No increase in 2017	£750,000 (0%)
Benefits	Not expected to exceed 10% of salary	Market-competitive insured benefits and company car allowance	£24,747 (-1.2%)*
Pension	Defined contribution and/or cash in lieu Between 20% and 30% of salary	30% of salary cash supplement for the CEO and 20% for the former CFO	£225,000 (0%)
Annual bonus	175% of salary maximum 80% subject to financial performance 20% subject to personal objectives (with additional financial underpin) 25% deferred into shares for three years	D-EPS 80% weighting Personal objectives 20% weighting	55% of maximum (see page 84) £721,500 (+256%)
Long-term incentives	2015 award: 75% subject to D-EPS 25% subject to ROCE	Subject to continued service, due to vest in May 2018 D-EPS 0% vesting ROCE 0% vesting	0% of maximum (see page 85) £0 (0%)
Total			£1,721,247 (+43.13%)

* Any change in reported value reflects the cost of provision rather than a change in the level of benefits.

Proposed new policy for 2018

The following table summarises the updated policy being proposed to Shareholders which, if approved, will be operated from the 2018 AGM until the 2021 AGM unless an alternative policy is approved by Shareholders earlier. The formal policy is set out commencing on page 90.

Element of remuneration	How it works	Changes from previous policy
Salary	To pay at an appropriate level in the talent market(s) relevant to each individual	Introduction of a formal cap to comply with regulatory guidance
Benefits	To provide market normal benefits	None
Pension	To provide market normal pension provision or cash in lieu	Set a cap of 20% for new Executive Directors (consistent with the level for Executive Committee members generally)
Annual bonus	Reward for delivery of annual targets Cap of 175% for Executive Directors 75% paid in cash, 25% deferred into shares (contingent on continued employment) for 3 years	Could set up to 30% by reference to non-financial measures (for 2018, unchanged with 80% based on D-EPS and 20% on personal objectives)
Long-term incentives	Traditional LTIP subject to pre-vest performance conditions over three years	Annual level reduced from 300% of salary to 250% Proportion of an award vesting at threshold to be aligned with market practice at 25% Committee given normal market powers to set the measures and target ranges for subsequent grants (2018 awards to be subject 50% to EPS 5-12%pa (aggregate measurement basis) and 50% ROCE 15-22% (final year measurement basis)) Initial awards to include a provision to neutralise FX movements in excess of a 10% movement Holding period, shares only released on fifth anniversary
Share ownership guidelines	To support Shareholder alignment	Increase in limit from 200% of salary to 250% 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

The rationale for these changes is set out in the Statement from the Committee Chairman on pages 76 and 77.

To comply with evolving best practice, formal caps have been included in each element of pay (these are caps and do not reflect any form of aspiration).

Annual Remuneration Statement (continued)

Implementation of Remuneration Policy in 2018

The Committee intends to implement the Remuneration Policy in 2018 as follows:

Base salaries and fees

Chris Weston's base salary was reviewed by the Committee in December 2017; his salary will remain unchanged for 2018 (also unchanged since his appointment in 2015). The Committee intends to next review the salaries in December 2018 to take effect in January 2019. 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:

		D-EPS growth		Personal objectives
Executive Director	Total max bonus % salary	Max bonus % salary	On-budget bonus % salary	Max bonus % salary
Chris Weston	175	140	70	35
Heath Drewett	175	140	70	35

The personal objectives were set individually for each Director. All include agreed outcomes for set strategic objectives specific to their role.

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 retrospectively financial targets 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 2018 Annual General Meeting, the Committee proposes to approve the grant of 2018 LTIP awards to Executive Directors with a face value of 250% of salary with the performance targets outlined on the previous page.

Awards are expected to be granted in May 2018 after the Company's 2018 Annual General Meeting.

New Chief Financial Officer

As announced on 13 November 2017, Heath Drewett was appointed as the Chief Financial Officer and joined the business with effect from 3 January 2018. He is paid an annual base salary of £460,000. In addition he will receive pension contributions of 20% of base salary, life assurance, private medical insurance and a car allowance. He is eligible to receive an annual bonus and annual award under the LTIP. The Committee is cognisant that the base salary for Heath Drewett is c.12% greater than that of his predecessor, but feels this level of salary is what has been required to recruit a Chief Financial Officer of his experience and skill in the current market and represents a discount to his salary at his former employer.

In order to secure the appointment of Heath Drewett, the Committee agreed to compensate him for the value of variable awards which were forfeited when he resigned from his previous employer. The fair value of the compensation was no more than the value forfeit and the Committee took into account the time to vesting, delivery vehicle and relevant performance conditions (and likelihood of vesting) when determining the appropriate buy-out mechanism.

In summary the Committee determined the following awards would be made:

- Compensation for the lost 2017 annual bonus – to be paid in cash once the value lost has been determined (expected to be determined in 2018 and reportable in next year's report)
- Replacement of unvested performance shares – through a one-off award of 89,311 shares with a face value of £701,986, subject to the same conditions as the normal 2018 LTIP award. These awards will vest in April 2021, which will be c.16 months later than the original award forfeited. There will be no holding period as the awards which it replaced did not have one.
- Replacement of unvested non-performance shares – through a one-off award of 29,770 shares with a face value of £233,995, subject to continued employment only and due to vest in August 2020.
- Compensation for the repayment of a retention award – £429,681 in cash to be repaid to his former employer, which will be subject to clawback in full on resignation in the first 12 months of employment. This was paid in January 2018 and will be reported in the 2018 report.

The share awards will be made under a restricted stock agreement, established under Listing Rule 9.4.2. The Committee believed that the opportunity to recruit a Chief Financial Officer of Heath Drewett's calibre justified relying on those provisions and that the basis for the buy-outs was to pay no more than he had forfeited and did not accelerate payment or increase the likelihood of payment. The Committee undertook an independent review of the value he would be forfeiting and determined the amounts above. The number of shares was determined based on the average market price over the five business days prior to 3 January 2018 (Heath Drewett's date of appointment) being 786 pence.

Carole Cran, outgoing Chief Financial Officer, resigned as a Director and ceased to be an employee on 31 December 2017. She received no compensation for loss of office in connection with her resignation. Under the rules of the Annual Bonus Plan she received no 2017 bonus despite having worked the full year. All outstanding LTIPs lapsed in accordance with the rules of the scheme.

Our Remuneration Committee

Determining the remuneration for the Executive Directors and Executive Committee members is a key focus of the Committee. The Committee oversees 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.

Environmental, social and governance (ESG) factors are considered when assessing the personal element of the Executive Directors' performance and the Committee is satisfied that the design of the incentive plans does not pose undue ESG risks.

The Remuneration Committee is currently made up of five Independent Non-executive Directors, including Russell King as Chairman of the Committee (with Barbara Jeremiah taking over as Chairman of the Committee when Russell King steps down at the 2018 AGM). 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. The Executives are not present when their personal remuneration is discussed.

In 2017, we held seven meetings of the Committee. A number of these meetings were called at short notice to consider the new Remuneration Policy. Ken Hanna was unable to attend one meeting and Uwe Krueger two meetings. In each case this was due to a pre-existing arrangement but the Director concerned was able to share his views with the Chairman. We also took a number of decisions based on papers circulated outside the context of a formal meeting. This greater volume of activity was accounted for mainly in order to review our policy and also to approve Heath Drewett's remuneration package and a number of other changes to the Executive 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 (who is not present at such discussions), 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.

In the following section of our report, we explain how we have implemented Aggreko's remuneration policy during 2017. The policy in place for the year was the one which was approved by Shareholders at Aggreko's 2015 Annual General Meeting and is available on the Company's website www.plc.aggreko.com

Annual Report on Remuneration

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 2017 and 31 December 2016.

Executive Directors	Year	Base Salary/ Fees £	Benefits £	Annual Bonus £	LTIP PSP £	LTIP CIP £	Pension £	Other £	Total £
Carole Cran (former)	**2017**	**412,000**	**69,743[4]**	**–**	**–**	**–**	**82,400**	**–**	**564,143**
Carole Cran	2016	412,000	84,247[4]	107,120	–	16,149	82,400	–	701,916
Chris Weston	**2017**	**750,000**	**24,747**	**721,500**	**–**	**–**	**225,000**	**598,865[5]**	**2,320,112**
Chris Weston	2016	750,000	25,035	202,500	–	–	225,000	706,620[6]	1,909,155
Non-executive Directors									
Nicola Brewer	**2017**	**61,000**	**–**	**–**	**–**	**–**	**–**	**–**	**61,000**
Nicola Brewer[1]	2016	51,537	–	–	–	–	–	–	51,537
Ken Hanna	**2017**	**342,000**	**801**	**–**	**–**	**–**	**–**	**–**	**342,801**
Ken Hanna	2016	342,000	–	–	–	–	–	–	342,000
Barbara Jeremiah[2]	**2017**	**50,208**	**2,771**	**–**	**–**	**–**	**–**	**–**	**52,979**
Russell King	**2017**	**101,000**	**–**	**–**	**–**	**–**	**–**	**–**	**101,000**
Russell King	2016	101,000	–	–	–	–	–	–	101,000
Uwe Krueger	**2017**	**61,000**	**3,378**	**–**	**–**	**–**	**–**	**–**	**64,378**
Uwe Krueger	2016	61,000	751	–	–	–	–	–	61,751
Diana Layfield	**2017**	**61,000**	**–**	**–**	**–**	**–**	**–**	**–**	**61,000**
Diana Layfield	2016	61,000	–	–	–	–	–	–	61,000
Robert MacLeod (former)[3]	2016	26,481	–	–	–	–	–	–	26,481
Ian Marchant	**2017**	**81,000**	**1,216**	**–**	**–**	**–**	**–**	**–**	**82,216**
Ian Marchant	2016	74,462	277	–	–	–	–	–	74,739
Miles Roberts[2]	**2017**	**50,208**	**–**	**–**	**–**	**–**	**–**	**–**	**50,208**
2017 Total		**1,969,416**	**102,656**	**721,500**	**–**	**–**	**307,400**	**598,865**	**3,699,837**
2016 Total		1,879,480	110,310	309,620	–	16,149	307,400	706,620	3,329,579

1 Nicola Brewer's remuneration for 2016 is from date of appointment, 25 February 2016.
2 Barbara Jeremiah and Miles Roberts' remuneration for 2017 is from date of appointment, 7 March 2017.
3 Robert MacLeod's remuneration for 2016 is to date of resignation as a Director, 28 April 2016.
4 Owing to the significant amount of time spent in London, based on UK legislation, Carole Cran 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, were taxable.
5 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 (see note 6 below). The remaining 50% of the shares were released on 3 April 2017 – a total of 63,979 shares. Chris Weston was entitled to a further 3,958 shares equivalent to the dividends on the shares between grant and vesting. The value is based on the share price on 3 April 2017 of 881.5 pence.
6 As explained in note 5 above 63,979 shares were released to Chris Weston on 1 April 2016. He 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 1,077 pence.

The figures have been calculated as follows:

- Base salary/fees: amount earned for the year. See Base salary on page 82.
- Benefits: the taxable value of benefits received in the year. See Benefits on page 83.
- Annual bonus: the total bonus earned on performance during the year. See Annual bonus scheme on pages 83 and 84.
- No LTIPs vested in relation to 2017 final performance.
- 2016 remuneration for LTIPs refers to share awards granted on 16 April 2014 subject to a performance period ended 31 December 2016 which vested on 16 April 2017. The value is based on the share price on 18 April 2017 (the first business day after 16 April 2017) of 859 pence.
- Pension: the amount of any Company pension contributions and cash in lieu. Chris Weston received payment entirely in cash while Carole Cran received £7,111 as a contribution to a registered pension and £75,289 in cash.

BASE SALARY

The base salaries for Executive Directors as at 1 January 2018 and 1 January 2017 were as follows:

Executive Director	Position	1 January 2018 £	Increase[1] %	1 January 2017 £
Carole Cran	Former Chief Financial Officer	–	–	412,000
Chris Weston	Chief Executive Officer	750,000	0	750,000

1 The average increase across the Group for 2017 was 5.4%. There have been no salary increases for Executive Directors for three years and none are proposed for 2018.
2 Heath Drewett's salary is set out on page 80.

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	28,970	25,266[1]	3,507	69,743
Chris Weston	12,000	–	–	12,747	24,747

1 Owing to the significant amount of time spent in London, based on UK legislation, Carole Cran 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, were taxable.

ANNUAL BONUS SCHEME

The maximum bonus opportunity for 2017 for both Executive Directors was 175% of salary.

Carole Cran was not entitled to any bonus for 2017, as she had tendered her resignation and ceased to be an employee on 31 December 2017.

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 2017 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) were measured against D-EPS.

For the financial measure, Chris Weston 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 the financial performance measure used for calculating the Annual Bonus for 2017:

Measure	Threshold		Budget	Maximum		Outcome		
		% budget			% budget		% budget	% maximum of element
D-EPS growth	49.14p	90	54.70p	62.79p	115	54.70p[1]	100	50

1 As provided for under the plan, the reported D-EPS has been adjusted to a constant currency basis.

Personal/strategic performance measures
Chris Weston was set four personal objectives, which included agreed outcomes for set strategic objectives specific to his role. Against each of these personal objectives he could achieve the maximum bonus entitlements detailed in the table below (35% of salary in total).

Annual Report on Remuneration (continued)

The Committee reviewed performance against these measures considering both quantitative and qualitative information and the table below shows the Committee's assessment of each personal/ strategic objective achieved as a percentage of salary. A number of the specific internal objectives are commercially sensitive and likely to remain so but the table shows the nature of each measure and the basis for the assessment.

Subject	Objective	Performance assessed	Bonus allocation (maximum % of salary)	Actual bonus allocation (% of salary achieved)
Succession	Strengthen the general talent pipeline and in particular the succession plan for Executive Team.	Talent planning and succession process now in place. Eight individuals hired of high calibre who are adding significant value to the business and, in the case of some, will be candidates for succession for more senior level positions, including the Executive Team. This represents an overachievement of target.	7	6.0
Strategy	To develop a further evolution of our strategy to allow for continued growth in an environment of advancing alternative technology.	Group strategy was assessed and agreed by the Board. Part of this work included our evolving position as energy markets transform. In particular this addressed Decarbonisation, Decentralisation and Digitalisation.	5.25	4.2
Sector focus and increased penetration in North America	North America recovery and market share growth.	Sector revenue growth over-achieved against target.	8.75	8.0
Business priorities programme	Deliver Business Priorities programme introduced in 2015. In particular: – Sales capability in Power Solutions Utility – HFO on hire – CRM (Customer Relationship Management System)	Sales capability increased in Power Solutions Utility with the target number of sales people hired, trained and deployed in field. HFO contract wins are below target, however, the pipeline is encouraging. CRM deployed as laid out in the original project plan. Purchase and integration of Younicos. A business specialising in integrated energy systems and energy storage.	14	8.0
Total			**35**	**26.2**

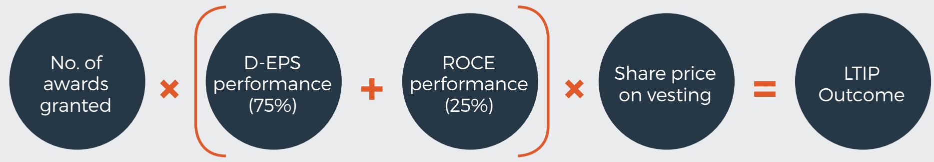
The table below sets out the total bonus entitlement for 2017:

		D-EPS growth		Personal objectives		Total payable[1]	
Executive Director	Total max bonus % salary	Max bonus % salary	Outcome % salary	Max bonus % salary	Outcome % salary	% salary	£
Chris Weston	175	140	70	35	26.2	96.2	721,500

1 The total bonus includes the 25% Deferred Shares Element.

Carole Cran was not entitled to any bonus for 2017, as she had tendered her resignation and ceased to be an employee on 31 December 2017.

LONG-TERM INCENTIVE PLAN (LTIP)



The performance criteria for the LTIP awards granted in 2015 were as follows:

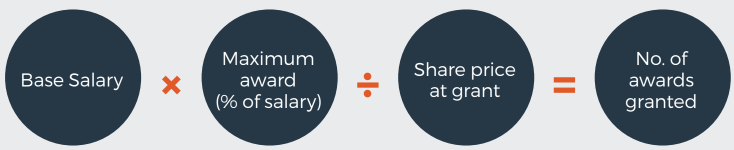
- 75% of the award is based on three-year cumulative D-EPS as compared to three-year compound growth in real (RPI-adjusted) D-EPS. No performance shares will be awarded against this element if performance is below an equivalent of RPI+3% per annum growth. Awards will then start to vest above that level 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 on a straight-line basis to the maximum at 25% ROCE.

The performance period for the 2015 LTIP awards ended on 31 December 2017. Over the period:

- Aggreko's aggregate D-EPS was 187.6 pence, which is the equivalent of no growth. Since this was less than the threshold of RPI+3%, no shares will vest under this performance measure; and
- Aggreko's actual average ROCE for the period was 13.3%. Since this was less than the threshold of 20%, no shares will vest under this performance measure.

As a result, all 2015 LTIP awards lapsed in full.

SHARE AWARDS GRANTED IN 2017 (AUDITED)



In June 2017, Chris Weston was granted awards of shares under the 2015 Long-term Incentive Plan (the 'LTIP'), with a value equivalent to 300% of salary. No award was granted to Carole Cran following her resignation. The three-year performance period over which D-EPS and ROCE performance will be measured began on 1 January 2017 and will end on 31 December 2019. None of the awards granted under the LTIP are eligible to vest until 13 June 2020.

The performance criteria for the LTIP awards granted in 2017 were the same as those set out above for the 2015 awards.

A proportion of shares which vest will be subject to a further holding period of up to two years in accordance with the rules of the LTIP, with one third being released (post-tax) on vesting and a further third being released after each of one and two years from vesting.

In addition, 25% of the 2016 bonus payment was deferred into shares under the Deferred Share Bonus Plan (DSBP). These shares will be released three years from date of grant.

The table below shows details of interests awarded to Executive Directors under the LTIP and DSBP during 2017:

	LTIP			DSBP		
Executive Director	Shares	Face value[1] £	% vesting on minimum performance	Shares	Face value[2] £	% vesting on minimum performance
Carole Cran	–	–	–	2,946	26,779	100
Chris Weston	260,718	2,249,996	0	5,569	50,622	100

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 of Aggreko shares over the five business days prior to the date of grant of 13 June 2017, which was used to determine the number of shares awarded, being 863 pence.
2 Face value of DSBP is the number of shares awarded on 24 March 2017 multiplied by the average market price of Aggreko shares over the five business days prior to the date of grant which was used to determine the number of shares awarded, being 909 pence.

Arrangements with past Directors (audited)

Exit payments

There were no exit payments during the year.

Carole Cran resigned as a Director and ceased to be an employee on 31 December 2017. She was paid her basic salary and benefits up to 31 December 2017 as detailed in the Single Figure Table above. She received no compensation for loss of office in connection with her resignation. She was not eligible for an annual bonus and her outstanding LTIPs have lapsed in accordance with the rules of the scheme. Carole Cran received an award of 4,082 shares in March 2015 representing the deferral of 25% of her 2014 bonus and an award of 2,946 shares in March 2017 representing the deferral of 25% of her 2016 bonus. The awards will vest on the normal vesting dates in March 2018 and March 2020.

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. Uwe Krueger has agreed to forego any fees as a Non-executive Director for 2018. The Company intends to donate an equivalent amount to charity.

The fees for the Chairman and Non-executive Directors as at 1 January 2018 and 1 January 2017 were as follows:

Role	1 January 2018 £	Increase %	1 January 2017 £
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

Directors' shareholdings (audited)

As at 31 December 2017, 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]	Shareholding guidelines % salary	Shares counting towards guidelines (A + B)	Current shareholding % salary[4]
Carole Cran	10,778	7,028	191,461	–	200	17,806	35
Chris Weston	73,806	13,305	609,252	2,168	200	87,111	93
Nicola Brewer	1,450						
Ken Hanna	19,303						
Barbara Jeremiah	1,000						
Russell King	3,688						
Uwe Krueger	3,030						
Diana Layfield	2,855						
Ian Marchant	3,331						
Miles Roberts	–						

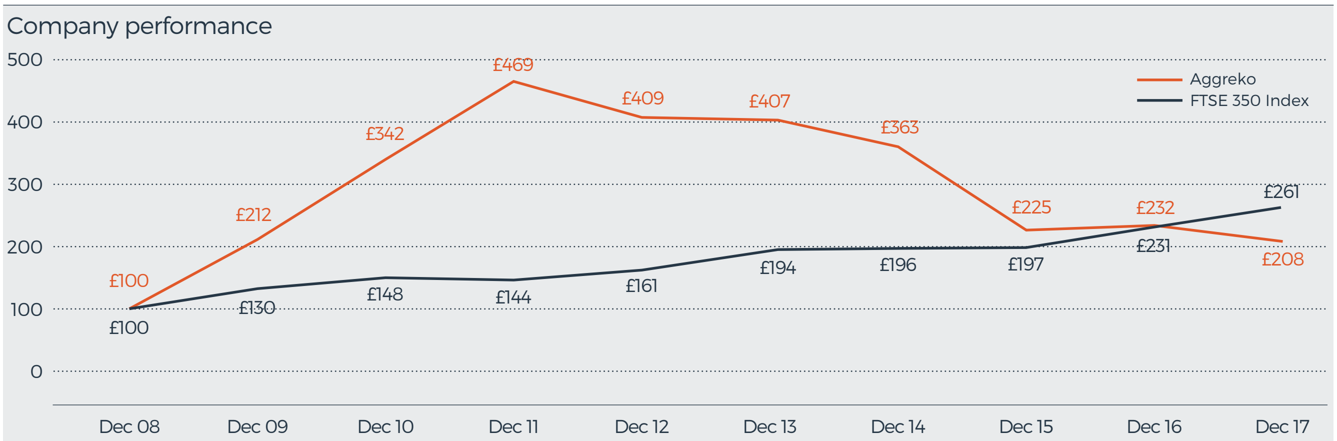
1 This includes shares held by connected persons.
2 Shares held subject to performance comprise LTIP awards over shares.
3 Options held under the Sharesave Plan.
4 Percentage is calculated using a share price of 799 pence as at 31 December 2017. Under the Company's current share ownership guidelines, Executive Directors have a period of five years to achieve the shareholding guideline of not less than two times base salary.

There have been no changes in the Directors' interests in Ordinary Shares between 31 December 2017 and 6 March 2018.

Carole Cran and Chris Weston, as employees or former employees of the Company, have an interest in the holdings of the Aggreko Employee Benefit Trust (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 2017, the trustees of the EBT held a total of 527,373 Aggreko plc Ordinary Shares and the holding at the date of this report is 527,373. The dividend has been waived on these shares. All Aggreko share plans are settled through the use of market purchase shares.

Comparison of Company performance

The graph below shows the value, at 31 December 2017, 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 £[1]	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[2]	42.4	5.8
2015	Chris Weston	1,485,516[3]	0	0
2016	Chris Weston	1,909,155[3]	15	0
2017	Chris Weston	2,320,112[3]	55	0

1 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.
2 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.
3 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 and the 2017 figure includes an amount of £598,865 to compensate him for the forfeiture of long-term incentives from his previous employer.

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.

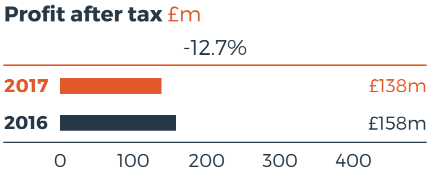
Year	Percentage change for CEO	Percentage change for Group central functions
Salary/fees	0	5.6
Benefits	–1.2	4.6
Bonus	256.3	229.4

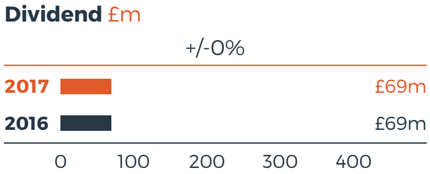
The comparator group relates to the employees within the Group central function in the UK, rather than all Group employees. As in the previous year, we have chosen this group because the Committee believes that it provides a sufficiently large comparator group to give a reasonable understanding of underlying 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.

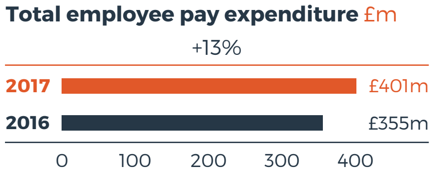
Annual Report on Remuneration (continued)

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 2016 and 31 December 2017, and the percentage change.







Dividends are the interim and final dividends paid in respect of the financial year ended 31 December 2016 and the interim dividend paid and the final dividend recommended in respect of the financial year ended 31 December 2017. The total employee pay expenditure increase is due to the year on year exchange rate movement as well as higher bonus payments, due to bonus targets being achieved in some parts of the business.

Consideration by the Directors of matters relating to Directors' remuneration

The Committee was advised by Kepler Mercer as the principal external adviser to the Committee for part of 2017. Following a comprehensive tender process, the Remuneration Committee appointed FIT Remuneration Consultants LLP as the new principal external adviser in July 2017. The fees paid to Kepler Mercer and FIT in respect of work that materially assisted the Committee in 2017 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 Mercer	Russell King on behalf of the Committee	Review of LTIP Award Calculations Advice on DRR disclosure Advice on design of new incentive arrangements Shareholder consultation support	£33,035 Charged on a time/cost basis	N/A
FIT Remuneration Consultants LLP	Russell King on behalf of the Committee	Advice on 2017 LTIP grant Policy review for 2018 Remuneration for new CFO appointment	£69,276	N/A

Except as detailed above, neither Kepler Mercer nor FIT provided any other services to the Group. They are both members of the Remuneration Consultants Group and signatories to its code of conduct. Taking these factors into account, the Committee is satisfied as to the impartiality and objectivity of their advice.

Statement of Shareholder voting

The following table shows the results of the advisory vote on the 2016 Remuneration Report at the 27 April 2017 AGM.

	Remuneration Report	
	Total number of votes	% of votes cast
For	185,709,651	97.50
Against	4,767,137	2.50
Total votes cast (excluding withheld votes)	190,476,788	100
Votes withheld[1]	1,128,803	–
Total votes cast (including withheld votes)	191,605,591	–

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 and 1.12% against. Certain resolutions originally proposed to the 2017 AGM were withdrawn so Shareholders did not vote on those measures. The RNS announcement on 27 April 2017 explains the reasons for the withdrawal. The Committee considered feedback from Shareholders following the 2017 AGM when approving the new Remuneration Policy which is proposed for the 2018 AGM.

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 26 April 2018.

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:

			Notice period	
Executive Director	Position	Effective date of contract	From Director	From Company
Heath Drewett	Chief Financial Officer	3 January 2018	6 months*	6 months*
Chris Weston	Chief Executive Officer	2 January 2015	12 months	12 months

* New directors are typically appointed on an initial notice period of six months which increases to 12 months after the first 12 months with the Group.

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 letter of appointment	Unexpired term as at 31 December 2017
Nicola Brewer	Non-executive Director	25 February 2016	1 year 2 months
Ken Hanna	Chairman	29 April 2015[1]	4 months
Barbara Jeremiah	Non-executive Director	7 March 2017	2 years 2 months
Russell King	Non-executive Director	2 March 2017[1]	4 months
Uwe Krueger	Non-executive Director	1 February 2015	1 month
Diana Layfield	Non-executive Director	1 May 2015[1]	4 months
Ian Marchant	Non-executive Director	1 November 2016[1]	1 year 10 months
Miles Roberts	Non-executive Director	7 March 2017	2 years 2 months

1 Replaces earlier letter of appointment.

External appointments

It is the Board's policy to allow the Executive Directors to accept non-executive 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 a Non-executive Director of Halma plc. Fees for 2017 in relation to this appointment were £62,000. Chris Weston did not hold any external directorships of other quoted companies. He served as a Non-executive Director of the Royal Navy during the year. Fees for 2017 in relation to this appointment were £15,000.

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 26 April 2018.

New Remuneration Policy

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 three years. It is now due for renewal and we will be asking our Shareholders to approve a new Remuneration Policy for Executive Directors at our Annual General Meeting. To comply with evolving best practice, formal caps have been included in each element of pay (these are caps and do not reflect any form of aspiration).

AGGREKO'S PROPOSED NEW REMUNERATION POLICY FOR EXECUTIVE DIRECTORS

Fixed pay

Base salary

Purpose and link to strategy
To attract, reward and retain talent by ensuring base salaries are at an appropriate level in the talent market(s) relevant to each individual.

Operation
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.

External benchmarking data is used with caution, but will reflect the size and complexity of the role in question. Internal relativities are equally important when determining the correct level at which to set base salaries.

Opportunity
Any base salary increases are applied in line with the outcome of the annual review and generally expected to be in line with those of the wider workforce, although the Committee may award a higher increase in exceptional circumstances (such as to reflect development in role).

Any salary will not exceed £900,000.

Performance measures
None, although continued good performance is a factor considered when reviewing salaries.

Pension

Purpose and link to strategy
To provide relevant statutory benefits and be competitive in the market in which the individual is employed.

Operation
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.

Opportunity
Contributions of between 20% and 30% of salary per annum except where limited by local practice.

For new hires, the pension contribution will be up to 20% of salary per annum.

Performance measures
None.

Benefits

Purpose and link to strategy
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.

Operation
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.

Any reasonable business related expenses (including tax thereon) can be reimbursed if determined to be a taxable benefit.

Executive Directors are eligible for other benefits which are introduced for the wider workforce on broadly similar terms.

Opportunity
Benefits vary by role and local practice, and are reviewed periodically relative to market.

Benefits (excluding travel and related taxes and tax equalisation payments where appropriate) payable to Executive Directors will not exceed 20% of salary (and 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 of 10% over the next three years.

The Committee retains the discretion to approve a higher cost in exceptional circumstances (e.g. relocation and/or tax equalisation) or in circumstances where factors outside the Company's control have changed materially (e.g. increases in insurance premiums, provider costs or taxes).

Performance measures
None.

Variable pay

Annual bonus scheme

Purpose and link to strategy
To focus Executive Directors on achieving demanding annual targets relating to Group performance.

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 Director.

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 are typically delivered as 75% in cash and 25% deferred into shares and released after three years. Dividends will accrue on the deferred share element.

Malus and/or clawback provisions apply as described on page 94.

Opportunity
The maximum annual bonus opportunity for Executive Directors is 175% of salary. The financial element of the bonuses start to be earned for threshold performance (for which no bonus is paid).

Performance measures
Performance is assessed annually with up to 30% (currently 20%) of the maximum bonus potential based on personal/strategic objectives aligned to the Group's KPIs and the balance based on appropriate Group and/or business unit financial performance. The current measure for financial performance is D-EPS, but may vary each year depending on business context and strategy.

Further details of the performance measures proposed for the 2018 annual bonus are set out in the Annual Report on Remuneration on page 80.

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 and the movement in the share price over the vesting period.

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. Awards which vest will be subject to a further holding 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 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 94.

Opportunity
The PSP provides for a nil-cost conditional award of shares worth up to an aggregate limit of 250% of salary per annum for Executive Directors.

Performance measures
The performance measures for the PSP will be based on Group performance with at least 75% linked to Group financial performance.

The Committee has the discretion to reduce vesting levels if, exceptionally, they consider the 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 Group, or where necessary to avoid unintended consequences.

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

Further details of the 2018 performance measures proposed are set out on page 79.

Policy Report (continued)

AGGREKO'S PROPOSED NEW REMUNERATION POLICY FOR EXECUTIVE DIRECTORS (CONTINUED)

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 measures
None.

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 250% of salary. Further details are shown on page 97.

AGGREKO'S REMUNERATION POLICY FOR NON-EXECUTIVE DIRECTORS AND CHAIRMAN

Non-executive Directors' and Chairman's fee

Purpose and link to strategy
To attract and retain Non-executive Directors and a Chairman with an appropriate degree of skills, experience, independence and knowledge of the Group 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.

The Chairman's remuneration comprises an annual fee for acting as Chairman, which includes 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 payable in companies of a similar size and complexity, information provided by a number of remuneration surveys, the extent of the duties performed and the expected time commitment of the role.

Any reasonable business related expenses (including tax thereon) can be reimbursed if determined to be a taxable benefit.

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), and the Chairman may receive healthcare and/or other market standard benefits. Overall, benefits are not expected to exceed 20% of the annual fee in any year.

Payments from outstanding awards

Executive Directors 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 will reflect the Group's key financial objectives for the year. The Committee considers that EPS (currently 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.

If personal/strategic objectives are used in the Annual Bonus Scheme, to the extent that relevant financial performance 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.

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 initial LTIP performance targets for 2018 will be 50% subject to D-EPS growth with a range of 5-12% per annum over three years and 50% subject to ROCE in the final year of the performance period with a range of 15-22%.

It is an inherent part of the new Remuneration Policy that the Committee will review and set the scale prior to each grant rather than the previous approach of fixing the scale for the life of the policy. It will also determine the approach to calculation, e.g. three year average performance or final (third) year performance for each grant. The degree of stretch proposed for 2018 awards is judged to be appropriate in relation to our current (2017) base performance. Third year ROCE measurement reflects Aggreko's planned capital investments in fleet and technology over the next three years as well as the distance of travel from where we are now to the target threshold.

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

The Annual Bonus Scheme calculates D-EPS on a fixed currency basis while the LTIP fixes the impact of any currency movement in excess of 10%.

Existence of discretions

The Committee will operate the incentive plans according to their respective rules, the Listing Rules and HMRC rules where relevant. As part of this, the Committee retains a number of discretions to ensure the efficient operation and administration of these plans. These include, but are not limited to, the following:

- the participants of the respective plans;
- the timing of award grants, vesting and/or payment;
- the size of an award and/or payment (subject to the limits set out in the policy table);
- the determination of vesting;
- dealing with a change of control or corporate restructuring;
- the determination of a good/bad leaver for incentive plan purposes and the treatment of pro-rating and holding periods;
- adjustments required in certain circumstances (e.g. rights issues, corporate reorganisation and/or change to capital structure); and
- determining the appropriate performance conditions, weightings and targets for the Annual Bonus Scheme and LTIP.

If events occur (for example the sale of a material part of the business) which mean the original performance conditions set are no longer appropriate, the Committee may adjust the targets and/or set different performance measures as long as any adjustment is not, in the Committee's view, materially less difficult to satisfy but for the event in question.

Policy Report (continued)

Malus and clawback

Payments and awards under the Annual Bonus Scheme and LTIP 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 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 his/her gross misconduct or the Committee is of the view that the relevant individual could have been summarily dismissed by reason of his/her 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.)

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.

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 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/her reclaiming such income tax and national insurance contributions.

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 more than the existing Directors in order to attract candidates of the quality the business needs at that time. 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 and/or LTIP, 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. 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.

The Company will not provide sign-on payments beyond buy-outs consistent with established market practice. In respect of buy-outs, the Remuneration Committee will only sanction compensation where it considers it necessary to do so in order to recruit a particular individual and will ensure that the terms of such buy-out are not overall more generous than the award forfeited in terms of overall quantum, likelihood of payment or time of payment. In exceptional cases, it may recognise that the performance period is substantially complete through assessment at the point of joining with a suitable discount.

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.

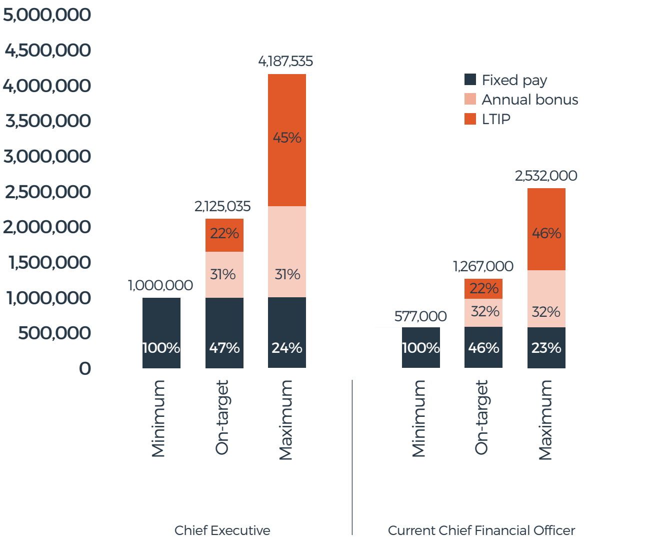
Where the Company is considering the promotion of senior management to the Board, the Committee may, at its discretion, agree that any commitments made before promotion will continue to be honoured whether or not consistent with the policy prevailing at the time the commitment is fulfilled.

In recruiting a new Non-executive Director, the Remuneration Committee will use the policy as set out in the table on page 92. 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.

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'.

Pay-for-performance (£)



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 2018.

For the annual bonus, the amounts illustrated are those potentially receivable in respect of performance for 2018.

It should be noted that the LTIP awards granted in a year do not normally vest until the third anniversary of the date of grant. The projected value of LTIP 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
Maximum	Latest base pay, pension and ongoing benefits	Maximum annual bonus	Performance warrants full vesting
Target	Latest base pay, pension and ongoing benefits	On target annual bonus	Performance warrants 25% of full vesting
Minimum	Latest base pay, pension and ongoing benefits	No annual bonus	Threshold not achieved, so no amount vesting

Consideration of Shareholder views

During 2016 and 2017, 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 it with its 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 Group

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 may also receive restricted stock awards. Different award levels and targets may apply below Board level. LTIP 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 executive remuneration policy or use any remuneration comparison measurements, although as members of the Board they receive the results of the Group'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.

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 the Executive can be dismissed without compensation.

The Company's policy is to limit severance payments on termination to agreed contractual arrangements. The Committee has discretion to contribute towards outplacement services and the legal fees for any departing Director to the extent it considers appropriate.

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.

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.

Policy Report (continued)

Treatment of annual bonuses and long-term incentive awards and options on termination of employment and corporate events

	Timing of vesting/payment	Calculation of vesting/payment
Annual bonus		
'Bad leaver' (all cases other than those specified below).	Not applicable.	No bonus to be paid for the financial year.
Redundancy, retirement or otherwise at the Committee's discretion.	At the end of the financial year.	Bonuses will only be paid to the extent that the performance measures have been met. Any bonus will be paid on a time pro-rata basis.
Change of control/merger.	Awards normally continue but the Committee may measure performance to the relevant event and award a pro-rated amount.	Awards continue or pro-rated.
Deferred bonus		
Gross misconduct.	Not applicable.	Unvested awards lapse.
All cases other than gross misconduct.	Vesting: At the time of normal maturity (unless the Committee accelerates vesting).	Awards vest in full (as pre-earned).
Change of control/merger.	On the occurrence of the relevant event.	Awards vest in full (as pre-earned).
LTIP		
'Bad leaver' (all cases other than those specified below).	Not applicable.	Unvested awards lapse. In normal circumstances, any holding period on vested awards will continue to apply, although the Committee may release awards early.
Death, ill health, injury, permanent disability, retirement with the agreement of the Committee, redundancy, sale of a division or subsidiary or any other reason that the Committee determines in its absolute discretion.	Vesting: At the end of the relevant performance period. Payment: At the end of the relevant holding period.	Awards held for less than one year will normally lapse. Otherwise awards vest over the original timescales, subject to the original performance conditions. Awards are normally pro-rated for time although the Committee has discretion to release early or to disapply pro-rating. In normal circumstances, any holding period on vested awards will continue to apply (except on death when it will end early) although the Committee may release awards early.
Change of control/merger.	On change of control.	Awards will vest to the extent that any performance conditions have been satisfied or would have been satisfied and will, unless the Committee determines otherwise, be reduced pro-rata to take account of the performance period not completed. Awards may be exchanged for awards over shares in the acquiring company in some circumstances. Any holding period will end early.

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.

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 250% 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 if not subject to pre-vest performance conditions.

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.

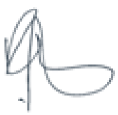
Directors' shareholdings are included in the table on page 86.

Period for policy

The policy will take effect from 26 April 2018, being the date of the Company's 2018 Annual General Meeting, and is intended to apply for a period of three years.

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.

This Report was approved by the Board on 6 March 2018.



Russell King
Chairman of the Remuneration Committee

6 March 2018

STATUTORY DISCLOSURES

Directors' Report and Strategic Report

The Directors' Report and Strategic Report for the year ended 31 December 2017 comprise pages 56 to 103 and pages 1 to 55 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 55. Specifically these are:

- Future Business Developments on page 14; and
- Risk Information on the Use of Financial Instruments on page 143.

Disclosures in relation to Listing Rule LR 9.8.4R, where applicable, are included on pages 80 and 82 in relation to Long-term Incentive Plans and on page 100 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.

2018 Annual General Meeting

The Company's Annual General Meeting will be held at 11.00 am on 26 April 2018 at 200 SVS, 200 St Vincent Street, Glasgow G2 5RQ. 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 6 October 2017. 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 (2016: 27.12 pence), payable on 22 May 2018 to Shareholders on the register at the close of business on 20 April 2018.

Dividend payments and DRIP

The Dividend Reinvestment Plan (DRIP) allows Shareholders to purchase additional shares in Aggreko with their dividend payment. Further information and a mandate can be obtained from our Registrar, Link Asset Services (formerly known as Capita Asset Services), whose details are set out on page 161 and the Shareholder information pages of our website.

Share capital

On 31 December 2017, the Company had in issue 256,128,201 Ordinary Shares of $4\frac{329}{395}$ pence each, 188,251,587 Deferred Shares of $9\frac{84}{775}$ pence each, 18,352,057,648 Deferred Shares of $\frac{1}{775}$ pence each, 182,700,915 Deferred Shares of $6\frac{18}{25}$ pence each and 573,643,383,325 Deferred Shares of $\frac{1}{306125}$ 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 137.

Material share interests

As at 31 December 2017, 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	**23,633,682**	9.22
Mackenzie Financial Corporation	**13,443,784**	5.24
Prudential Plc	**9,351,326**	3.65
Standard Life Aberdeen Plc	**27,606,171**	10.78

Between 31 December 2017 and 6 March 2018, the Company received the following notifications of major shareholdings.

Shareholder	Date	Number of shares	% of total voting rights
Deutsche Bank AG	24/01/2018	**23,290,315**	9.09
Standard Life Aberdeen Plc	01/02/2018	**28,612,326**	11.17
Standard Life Aberdeen Plc	02/02/2018	**28,734,700**	11.22

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.

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 of 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 quarters 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 www.plc.aggreko.com. 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 2018 AGM.

A Director may be removed by special resolution of the Company. In addition, the office of a Director must be vacated if: (i) they resign their office by notice in writing delivered to the office or tendered at a meeting of the Board; or (ii) by notice in writing they offer to resign and the Board resolves to accept such offer; or (iii) their 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) they are 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) they become bankrupt or compounds with their creditors generally; or (viii) they are prohibited by law from being a Director; or (ix) they cease to be a Director by virtue of the Companies Acts or are 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 2017 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 2018 or at the conclusion of the Annual General Meeting for 2018. 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 2019).

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 2017 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 2018 or 30 June 2018.

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.

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 0.21% of the issued share capital of the Company as at 6 March 2018 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 116 of the financial statements.

The viability statement is included on page 55 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 they ought to have taken as a Director to make them 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 in which we operate. 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 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.

Carbon dioxide emissions

In line with the Company's 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 BEIS, the International Energy Agency, the US Energy Information Administration, the US Environmental Protection Agency and the Intergovernmental Panel on Climate Change.

Scope 1 emissions are from those activities owned or operated by Aggreko, and include fuel combusted in the Aggreko generator fleet (by far the greatest proportion of emissions); fuel combusted in Aggreko premises boilers; fuel combusted in Aggreko owned vehicles; refrigerant gas lost from Aggreko A/C units or vehicles; and emissions of SF6. Scope 1 emissions are considered to be those which the Company has the most control over.

Scope 2 emissions are from electricity consumed in Aggreko owned premises. Although the consumption of the electricity occurs at Aggreko premises, the electricity itself is generated by a third party (i.e. the power station) and actual emissions from the production of the electricity occur without Aggreko's control, hence why this is a separate scope.

Scope 3 emissions are everything else, and consist primarily of the upstream emissions from fuel combusted in the Aggreko fleet (upstream emissions are from all activities associated with the fuel before it is actually combusted, so its extraction, refining, transportation etc.); other scope 3 emissions include transport of the fleet by third-party vehicles; business travel; and waste and water supply/treatment.

The tables below present the principal findings from GHG analyses of the previous two years:

Total GHG emissions by GHG protocol scope

tCO_2e/year	2017	2016
Scope 1	**14,716,676**	15,183,091
Scope 2	**21,414**	17,209
Scope 3	**2,954,104**	2,810,623
Total	**17,692,195**	18,010,923

Total GHG emissions by fleet/non-fleet

tCO_2e/year	2017	2016
Fleet	**17,556,543**	17,746,040
Non-fleet	**135,652**	264,883
Total	**17,692,195**	18,010,923

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 2017 we emitted 17,692,195 tonnes of CO_2e, a decrease of 1.8% over 2016. In line with best practice, our GHG accounting systems include an estimate of the upstream GHG emissions associated with fuel supply chains; in 2017 this contributed 16.5% of fleet combustion emissions, accounting for 97.8% of scope 3 emissions.

As a result of a 2.7% decrease in running hours, a recorded decrease of 1.1% in GHG emissions is reported for the Aggreko fleet in 2017. This slight disparity is due to a published increase in the 2017 emission factors used to calculate upstream emissions.

In terms of the non-fleet activities, emissions from activities associated with third-party freight logistics and company owned vehicles have decreased. Conversely, emissions from premises activities and business travel have increased, with an 11% increase in business travel emissions being the most significant.

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 decreased slightly, with a 14% decrease in the emissions per thousand GBP revenue from 2016.

Revenue intensity ratio tCO_2e/thousand £

In 2015 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. Our next assessment is scheduled for 2019.

In addition, Aggreko's Northern Europe business achieved CEMARS (Carbon and Energy Management Reduction) Certification in 2017. CEMARS allows large organisations or high emissions industries to measure their greenhouse gas emissions, put in place plans to reduce them and have both of these steps independently certified. It is the first global greenhouse gas certification scheme to be accredited to the internationally recognised ISO 14065 standard. Aggreko is the first rental company to meet this standard.

Branches
Subsidiaries of the Company have established branches in a number of different countries in which they operate.

Auditor
Resolutions re-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 2017
There have been no important events affecting the Company or any subsidiary since 31 December 2017.

Political donations
No political donations were made during the financial year (2016: nil).

Approval of the Strategic Report and Directors' Report
The Strategic Report set out on pages 1 to 55 and Director's Report set out on pages 56 to 103 were approved by the Board on 6 March 2018 and have been signed by the Company Secretary on behalf of the Board.

Peter Kennerley
Group Legal Director & Company Secretary

6 March 2018

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law and have elected to prepare the parent Company financial statements in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework.

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 parent Company and of their profit or loss for that period. In preparing each of the Group and parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant, reliable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the parent Company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the parent company financial statements;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement of the Directors in respect of the annual financial report

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We consider the Annual Report and Accounts, 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.

By order of the Board, 6 March 2018.

Ken Hanna
Chairman

Chris Weston
Chief Executive Office

FINANCIAL & OTHER INFORMATION

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AGGREKO PLC

1 Our opinion is unmodified

We have audited the financial statements of Aggreko Plc ('the Company') for the year ended 31 December 2017 which comprise the Group Income Statement, Group Statement of Comprehensive Income, Group Balance Sheet, Group Cash Flow Statement, Group Statement of Changes in Equity, and the related Notes, including the accounting policies in Note 1 and the Company Balance Sheet, Company Statement of Comprehensive Income, Company Statement of Changes in Equity and the related Notes, including the accounting policies in Note 32.

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 2017 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the Audit Committee.

We were appointed as auditor by the Shareholders on 27 April 2016. The period of total uninterrupted engagement is for the two financial years ended 31 December 2017. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

2 Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters (unchanged from 2016), in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

A SUMMARY OF OUR APPROACH

1
Full audit coverage
94% of PBT

2
Materiality
5% of PBT
(before exceptionals)

3
Key audit matters
recoverability of certain PS Utility receivables and tax provisioning

1
Our audit covered 94% of the Group's profit before tax and exceptionals and was carried out in Glasgow, Dubai, Russia, Argentina, Houston and Brazil.

2
Overall Group materiality: £9.8 million which represents 5% of profit before tax this year before exceptional items.

3
The recoverability of certain Power Solutions Utility receivables and the tax provisions/provisioning in overseas locations are the key audit matters given the judgements involved in these areas.

THE RISK	OUR APPROACH
Recoverability of consolidated Power Solutions Utility overdue receivables and accrued income in respect of certain countries including Zimbabwe, Mozambique, Benin and Venezuela	
Refer to page 69 (Audit Committee Report), page 121 (accounting policy) and page 132 (financial disclosures)	
Certain customers of the Power Solutions Utility business operate in territories with volatile regimes and adverse macro economic conditions where the risk of customer default (the customer often being the government) is high. In these territories, cash receipts are volatile and unpredictable due to factors such as regime change and economic stress, resulting in significant judgement being applied in the Group's assessment of the recoverability of receivables (both trade receivables and accrued income) from customers in these territories. We note this risk is in relation to 'certain' PSU debtors such as Zimbabwe, Mozambique, Benin and Venezuela, those being the receivables that we consider give rise to our key audit matter.	Our procedures included: — **Our sector experience**: Using our sector experience, assessing and challenging the Directors' judgement as to the likely recoverable amount of the receivables, which includes seeking evidence of the status of receivables from the latest communications with the relevant customer (including deposits and guarantees) where available, considering the Group's previous experience of recovery and our knowledge of in-country exposures; — **Tests of details**: Assessing post year end debt collection by vouching receipts to supporting documentation and considering evidence of planned payments; and — **Assessing transparency**: Assessing the adequacy of the Group's disclosures about the degree of estimation involved. **Our results** — We found the carrying value of the trade receivables noted opposite to be acceptable (2016: acceptable).
Consolidated and parent Company taxation provisions for significant potential or contentious tax assessments, in particular in relation to the ongoing dispute in relation to a tax assessment in Bangladesh (£31 million, 2016: £39 million):	
Refer to page 69 (Audit Committee Report), page 121 (accounting policy) and page 127 (financial disclosures)	
Provision for tax contingencies require the Directors to make judgements and estimates in relation to tax risks in particular in relation to the ongoing dispute in relation to a tax assessment in Bangladesh. This is highly judgemental due to the Group operating in a various tax jurisdictions and the complexities and uncertainties of local and international tax legislation. 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.	Our procedures included: — **Our tax expertise**: Assessing, together with our own international and local tax specialists, the Group's tax positions including specifically the ongoing tax assessments (including Bangladesh), inspecting relevant correspondence with the relevant tax authorities and legal opinions and analysing and challenging the judgement about the likely conclusions used to determine tax provisions based on our knowledge and experience of the application of the international and local legislation by the relevant authorities and courts; and — **Assessing transparency**: Assessing the adequacy of the Group's disclosures in respect of tax and uncertain tax positions. **Our results** — We found the level of tax provisioning in the Group and Company to be acceptable (2016: acceptable).

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 £9.8 million (2016: £11 million), determined with reference to a benchmark of Group profit before tax, normalised to exclude exceptional items disclosed in the Group Income Statement and Note 7, of which it represents 5% (2016: 5%). We consider profit before tax before exceptional items to be the most appropriate benchmark because it excludes the non-recurring impact of exceptional items such as reorganisation costs and impairment charges and therefore produces a more stable benchmark than profit before tax. The Group team performed procedures on the items excluded from Group profit before tax excluding exceptional items. Materiality for the parent Company financial statements as a whole was set at £7 million (2016: £8 million) based on component materiality, determined with reference to net assets. This is lower than we would otherwise have determined with reference to a benchmark of Company net assets, and represents 1.4% (2016: 1.6%) of this benchmark.

We agreed to report 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 Dubai, Argentina, Brazil and Russia as to the significant areas to be covered, and the information to be reported back. The Group team completed audit work on components in Dubai, the US and UK including the parent Company. The Group audit team approved the component materialities, which ranged from £10,000 to £7 million, having regard to the mix of size and risk profile of the Group across the components. 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.

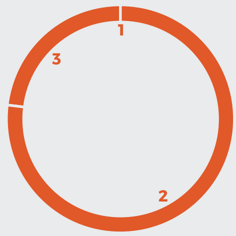
The Group audit team visited the component location in Dubai to participate in the planning meeting and assess the audit risk and strategy. Telephone calls were also held with the component auditors in Argentina, Brazil and Russia. On these calls, the audit risks and strategy were discussed, the findings from the audit 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 evaluated the work completed by the team in Brazil, Argentina, Dubai and Russia.

SCOPING OF OUR AUDIT

The components within the scope of our work accounted for the percentages illustrated below:

% Revenue

		%
1	Specific risk focused audit procedures over revenue	0
2	Full audit	77
3	Scoped out of our audit	23



% Profit before tax

		%
1	Specific risk focused audit procedures over revenue	1
2	Full audit	94
3	Scoped out of our audit	5

Net assets

		%
1	Specific risk focused audit procedures over revenue	1
2	Full audit	92
3	Scoped out of our audit	7

The remaining 23% of total Group revenue, 5% of Group profit before tax and 7% 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 We have nothing to report on going concern

We are required to report to you if:

- we have anything material to add or draw attention to in relation to the Directors' statement in Note 1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for a period of at least 12 months from the date of approval of the financial statements; or
- the related statement under the Listing Rules set out on page 37 is materially inconsistent with our audit knowledge.

We have nothing to report in these respects.

5 We have nothing to report on the other information in the Annual Report

The Directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and Directors' Report

Based solely on our work on the other information:

- we have not identified material misstatements in the Strategic Report and the Directors' Report;
- in our opinion the information given in those Reports for the financial year is consistent with the financial statements; and
- in our opinion those Reports have been prepared in accordance with the Companies Act 2006.

Directors' Remuneration Report

- In our opinion the part of the Remuneration Committee Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Disclosures of principal risks and longer term viability

Based on the knowledge we acquired during our financial statements audit, we have nothing material to add or draw attention to in relation to:

- the Directors' confirmation within page 55 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal Risks and Uncertainties disclosures describing these risks and explaining how they are being managed and mitigated; and
- the Directors' explanation in the Assessments of Prospects and Viability statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Under the Listing Rules we are required to review the Assessments of Prospects and Viability statement. We have nothing to report in this respect.

Corporate governance disclosures

We are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our financial statements 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 section of the Annual Report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We are required to report to you if the Governance Statement does not properly disclose a departure from the eleven provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in these respects.

6 We have nothing to report on the other matters on which we are required to report by exception

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 Remuneration Committee 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.

We have nothing to report in these respects.

7 Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 103, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud, other irregularities, or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. The risk of not detecting a material misstatement resulting from fraud or other irregularities is higher than for one resulting from error, as they may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control and may involve any area of law and regulation not just those directly affecting the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Irregularities – ability to detect

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our sector experience, through discussion with the directors and other management (as required by auditing standards).

We had regard to laws and regulations in areas that directly affect the financial statements including financial reporting (including related company legislation) and taxation legislation. We considered the extent of compliance with those laws and regulations as part of our procedures on the related financial statements items.

In addition we considered the impact of laws and regulations in the specific areas of anti-bribery recognising the nature of the Group's activities. With the exception of any known or possible non-compliance, and as required by auditing standards, our work in respect of these was limited to enquiry of the Directors and other management and inspection of regulatory and legal correspondence. We considered the effect of any known or possible non-compliance in these areas as part of our procedures on the related financial statements items.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the Group to component audit teams of relevant laws and regulations identified at Group level, with a request to report on any indications of potential existence of non-compliance with relevant laws and regulations (irregularities) in these areas, or other areas directly identified by the component team.

As with any audit, there remained a higher risk of non-detection of non-compliance with relevant laws and regulations (irregularities, as these may involve collusion, forgery, intentional omissions), misrepresentations, or the override of internal controls.

8 The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

John Luke

(Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
319 St Vincent Street
Glasgow
G2 5AS

6 March 2018

GROUP INCOME STATEMENT

For the year ended 31 December 2017

	Notes	Total before exceptional items 2017 £ million	Exceptional items (Note 7) 2017 £ million	2017 £ million	Total before exceptional items 2016 £ million	Exceptional items (Note 7) 2016 £ million	2016 £ million
Revenue	4	1,730	–	1,730	1,515	–	1,515
Cost of sales		(805)	(5)	(810)	(664)	(30)	(694)
Gross profit		925	(5)	920	851	(30)	821
Distribution costs		(481)	(12)	(493)	(430)	–	(430)
Administrative expenses		(219)	(23)	(242)	(182)	(19)	(201)
Other income	2	4	(1)	3	9	–	9
Operating profit	4	229	(41)	188	248	(49)	199
Net finance costs	9						
– Finance cost		(36)	–	(36)	(29)	–	(29)
– Finance income		2	–	2	2	–	2
Profit before taxation	5	195	(41)	154	221	(49)	172
Taxation	10	(57)	9	(48)	(63)	16	(47)
Profit for the year		138	(32)	106	158	(33)	125

All profit for the year is attributable to the owners of the Company.

	Notes	2017	2016
Basic earnings per share (pence)	12	41.54	48.88
Diluted earnings per share (pence)	12	41.51	48.86

GROUP STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	2017 £ million	2016 £ million
Profit for the year	106	125
Other comprehensive income/(loss)		
Items that will not be reclassified to profit or loss		
Remeasurement of retirement benefits	5	(29)
Taxation on remeasurement of retirement benefits	(1)	5
Items that may be reclassified subsequently to profit or loss		
Cash flow hedges	3	1
Taxation on cash flow hedges	(1)	–
PDVSA private placement notes: net change in fair value	(4)	–
Net exchange (losses)/gains offset in reserves	(98)	220
Other comprehensive (loss)/gain for the year (net of tax)	(96)	197
Total comprehensive income for the year	10	322

GROUP BALANCE SHEET (COMPANY NUMBER: SC177553)

As at 31 December 2017

	Notes	2017 £ million	2016 £ million
Non-current assets			
Goodwill	13	**184**	159
Other intangible assets	31.A2	**31**	24
Property, plant and equipment	15	**1,214**	1,309
Deferred tax asset	22	**42**	51
		1,471	1,543
Current assets			
Inventories	16	**232**	247
Trade and other receivables	17	**770**	656
Cash and cash equivalents	3	**71**	44
Derivative financial instruments	31.A4	**–**	1
Current tax assets		**23**	20
		1,096	968
Total assets		**2,567**	2,511
Current liabilities			
Borrowings	18	**(139)**	(60)
Derivative financial instruments	31.A4	**(1)**	(2)
Trade and other payables	20	**(408)**	(299)
Current tax liabilities		**(61)**	(58)
Provisions	21	**(8)**	(1)
		(617)	(420)
Non-current liabilities			
Borrowings	18	**(584)**	(633)
Derivative financial instruments	31.A4	**(2)**	(5)
Deferred tax liabilities	22	**(22)**	(55)
Retirement benefit obligation	31.A5	**(25)**	(30)
		(633)	(723)
Total liabilities		**(1,250)**	(1,143)
Net assets		**1,317**	1,368
Shareholders' equity			
Share capital	23	**42**	42
Share premium		**20**	20
Treasury shares	24	**(7)**	(14)
Capital redemption reserve		**13**	13
Hedging reserve (net of deferred tax)		**(1)**	(3)
Foreign exchange reserve		**(27)**	71
Retained earnings		**1,277**	1,239
Total Shareholders' equity		**1,317**	1,368

The financial statements on pages 110 to 153 were approved by the Board of Directors on 6 March 2018 and signed on its behalf by:

K Hanna
Chairman

H Drewett
Chief Financial Officer

GROUP CASH FLOW STATEMENT

For the year ended 31 December 2017

	Notes	2017 £ million	2016 £ million
Operating activities			
Profit for the year		106	125
Adjustments for:			
Exceptional items	7	41	19
Exceptional – impairment charge	7	–	30
Tax		48	47
Depreciation		296	281
Amortisation of intangibles		4	4
Finance income		(2)	(2)
Finance cost		36	29
Profit on sale of property, plant and equipment (PPE) (i)	2	(4)	(9)
Share-based payments (ii)		8	6
Negative goodwill on acquisition	29	(2)	–
Changes in working capital (excluding the effects of exchange differences on consolidation):			
Increase in inventories		(1)	(21)
Increase in trade and other receivables		(163)	(81)
Increase/(decrease) in trade and other payables		113	(17)
Cash flows relating to exceptional items		(30)	(23)
Cash generated from operations		450	388
Tax paid		(69)	(64)
Interest received		2	2
Interest paid		(36)	(28)
Net cash generated from operating activities		347	298
Cash flows from investing activities			
Acquisitions (net of cash acquired)	29	(55)	(22)
Acquisitions: repayment of loans and financing	29	(18)	–
Purchases of PPE		(272)	(263)
Purchase of other intangible assets		(5)	(5)
Proceeds from sale of PPE	2	14	23
Net cash used in investing activities		(336)	(267)
Cash flows from financing activities			
Increase in long-term loans		905	393
Repayment of long-term loans		(826)	(373)
Increase in short-term loans		21	18
Repayment of short-term loans		(6)	–
Dividends paid to Shareholders		(69)	(69)
Purchase of treasury shares		–	(8)
Net cash from/(used in) financing activities		25	(39)
Net increase/(decrease) in cash and cash equivalents		36	(8)
Cash and cash equivalents at beginning of the year		25	32
Exchange (loss)/gain on cash and cash equivalents		(2)	1
Cash and cash equivalents at end of the year	3	59	25

(i) Loss on disposal of £1 million is included in exceptional items.

(ii) This relates to employee share awards within the statement of changes in equity. In 2016 there was also £2 million included as exceptional items.

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

For the year ended 31 December 2017

	Notes	2017 £ million	2016 £ million
Increase/(decrease) in cash and cash equivalents		36	(8)
Change arising from acquisitions		(73)	(22)
Other changes		(21)	(16)
Changes in net debt arising from cash flows		(58)	(46)
Exchange gain/(loss)		55	(114)
Movement in net debt in year		(3)	(160)
Net debt at beginning of year		(649)	(489)
Net debt at end of year	18	(652)	(649)

GROUP STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

As at 31 December 2017

	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
		Attributable to equity holders of the Company							
Balance at 1 January 2017		42	20	(14)	13	(3)	71	1,239	1,368
Profit for the year		–	–	–	–	–	–	106	106
Other comprehensive (loss)/income:									
Fair value gains on interest rate swaps (net of tax)		–	–	–	–	2	–	–	2
PDVSA private placement notes: net change in fair value		–	–	–	–	–	–	(4)	(4)
Currency translation differences (i)		–	–	–	–	–	(98)	–	(98)
Remeasurement of retirement benefits (net of tax)		–	–	–	–	–	–	4	4
Total comprehensive income for the year ended 31 December 2017		**–**	**–**	**–**	**–**	**2**	**(98)**	**106**	**10**
Transactions with owners:									
Employee share awards		–	–	–	–	–	–	8	8
Issue of Ordinary Shares to employees under share option schemes		–	–	7	–	–	–	(7)	–
Dividends paid during 2017	11	–	–	–	–	–	–	(69)	(69)
		–	–	7	–	–	–	(68)	(61)
Balance at 31 December 2017		**42**	**20**	**(7)**	**13**	**(1)**	**(27)**	**1,277**	**1,317**

(i) Included in currency translation differences of the Group are exchange gains of £55 million arising on borrowings denominated in foreign currencies designated as hedges of net investments overseas, and exchange losses of £153 million relating to the translation of overseas results and net assets. The currency translation difference is explained in the Financial Review on page 43.

As at 31 December 2016

	Attributable to equity holders of the Company							
	Ordinary share capital £ million	Share premium account £ million	Treasury shares £ million	Capital redemption reserve £ million	Hedging reserve £ million	Foreign exchange reserve (translation) £ million	Retained earnings £ million	Total equity £ million
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	–	–	–	–	–	–	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)**	**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.

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 118 and 126. 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. It is worth noting that in our Power Solutions Utility business, there has been significant repricing and some off-hires of contracts we have held in Argentina since 2008. We will make clear the impact of these contracts where appropriate.

Going concern

The Directors are confident that it is appropriate for the going concern basis to be adopted in preparing the financial statements. The Group balance sheet shows consolidated net assets of £1,317 million (2016: £1,368 million) of which £1,104 million (2016: £1,203 million) relate to fleet assets. The defined benefit pension deficit is £25 million (2016: £30 million) representing only 2% of the Group's net assets. The retained earnings of the Company as at 31 December 2017 are £428 million and the majority of these earnings are distributable, enabling the Company to continue making dividend payments. While the net debt increased slightly in the year to £652 million (2016: £649 million), there was headroom under our committed facilities of £624 million at the year end. More detail is contained on page 122 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 2017 and not early adopted

IFRS 15, 'Revenue from contracts with customers'

This standard 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 in accordance with the five step model included in IFRS 15 which specifies that revenue should be recognised when (or as) an entity transfers control of goods or services to a customer at an amount to which the entity expects to be entitled. 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 completed its assessment of the impact of this standard and intends to adopt the partial retrospective method of adoption. This means that for the June 2018 Interim Accounts and the 2018 Annual Report we will restate the 2017 comparative numbers to take account of IFRS 15. The partial retrospective method allows certain exemptions with Aggreko taking the exemption not to restate for contract extensions before 1 January 2018. The main changes from adopting IFRS 15 are detailed below.

Mobilisation and demobilisation

Mobilisation costs are classified as fulfilment costs where they are separately identifiable and specific to a particular project and where the mobilisation does not itself form a separate performance obligation. In these circumstances, mobilisation costs are capitalised as they relate to future performance obligations, i.e. the provision of power is the future performance obligation, which begins when the power starts to be generated. During the phase of mobilisation this service has not yet started and as such represents a future performance obligation. The costs incurred during mobilisation are directly related to the contract and enable Aggreko to earn revenue from the provision of power. They are expected to be recovered because the contract is profitable although these will be reviewed carefully for any indication of impairment.

With respect to demobilisation costs the Group has a legal obligation to incur demobilisation costs once the assets are installed on site, as this is required by the contract. This creates a legal obligation from a past event. The majority of these costs can be measured reliably and therefore they meet the definition of a provision. These costs are capitalised as a fulfilment cost asset as they are incurred in relation to a performance obligation (delivering power) and are expected to be recovered and generate or enhance resources because they facilitate Aggreko's delivery of the contract.

The fulfilment costs (mobilisation and demobilisation costs) will be amortised to the income statement over the period of the initial contract. The amortisation starts when we start to earn revenue and stops when the initial contract period stops. If there is a signed extension, the unamortised amount left in the balance sheet when the extension is signed can then be amortised over the remaining period of the initial contract and the extension period (for demobilisation costs there only needs to be a high probability of an extension). In contracts, where mobilisation and demobilisation income timing is specifically stipulated in the contract in order to match the timing of associated costs, then this income will now be recognised during the period of provision of power.

1 Accounting policies continued

The impact on 2017 would be:

Mobilisation/demobilisation costs

The income statement charge under IFRS 15 would be £5 million higher in 2017 than compared to current accounting.

On 1 January 2017 a fulfilment asset of £16 million will be booked (split between current and non-current), a demobilisation provision of £11 million will be booked and the balance of £5 million will be credited to the retained earnings reserve. The movement in the fulfilment assets and demobilisation provision during 2017 is summarised below:

	Fulfilment asset £m	Demobilisation provision £m
Balance at 1 January 2017	16	(11)
Capitalised in year	12	–
Provision created for future mobilisation costs	2	(2)
Amortised to income statement	(20)	–
Utilised	–	3
Balance at 31 December 2017	**10**	**(10)**

Note: The amortisation cost would be booked in cost of sales.

Mobilisation/demobilisation revenue

If there is a separate mobilisation/demobilisation clause in the contract, then revenue is now recognised over the length of the contract instead of taken as incurred. Under IFRS 15 accounting this would lead to revenue of £3 million against current accounting revenue of £1 million therefore a £2 million upside. The movement in the deferred revenue account for 2017 is summarised below:

	Deferred revenue £m
Balance at 1 January 2017	(4)
Deferred in year	(1)
Released to income statement	3
Balance at 31 December 2017	**(2)**

Therefore in total IFRS 15 would decrease profit before tax by £3 million as revenue would be £2 million higher and costs would be £5 million higher.

Rehire arrangements (Principal vs. Agent)

Aggreko will sometimes hire equipment from a third party to use on a contract. Under current accounting the revenue and cost associated with this item is accounted for separately as Aggreko is the principal. Under IFRS 15 Aggreko is acting as an agent rather than principal in this instance mainly because Aggreko does not control the provision of the service due to factors such as the fact that the third party is still responsible for repairs to the equipment. Under IFRS 15 the cost of the rehire is netted against revenue. The impact of this in 2017 would be to reduce revenue and cost of sales by £34 million. There is no impact on operating profit.

Other points that do not have a material impact

- Contracts which have a separate clause stating items retained by the customer at the end of the contract: Where elements of the previously supplied performance obligation are retained by the customer at the end of the contract, these may represent separate performance obligations because they provide a benefit that is not solely an input to the performance obligation of provision of power. If this is the case then timing of revenue for these elements may be different from provision of power. Currently there is no material impact on the Group from this but we will continue to monitor going forward.
- Potential penalties on contracts: IFRS 15 requires variable considerations to be estimated and then included in the transaction price only to the extent it is highly probable it will not be subject to significant reversal when the uncertainty is resolved. The main impact to Aggreko could potentially be penalties, however on inception, given the assumption as the Group enters each contract that it will fulfil performance obligations, the likely impact of contract penalties are such that we would expect no obvious restrictions in recognising variable revenue. This will need to be revisited throughout the term of the contract.

IFRS 9 'Financial instruments'

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. The Group has completed its assessment of the impact of this standard and this standard does not have a material impact on the Group.

Impact of applying IFRS 9

The main changes from implementing IFRS 9 are:

- Receivables (including accrued revenue) are now required to have an immediate impairment provision to reflect the possibility of future default or non-collectability ('expected credit loss model'). Previously provisions were not permitted until deterioration in collectability had occurred.
- IFRS 9 allows a practical expedient to use a provision matrix to simplify the calculation where accounts receivable are split into various risk categories (e.g. based on Credit Rating Agencies) and then a percentage is applied to each category to obtain the impairment allowances.
- There will be no material changes relating to derivatives, however we will defer implementation until the macro hedging requirements are finalised.
- PDVSA private placement notes: 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 reflected our estimation of the recoverability of these notes. This fair value at 31 December 2017 was £4 million. This financial instrument was included in other receivables. Under current accounting the change in fair value of these notes is reflected in the statement of changes in equity however under IFRS 9 the changes in the fair value will be reflected in the income statement.

1 Accounting policies continued

IFRS 16 'Leases'

IFRS 16 applies to annual periods beginning on or after 1 January 2019 and requires lessees to recognise all leases on balance sheet with limited exemptions for short-term leases and low value lease (<$5,000). This will result in the recognition of a right-to-use asset and corresponding liability on balance sheet, with the associated depreciation and interest expense being recorded in the income statement over the lease period. The Group has completed its initial impact assessment of this standard. This initial impact assessment has been calculated by reviewing a sample of leases (circa 35% of total lease commitment value) and then applying this to the full population of leases. Based on this initial impact assessment the expected impact of applying IFRS 16 in its first full year of application is detailed below.

- The total annual income statement charge is expected to increase by circa £1 million.
- EBITDA is expected to increase by around £30 to £40 million as the expense is now depreciation and interest.
- The total income statement charge over the life of the leases is unchanged – the difference under IFRS 16 is a 'front-loading' of the recognition of the charge.
- Recognition of a right-of-use asset of circa £60 million and a lease liability of circa £60 million with no impact on net assets.

During 2018 the Group will complete its assessment of this standard and will concentrate on the following key judgements:

- Review all leases to see if any are in substance a service agreement (and outside scope of standard) and how many are leases.
- Review all leases to see if any are short term (<12 months) and low value (<$5,000) and hence exempt from standards.
- Identify leases with variable lease payments.

Basis of consolidation

The Group financial statements consolidate the financial statements of Aggreko plc and all its subsidiaries for the year ended 31 December 2017. 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 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.

Contracts performed by the Younicos business to develop software or control systems and construct energy storage systems are treated as construction contracts in accordance with IAS 11. Where the outcome of a contract can be measured reliably, contract revenue and costs are recognised over the period of the contract by reference to the value of work done at the balance sheet date with reference to third-party certification where available. Where the outcome of a contract cannot be reliably estimated, contract costs are recognised as an expense when incurred and revenue is only recognised to the extent of the contract costs incurred that it is probable will be recoverable. In both cases, any expected contract loss is recognised immediately.

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 page 7. 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.

1 Accounting policies continued

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

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: 5-10 years, non-compete agreements: over the life of the non-compete agreements, Technology intangible assets acquired: four years.

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.

1 Accounting policies continued

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.

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 uncollectable it is written off against the provision for impairment of trade receivables. More detail is contained on page 121.

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 2017, provisions totalled £8 million (2016: £1 million) and they relate to the Group business priorities implementation. The provisions are generally in respect of employee severance costs and depot closure 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.

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.

1 Accounting policies continued

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.

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 120.

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. These factors include the political and economic conditions in the relevant country, duration and quality of relationship with the customer, age of debt, cash flows from the customer and any relevant communication throughout the year. A review of the provision for bad and doubtful debts is performed at each month end and specifically at the end of each reporting period. It is an assessment of the potential amount of trade receivables which will not be paid by the customer after the balance sheet date. This is calculated by reference to the factors above as well the information disclosed in Note 17 notably the ageing of past due but not impaired.

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 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 in our Power Solutions Utility business are very large, and are in jurisdictions where payment practices can be unpredictable. During the year we continued to see delays in payments from a handful of customers in our Power Solutions Utility business in Africa and Venezuela and as a result of this, combined with worsening economic conditions in these countries, our bad debt provision increased by $23 million in this business unit.

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. 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. As a result of the rigorous approach to risk management, historically the Group has had a low level of bad debt write-offs. The Group does operate in countries, especially in our PSU business, where payments are unpredictable, where political and economic conditions mean that there is a risk of default and that risk can increase quickly, and has increased this year as set out above, therefore the Group's history in this area may not be indicative of the likely future outcome. When a trade receivable is uncollectable, it is written off against the provision for impairment of trade receivables. At 31 December 2017, the provision for impairment of trade receivables in the balance sheet was £80 million (2016: £67 million).

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 2017, we had tax provisions totalling £31 million of which £29 million is in respect of direct taxes and £2 million for indirect taxes (2016: £39 million, £37 million for direct and £2 million for indirect taxes). The movement in provisions between 2016 and 2017 is principally due to the utilisation of a provision in respect of an ongoing matter in Bangladesh, which has now been referred to the High Court and is likely to take several years to be resolved. Supported by strong legal opinion, we believe that we have a robust defence on this issue and therefore no further amounts have been provided in respect of this matter. The remaining provisions are principally held to manage the tax impact of various potential historic tax exposures, largely in connection with our Power Solutions Utilities business in Africa and Latin America, and potential transfer pricing risks faced by the Group with respect to how we transact internationally within the business

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 £10 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.

1 Accounting policies continued

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.

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 2017, Net Debt to EBITDA was 1.2 times (31 December 2016: 1.2 times).

The Group maintains sufficient facilities to meet its normal funding requirements over the medium term. At 31 December 2017, these facilities totalled £1,283 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 2017, these stood at 16 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 £652 million at 31 December 2017 and, at that date, undrawn committed facilities were £624 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 2017, £610 million of the net debt of £652 million was at fixed rates of interest resulting in a fixed to floating rate net debt ratio of 94:6 (2016: 59:41). The proportion of our debt with fixed interest rates is higher than usual at the year end ahead of some fixed rate debt maturities in the first half of 2018.

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 £1 million (2016: £3 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, Indonesian Rupiah, Mexican Peso, Indian Rupee, 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 £84 million (2016: £122 million) and operating profit by £9 million (2016: £1 million) for the year ended 31 December 2017. 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 (2016: £4 million) in operating profit in terms of translation.

Currency translation also gave rise to a £98 million decrease in reserves as a result of year on year movements in the exchange rates (2016: increase of £220 million). For every 5% movement in the Dollar, there is an approximate impact in equity of £31 million (2016: £25 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 43.

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

Refer to page 121.

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.

2 Proceeds from sale of property, plant and equipment

In the cash flow statement, proceeds from sale of PPE comprise:

	2017 £ million	2016 £ million
Net book amount	11	14
Profit on sale of PPE	3	9
Proceeds from sale of PPE	14	23

Profit on sale of PPE is shown within other income in the income statement.

3 Cash and cash equivalents

	2017 £ million	2016 £ million
Cash at bank and in hand	71	43
Short-term bank deposits	–	1
Bank overdrafts (Note 18)	(12)	(19)
Cash and cash equivalents	59	25

4 Segmental reporting

(A) Revenue by segment

	External revenue	
	2017 £ million	2016 £ million
Power Solutions		
Industrial	340	262
Utility	670	624
	1,010	886
Rental Solutions	720	629
Group	1,730	1,515

(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

	Operating profit	
	2017 £ million	2016 £ million
Power Solutions		
Industrial	55	32
Utility	93	164
	148	196
Rental Solutions	81	52
Operating profit pre-exceptional items	229	248
Exceptional items (Note 7)	(41)	(49)
Operating profit post-exceptional items	188	199
Finance costs – net	(34)	(27)
Profit before taxation	154	172
Taxation	(48)	(47)
Profit for the year	106	125

4 Segmental reporting continued

(C) Depreciation and amortisation by segment

	2017 £ million	Before exceptional charges 2016 £ million	Impairment charges 2016 £ million	Total 2016 £ million
Power Solutions				
Industrial	72	63	–	63
Utility	132	127	–	127
	204	190	–	190
Rental Solutions	96	95	30	125
Group	300	285	30	315

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

	2017 £ million	2016 £ million
Power Solutions		
Industrial	55	43
Utility	183	144
	238	187
Rental Solutions	75	94
Group	313	281

Capital expenditure comprises additions of property, plant and equipment (PPE) of £272 million (2016: £263 million), additions of intangible assets of £5 million (2016: £5 million), acquisitions of PPE of £28 million (2016: £10 million), and acquisitions of intangible assets of £8 million (2016: £3 million).

(E) Assets/(liabilities) by segment

	Assets		Liabilities	
	2017 £ million	2016 £ million	2017 £ million	2016 £ million
Power Solutions				
Industrial	628	491	(61)	(44)
Utility	1,109	1,169	(263)	(177)
	1,737	1,660	(324)	(221)
Rental Solutions	765	779	(100)	(94)
Group	2,502	2,439	(424)	(315)
Tax and finance payable	65	71	(87)	(117)
Derivative financial instruments	–	1	(3)	(7)
Borrowings	–	–	(711)	(674)
Retirement benefit obligation	–	–	(25)	(30)
Total assets/(liabilities) per balance sheet	2,567	2,511	(1,250)	(1,143)

4 Segmental reporting continued

(F) Average number of employees by segment

	2017 Number	2016 Number
Power Solutions		
Industrial	1,380	1,326
Utility	2,083	2,269
	3,463	3,595
Rental Solutions	2,515	2,495
Group	5,978	6,090

(G) Geographical information

	Revenue		Non-current assets	
	2017 £ million	2016 £ million	2017 £ million	2016 £ million
North America	391	337	253	286
UK	95	82	110	101
Continental Europe	141	123	119	110
Eurasia	86	41	70	61
Middle East	169	144	343	264
Africa	247	243	158	231
Asia	168	164	149	130
Auspac	90	80	67	69
Latin America	343	301	160	240
	1,730	1,515	1,429	1,492

Non-current assets exclude deferred tax.

(H) Reconciliation of net operating assets to net assets

	2017 £ million	2016 £ million
Net operating assets	2,078	2,124
Retirement benefit obligation	(25)	(30)
Net tax and finance payable	(22)	(46)
	2,031	2,048
Borrowings and derivative financial instruments	(714)	(680)
Net assets	1,317	1,368

5 Profit before taxation

The following items have been included in arriving at profit before taxation:

	2017 £ million	2016 £ million
Staff costs (Note 8)	401	355
Cost of inventories recognised as an expense (included in cost of sales)	112	91
Depreciation of property, plant and equipment	296	281
Impairment of property, plant and equipment	–	30
Amortisation of intangibles (included in administrative expenses)	4	4
Net gain on disposal of property, plant and equipment	(3)	(9)
Trade receivables impairment (included in administrative expenses)	25	5
Operating lease rentals payable	39	38

For the year ended 31 December 2017

6 Auditors' remuneration

	2017 £000	2016 £000
Audit services		
Fees payable to the Company's auditor for the audit of the Company's annual accounts and consolidated financial statements	248	224
Fees payable to the Company's auditor and its associates for other services:		
– The audit of the Company's subsidiaries	941	784
– Other assurance related services	50	72
– Other	–	230
– Tax compliance	9	56

(i) 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 (2016: £8k).

7 Exceptional items

The definition of exceptional items is contained within Note 1 of the 2017 Annual Report and Accounts. An exceptional charge of £41 million before tax was recorded in the year to 31 December 2017 (2016: £19 million) in respect of the Group's Business Priorities programme. The costs comprise £22 million of employee related costs (2016: £11 million), £8 million of professional fees (2016: £7 million) and £11 million of property related costs (2016: £1 million). 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 £13 million (2016: £10 million), Power Solutions – Industrial £11 million (2016: £3 million) and Power Solutions – Utility £17 million (2016: £6 million). In 2016 there was also an exceptional charge of £30 million relating to the impairment of small gas generators used solely in the North American Oil and Gas sector.

8 Employees and Directors

Staff costs for the Group during the year:

	2017 £ million	2016 £ million
Wages and salaries (including severance costs)	345	306
Social security costs	32	31
Share-based payments	8	8
Pension costs – defined contribution plans	13	8
Pension costs – defined benefit plans (Note 31.A5)	3	2
	401	355

Full details of Directors' remuneration are set out in the Remuneration Report on page 76.

The key management comprises Executive and Non-executive Directors.

	2017 £ million	2016 £ million
Short-term employee benefits	3	3
Share-based payments	–	1
	3	4

9 Net finance charge

	2017 £ million	2016 £ million
Finance costs on bank loans and overdrafts	(36)	(29)
Finance income on bank balances and deposits	2	2
	(34)	(27)

10 Taxation

	Total before exceptional items 2017 £ million	Exceptional items[i] (Note 7) 2017 £ million	2017 £ million	Total before exceptional items 2016 £ million	Exceptional items (Note 7) 2016 £ million	2016 £ million
Analysis of charge in year						
Current tax expense:						
– UK corporation tax	11	(2)	9	7	(1)	6
– Overseas taxation	78	(7)	71	73	(4)	69
	89	(9)	80	80	(5)	75
Adjustments in respect of prior years:						
– UK	(2)	–	(2)	–	–	–
– Overseas	(3)	–	(3)	(8)	–	(8)
	84	(9)	75	72	(5)	67
Deferred taxation (Note 22):						
– Temporary differences arising in current year	(27)	–	(27)	(13)	(11)	(24)
– Movements in respect of prior years	–	–	–	4	–	4
	57	(9)	48	63	(16)	47

(i) Exceptional items are explained in Note 7 and comprise costs of £41 million relating to our Business Priorities programme (2016: £19 million) and £nil relating to asset impairment (2016: £30 million). Of these costs, £41 million are tax deductible (2016: £45 million) and result in an exceptional credit of £9 million (2016: £16 million).

The tax (charge)/credit relating to components of other comprehensive income is as follows:

	2017 £ million	2016 £ million
Deferred tax on hedging reserve movements	(1)	–
Deferred tax on retirement benefits	(1)	5
	(2)	5

10 Taxation continued

Variances between the current tax charge and the standard 19% UK corporate tax rate when applied to profit on ordinary activities for the year are as follows:

	Total before exceptional items 2017 £ million	Exceptional items (Note 7) 2017 £ million	2017 £ million
Profit before taxation	195	(41)	154
Tax calculated at 19% standard UK corporate tax rate	38	(8)	30
Differences between UK and overseas tax rates	30	(1)	29
Expenses not tax effected	8	–	8
Income not subject to tax	(3)	–	(3)
Impact of deferred tax rate changes to US tax reform	(10)	–	(10)
Impact of deferred tax rate changes – non US	(1)	–	(1)
Tax on current year profit	62	(9)	53
Prior year adjustments – current tax	(5)	–	(5)
Total tax on profit	**57**	**(9)**	**48**
Effective tax rate	**29%**	**23%**	**31%**

	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%

11 Dividends

	2017 £ million	2017 per share (p)	2016 £ million	2016 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 2017 of 17.74 pence per share which will utilise an estimated £45 million of Shareholders' funds. It will be paid on 22 May 2018 to shareholders who are on the register of members on 20 April 2018.

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.

	2017	2016
Profit for the year (£ million)	106	125
Weighted average number of Ordinary Shares in issue (million)	255	255
Basic earnings per share (pence)	41.54	48.88

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.

	2017	2016
Profit for the year (£ million)	106	125
Weighted average number of Ordinary Shares in issue (million)	255	255
Adjustment for share options	–	–
Diluted weighted average number of Ordinary Shares in issue (million)	255	255
Diluted earnings per share (pence)	41.51	48.86

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.

	2017 £ million	2016 £ million
Profit for the year	106	125
Exclude exceptional items	32	33
Profit for the year pre-exceptional items	138	158

An adjusted earnings per share figure is presented below.

Basic earnings per share pre-exceptional items (pence)	53.98	61.98
Diluted earnings per share pre-exceptional items (pence)	53.94	61.95

13 Goodwill

	2017 £ million	2016 £ million
Cost		
At 1 January	159	118
Acquisitions (Note 29)	35	7
Exchange adjustments	(10)	34
At 31 December	184	159
Accumulated impairment losses	–	–
Net book value	184	159

Goodwill impairment tests

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

	2017 £ million	2016 £ million
Power Solutions		
Industrial	54	60
Utility	34	16
	88	76
Rental Solutions	96	83
Group	184	159

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:

	2017				2016			
	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	127	8.1%	11.4%	3%	95	8.7%	12.0%	3%
Power Solutions Utility	225	8.1%	11.4%	3%	291	8.7%	12.0%	3%
Rental Solutions	177	8.1%	11.4%	3%	147	8.7%	12.0%	3%

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 2017, 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 £1.3 billion and the lowest £456 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 31.A2.

15 Property, plant and equipment

Year ended 31 December 2017

	Freehold properties £ million	Short leasehold properties £ million	Rental fleet £ million	Vehicles, plant and equipment £ million	Total £ million
Cost					
At 1 January 2017	91	22	3,475	136	3,724
Exchange adjustments	(3)	(1)	(256)	(7)	(267)
Additions	1	1	246	24	272
Acquisitions (Note 29)	–	–	23	5	28
Disposals	(3)	(2)	(88)	(6)	(99)
At 31 December 2017	**86**	**20**	**3,400**	**152**	**3,658**
Accumulated depreciation					
At 1 January 2017	36	16	2,272	91	2,415
Exchange adjustments	(2)	–	(172)	(5)	(179)
Charge for the year	3	1	275	17	296
Disposals	(2)	(2)	(79)	(5)	(88)
At 31 December 2017	**35**	**15**	**2,296**	**98**	**2,444**
Net book values:					
At 31 December 2017	**51**	**5**	**1,104**	**54**	**1,214**
At 31 December 2016	55	6	1,203	45	1,309

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	–	–	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

Assets in course of construction are included within Rental fleet.

For the year ended 31 December 2017

16 Inventories

	2017 £ million	2016 £ million
Raw materials and consumables	221	242
Work in progress	11	5
	232	247

17 Trade and other receivables

	2017 £ million	2016 £ million
Trade receivables	570	521
Less: provision for impairment of receivables	(80)	(67)
Trade receivables – net	490	454
Prepayments	57	38
Accrued income	139	109
Other receivables (Note (i))	84	55
Total receivables	770	656

(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 is booked at fair value which reflects our estimation of the recoverability of these notes. This fair value is estimated to be £4 million (2016: £8 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:

	2017 £ million	2016 £ million
Sterling	33	19
Euro	110	98
US Dollar	348	340
Other currencies	279	199
	770	656

Movements on the Group's provision for impairment of trade receivables are as follows:

	2017 £ million	2016 £ million
At 1 January	67	64
Net provision for receivables impairment	25	5
Transfer to other receivables	–	(8)
Utilised	(3)	(5)
Receivables written off during the year as uncollectable	(3)	(3)
Exchange	(6)	14
At 31 December	80	67

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 2017

	Fully performing £ million	Past due £ million	Impaired £ million	Total £ million
Power Solutions				
Industrial	47	36	6	89
Utility	70	199	64	333
	117	235	70	422
Rental Solutions	67	71	10	148
Group	184	306	80	570

17 Trade and other receivables continued

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**

Ageing of past due but not impaired trade receivables

	2017 £ million	2016 £ million
Less than 30 days	**90**	71
Between 30 and 60 days	**36**	51
Between 60 and 90 days	**24**	34
Greater than 90 days	**156**	143
	306	299

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 uncollectable as a percentage of total gross debtors was nil% (2016: 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.

The total trade receivables balance as at 31 December 2017 for our Power Solutions Utility business was £333 million (2016: £309 million). Within this balance, receivable balances totalling £41 million (2016: £53 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 £292 million (2016: £256 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 uncollectable as a percentage of total Gross Debtors was 2% (2016: 2%).

18 Borrowings

	2017 £ million	2016 £ million
Non-current		
Bank borrowings	103	329
Private placement notes	481	304
	584	633
Current		
Bank overdrafts	12	19
Bank borrowings	72	41
Private placement notes	55	–
	139	60
Total borrowings	723	693
Short-term deposits	–	(1)
Cash at bank and in hand	(71)	(43)
Net borrowings	652	649

Overdrafts and borrowings are unsecured.

(i) Maturity of financial liabilities

The maturity profile of the borrowings was as follows:

	2017 £ million	2016 £ million
Within 1 year, or on demand	139	60
Between 1 and 2 years	79	97
Between 2 and 3 years	26	150
Between 3 and 4 years	146	127
Between 4 and 5 years	–	178
Greater than 5 years	333	81
	723	693

(ii) Borrowing facilities

The Group has the following undrawn committed floating rate borrowing facilities available at 31 December 2017 in respect of which all conditions precedent had been met at that date:

	2017 £ million	2016 £ million
Expiring within 1 year	77	–
Expiring between 1 and 2 years	64	178
Expiring between 2 and 3 years	383	1
Expiring between 3 and 4 years	50	189
Expiring between 4 and 5 years	50	34
Expiring after 5 years	–	–
	624	402

(iii) Interest rate risk profile of financial liabilities

Refer to Note 31.A3.

(iv) Interest rate risk profile of financial assets

Refer to Note 31.A3.

(v) Preference share capital

Refer to Note 31.A3.

19 Financial instruments

Refer to Note 31.A4.

(i) Fair values of financial assets and financial liabilities

Refer to Note 31.A4.

(ii) Summary of methods and assumptions

Refer to Note 31.A4.

(iii) Derivative financial instruments

Refer to Note 31.A4.

(iv) The exposure of the Group to interest rate changes when borrowings reprice

Refer to Note 31.A4.

20 Trade and other payables

	2017 £ million	2016 £ million
Trade payables	**160**	88
Other taxation and social security payable	**16**	13
Other payables	**78**	68
Accruals	**127**	113
Deferred income	**27**	17
	408	299

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 2017	1
New provisions	40
Utilised	(32)
Exchange adjustments	(1)
At 31 December 2017	**8**
Analysis of total provisions	
Current	8
Non-current	–
Total	**8**

The provisions for the business priorities implementation programme are generally in respect of employee severance costs and depot closure costs. The provision is expected to be fully utilised by the end of 2018.

22 Deferred tax

31 December 2017

	At 1 January 2017 £ million	Credit/(debit) to income statement 2017 £ million	Debit to other comprehensive income 2017 £ million	Deferred tax in relation to acquisition 2017 £ million	Exchange differences 2017 £ million	**At 31 December 2017 £ million**
Fixed asset temporary differences	(71)	32	–	(2)	1	**(40)**
Retirement benefit obligations	5	–	(1)	–	–	**4**
Overseas tax on unremitted earnings	(1)	1	–	–	–	**–**
Tax losses	40	(8)	–	–	–	**32**
Derivative financial instruments	1	–	(1)	–	–	**–**
Other temporary differences	22	2	–	–	–	**24**
	(4)	27	(2)	(2)	1	**20**

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 temporary 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)

Changes to US corporation tax were substantively enacted as part of H.R. 1 ('Tax Cuts and Jobs Act') on 22 December 2017, including a reduction in the corporate tax rate from 35% to 21% with effect from 1 January 2018. Deferred taxes at the balance sheet date have been measured at 24.8% to reflect the enacted tax rates for corporate and state taxes. This remeasurement gives rise to a £10 million credit in the 2017 Accounts.

A deferred tax liability of £nil (2016: £1 million) has been recognised in respect of unremitted earnings.

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 £23 million (2016: £11 million) of which £21 million (2016: £11 million) relates to carried forward tax losses and £2 million relates to fixed asset timing differences (2016: nil) as our forecasts indicate that these assets will not reverse in the near future. Of the unrecognised deferred tax, £9 million (2016: £nil) relates to the Younicos entities which were acquired during the year.

Deferred tax assets of £32 million (2016: £33 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 2017			31 December 2016		
	Assets £ million	Liabilities £ million	Net £ million	Assets £ million	Liabilities £ million	Net £ million
Fixed asset timing differences	12	(52)	(40)	12	(83)	(71)
Retirement benefit obligations	4	–	4	5	–	5
Overseas tax on unremitted earnings	–	–	–	–	(1)	(1)
Tax losses	32	–	32	40	–	40
Derivative financial instruments	–	–	–	1	–	1
Other temporary differences	24	–	24	22	–	22
Total	72	(52)	20	80	(84)	(4)
Offset of deferred tax positions	(30)	30	–	(29)	29	–
Net deferred tax	42	(22)	20	51	(55)	(4)

The net deferred tax asset due after more than one year is £20 million (2016: liability of £4 million).

23 Share capital

	2017 Number of shares	2017 £000	2016 Number of shares	2016 £000
(i) Ordinary Shares of $4\frac{329}{395}$ pence (2016: $4\frac{329}{395}$ pence)				
At 1 January and 31 December	256,128,201	12,378	256,128,201	12,378
(ii) Deferred Ordinary Shares of $6\frac{18}{25}$ pence (2016: $6\frac{18}{25}$ pence)				
At 1 January and 31 December	182,700,915	12,278	182,700,915	12,278
(iii) Deferred Ordinary Shares of $\frac{1}{775}$ pence (2016: $\frac{1}{775}$ pence)				
At 1 January and 31 December	18,352,057,648	237	18,352,057,648	237
(iv) Deferred Ordinary Shares of $9\frac{84}{775}$ pence (2016: $9\frac{84}{775}$ pence)				
At 1 January and 31 December	188,251,587	17,147	188,251,587	17,147
(v) Deferred Ordinary Shares $\frac{1}{306125}$ pence (2016: $\frac{1}{306125}$ pence)				
At 1 January and 31 December	573,643,383,325	19	573,643,383,325	19

The rights and obligations attached to shares is described on pages 98 to 100.

For the year ended 31 December 2017

24 Treasury shares

	2017 £ million	2016 £ million
Treasury shares	(7)	(14)

Interests in own shares represents the cost of 527,373 of the Company's Ordinary Shares (nominal value $4^{329}/_{395}$ pence). Movement during the year was as follows:

	2017 Number of shares	2016 Number of shares
1 January	1,048,816	535,538
Purchase of shares	–	700,000
Long-term Incentive Plan Maturity	(1,698)	(76,728)
Sharesave maturity	–	(560)
Deferred shares and restricted stock	(519,745)	(106,206)
Shares in relation to dividends on Deferred Shares and restricted stock	–	(3,228)
31 December	527,373	1,048,816

These shares represent 0.2% of issued share capital as at 31 December 2017 (2016: 0.4%).

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 2017 was £4 million (31 December 2016: £10 million).

25 Capital commitments

	2017 £ million	2016 £ million
Contracted but not provided for (property, plant and equipment)	32	22

26 Operating lease commitments – minimum lease payments

	2017 £ million	2016 £ million
Commitments under non-cancellable operating leases expiring:		
Within one year	20	26
Later than one year and less than five years	53	49
After five years	25	17
Total	98	92

27 Pension commitments

Refer to Note 31.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 modular, mobile power, heating, cooling 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 Bangladesh Power Solutions Limited	Bangladesh	Concord Baksh Tower, Level-6, Plot-11A, Road-48, Block-CWN(A), Kamal Ataturk Avenue, Gulshan-2, Dhaka, Bangladesh
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
Younicos Energy Services Ltd	Canada	95 Foundry Street, Suite 300, Moncton NB, E1C 5H7, 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 G, 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	Barbarastraße 62, 46282 Dorsten, Germany
Younicos GmbH	Germany	Am Studio 16, 12489 Berlin, 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
Aggreko Energy Services Indonesia PT	Indonesia	Jl. Danau Cincin Utara Block E No 10-B, Lantai 2, Papanggo Tanjung Priok Jakarta Utara DKI, Jakarta Raya, 14340, Indonesia
PT Kertabumi Teknindo	Indonesia	Perkantoran Mitra Matraman Blok A1-7, Jalan Matraman Raya No.148, Kebon Manggis Sub-district, East Jakarta, Indonesia
Aggreko Ireland Ltd	Ireland	Riverside One, Sir John Rogerson's Quay, Dublin 2, D02 X576, Ireland
Aggreko Italia S.R.L.	Italy	29, Via A. Einstein, Assago (MI), 20090, Italy
Aggreko Japan Limited	Japan	4F, Ace Kudan Building, 2-2-1 Kudan-Minami, Chiyoda-ku, Tokyo, 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	c/o Abax Corporate Services Ltd, 6th Floor, Tower A, 1 CyberCity, Mauritius

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 PNG, 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	Unit 1101, Picadily Star Building, 4th Avenue, 27th Street Bonifacio Global City, Taguig City, 1634, Philippines
Aggreko Polska Spolka Zorganiczana	Poland	Fort Ordona 6 street, Czosnow, 05-152, Poland
Graciolica Lda	Portugal	Estrada Velha Do Quitadouro, Ilha da Graciosa, 9880 315 Santa Cruz da Graciosa, Portugal
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
Milman International PTE LTD	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	Ubungo 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
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

28 Investments in subsidiaries continued

Company	Country of Incorporation	Registered address
Aggreko Events Services Limited	UK	120 Bothwell Street, Glasgow, G2 7JS, Scotland, United Kingdom
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
Younicos Inc	USA	3100 Alvin Devane Blvd, Building A, Suite 200, Austin, TX, 78741, 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.

29 Acquisitions

Younicos

On 3 July 2017 the Group acquired 100% of the share capital of Younicos, a global market leader in the development and deployment of integrated energy systems. This capability investment will help us provide a lower cost, cleaner energy and broadens the range of products available to our customers. The cost of the acquisition was £47 million.

The revenue and operating loss included in the consolidated income statement from 3 July to 31 December 2017 contributed by Younicos was £10 million and £6 million respectively.

Had Younicos been consolidated from 1 January 2017, the consolidated income statement for the year ended 31 December 2017 would show revenue and operating profit of £1,735 million and £176 million respectively.

The acquisition method of accounting has been adopted and the goodwill arising on the purchase has been capitalised. Acquisition related costs of £0.8 million have been expensed in the period and are included within administrative expenses in the income statement.

Goodwill represents the value of synergies arising from the integration of the acquired business. Younicos' proprietary software and control systems, together with its knowledge of battery storage, enable the integration of multiple energy sources, both thermal and renewable, to deliver an optimised energy system. We can leverage Younicos' expertise and combine this with our generating technology, deployment capability and global scale to provide customers with a reliable, cheaper and cleaner source of energy.

KBT (Kerta Bumni Teknindo)

On 14 June 2017 the Group acquired 95% of the share capital of KBT, an Indonesia-based power rental company, for a maximum consideration of £25 million. Indonesia is a good market for Aggreko's solutions and this acquisition strengthens our business in this important power market.

Included within this maximum consideration is £7 million which was deposited into an escrow account as contingent consideration. The total potential undiscounted amount of all future payments that the seller could have be entitled to under the acquisition agreement was between £nil and £7 million, payable after year one and year three.

These amounts were dependent upon a number of conditions relating to the contracts in place at the acquisition date.

Deductions would be made for the following:

- Any contracts that:
  - are off-hired;
  - are expired or have been terminate;d or
  - have extended at terms lower than those currently in place.
- Any claims against the contract including overdue trade receivables, tax or misrepresentations.

These conditions were assessed post acquisition and resulted in Aggreko recognising a receivable in relation to the full contingent consideration value of £7 million.

The revenue and operating profit included in the consolidated income statement from 14 June 2017 to 31 December 2017 contributed by KBT was £7 million and £nil respectively.

Had KBT been consolidated from 1 January 2017, the consolidated income statement for the year ended 31 December 2017 would show revenue and operating profit of £1,737 million and £188 million respectively.

The acquisition method of accounting has been adopted and the goodwill arising on the purchase has been capitalised. Acquisition related costs of £0.4 million have been expensed in the period and are included within administrative expenses in the income statement.

Negative goodwill has arisen as the seller required a quick sale and believed Aggreko was a good fit for the business.

TuCo Industrial Products, Inc

On 27 January 2017 the Group completed the acquisition of the business and assets of TuCo Industrial Products, Inc (TuCo).

TuCo specialises in providing temporary heat and air conditioning equipment to the construction, industrial, commercial and special events industries and strengthen our business in these sectors. The purchase consideration paid in cash was £3 million.

The revenue and operating profit included in the consolidated income statement from 27 January 2017 to 31 December 2017 contributed by TuCo was £2 million and £nil respectively. Had TuCo been consolidated from 1 January 2017, the consolidated income statement for the period ended 31 December 2017 would show revenue and operating profit of £1,730 million and £188 million respectively.

The acquisition method of accounting has been adopted and the goodwill arising on the purchase has been capitalised. Acquisition related costs of £0.2 million have been expensed in the period and are included within administrative expenses in the income statement.

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.

The details of the transactions and the fair value of assets acquired in the three acquisitions are shown in the table below:

	Younicos £ million	KBT £ million	TuCo £ million	Total £ million
Property, plant and equipment	5	22	1	28
Intangible assets	6	2	–	8
Inventory	–	–	1	1
Trade and other receivables	6	4	–	10
Trade and other payables	(4)	(8)	–	(12)
Deferred taxation	(2)	–	–	(2)
Loans and financing	–	(18)	–	(18)
Cash	2	–	–	2
Net assets acquired	13	2	2	17
Goodwill (i)	34	(2)	1	33
Consideration (ii)	47	–	3	50
Loans and financing settled	–	18	–	18
Consideration in escrow due to be received	–	7	–	7
Less cash and cash equivalents acquired	(2)	–	–	(2)
Net cash outflow	45	25	3	73

(i) Negative goodwill of £2 million in relation to KBT is reflected in the income statement.

(ii) The effective purchase consideration for KBT was £7 million plus loans and financing settled of £18 million.

The fair values are provisional and will be finalised during the first half of 2018.

30 Post Balance Sheet Events

On 15 February 2018 the Group announced the acquisition in North America of the business and assets of A Contact Electric Rentals. The acquisition furthers Aggreko's leadership position in the specialty rental market and long-term growth strategy to excel through specialised rental solutions. A Contact specialises in the rental of medium and high voltage electrical distribution equipment. The cost of the acquisition was £21 million ($30 million). For the year ended 31 December 2017 A Contact had revenues and operating profit of around £9 million and £4 million respectively. The fair values will be calculated during the first half of 2018.

31 Notes to the Group Accounts – appendices

31.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.

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.

31.A2 Other intangible assets

Year end 31 December 2017

	Customer relationships and non-compete agreements £ million	Development expenditure £ million	Technology £ million	Total £ million
Cost				
At 1 January 2017	56	5	–	61
Acquisitions (Note 29)	5	–	3	8
Additions	–	5	–	5
Exchange adjustments	(5)	–	–	(5)
At 31 December 2017	**56**	**10**	**3**	**69**
Accumulated amortisation				
At 1 January 2017	37	–	–	37
Charge for the year	4	–	–	4
Exchange adjustments	(3)	–	–	(3)
At 31 December 2017	**38**	**–**	**–**	**38**
Net book values				
At 31 December 2017	**18**	**10**	**3**	**31**
At 31 December 2016	19	5	–	24

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 2016

	Customer relationships and non-compete agreements £ million	Development expenditure £ million	Total £ million
Cost			
At 1 January 2016	42	–	42
Acquisitions	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.

31.A3 Borrowings

(i) Interest rate risk profile of financial liabilities

The interest rate profile of the Group's financial liabilities at 31 December 2017, after taking account of the interest rate swaps used to manage the interest profile, was:

				Fixed rate debt	
	Floating rate £ million	Fixed rate £ million	Total £ million	Weighted average interest rate %	Weighted average period for which rate is fixed Years
Currency:					
US Dollar	7	610	617	4.0	5.9
Chinese Renminbi	5	–	5	–	–
Peruvian Sol	5	–	5	–	–
South African Rand	5	–	5	–	–
Mexican Pesos	17	–	17	–	–
Russian Roubles	10	–	10	–	–
Brazil Reals	10	–	10	–	–
Indonesian Rupiah	17	–	17	–	–
Indian Rupees	10	–	10	–	–
Japanese Yen	7	–	7	–	–
Romanian Lieu	7	–	7	–	–
Colombian Peso	3	–	3	–	–
Mozambican Metical	4	–	4	–	–
Other currencies	6	–	6	–	–
As at 31 December 2017	**113**	**610**	**723**		

				Fixed rate debt	
	Floating rate £ million	Fixed rate £ million	Total £ million	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		

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.

31.A3 Borrowings continued

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 £74 million (2016: £81 million) of borrowings in the above table as fixed rate.

The notional principal amount of the outstanding interest rate swap contracts at 31 December 2017 was £74 million (2016: £81 million).

(ii) Interest rate risk profile of financial assets

	Cash at bank and in hand £ million
Currency:	
US Dollar	26
Euro	4
Brazilian Real	2
Fijian Dollar	1
Australian Dollar	3
Saudi Riyal	3
Indonesian Rupiah	5
Nigerian Naira	3
Argentina Pesos	3
Korean Won	3
Other currencies	18
At 31 December 2017	**71**

	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

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

	2017 Number	2017 £000	2016 Number	2016 £000
Authorised:				
Redeemable preference shares of 25p each	**199,998**	**50**	199,998	50

No redeemable preference shares were allotted as at 31 December 2017 and 31 December 2016. The Board is authorised to determine the terms, conditions and manner of redemption of redeemable shares.

31.A4 Financial instruments

As stated in our accounting policies Note 31.A1 on page 143 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 2017. 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.

	2017		2016	
	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	(139)	(139)	(60)	(60)
Non-current borrowings	(584)	(584)	(633)	(633)
Short-term deposits	–	–	1	1
Cash at bank and in hand	71	71	43	43
Derivative financial instruments held:				
Interest rate swaps	(2)	(2)	(5)	(5)
Net forward foreign currency contracts	(1)	(1)	(1)	(1)
Trade receivables	490	490	454	454
PDVSA private placement notes	4	4	8	8
Trade payables	(160)	(160)	(88)	(88)

(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. Private placement notes are Level 2.

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.

31.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.

	2017		2016	
	Assets £ million	Liabilities £ million	Assets £ million	Liabilities £ million
Current:				
Forward foreign currency contracts – cash flow hedge	–	(1)	1	(2)
Non-current:				
Interest rate swaps – cash flow hedge	–	(2)	–	(5)
	–	(3)	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:

	2017 £ million	2016 £ million
Interest rate swaps	(2)	(5)
Forward foreign currency contracts	(1)	(1)
	(3)	(6)

The net fair value losses at 31 December 2017 on open forward exchange contracts that hedge the foreign currency risk of future anticipated expenditure are £1 million (2016: losses of £1 million). These will be allocated to expenditure when the forecast expenditure occurs. The net fair value liabilities at 31 December 2017 on open interest swaps that hedge interest risk are £2 million (2016: liabilities of £5 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:

	2017 £ million	2016 £ million
US Dollar	610	491
Canadian Dollars	–	42
Euro	–	26
Russian Roubles	–	40

A foreign exchange gain of £55 million (2016: loss of £117 million) on translation of the borrowings into Sterling has been recognised in exchange reserves.

31.A4 Financial instruments continued

(iv) The exposure of the Group to interest rate changes when borrowings reprice is as follows:

As at 31 December 2017

	<1 year £ million	1-5 years £ million	>5 years £ million	**Total £ million**
Total borrowings	139	251	333	**723**
Effect of interest rate swaps and other fixed rate debt	(55)	(222)	(333)	**(610)**
	84	29	–	**113**

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 2017 and 31 December 2016, 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 122.

The effective interest rates at the balance sheet date were as follows:

	2017	2016
Bank overdrafts	**12.1%**	8.2%
Bank borrowings	**4.9%**	3.1%
Private placement	**3.9%**	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 2017

	<1 year £ million	1-2 years £ million	2-5 years £ million	>5 years £ million
Borrowings	140	80	192	444
Derivative financial instruments	1	2	–	–
Trade and other payables	162	–	–	–
	303	**82**	**192**	**444**

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

No trade payable balances have a contractual maturity greater than 90 days.

31.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 2017

	<1 year
Forward foreign exchange contracts – cash flow hedges	
Outflow	(141)
Inflow	140
	(1)

As at 31 December 2016

	<1 year
Forward foreign exchange contracts – cash flow hedges	
Outflow	(123)
Inflow	122
	(1)

All of the Group's forward foreign currency exchange contracts are due to be settled within one year of the balance sheet date.

31.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 2017 was £11 million (2016: £6 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, 2016 and 2017 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 this defined contribution scheme during the year (2016: £2 million). There are no outstanding or prepaid balances at the year end.

31.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 2017	31 Dec 2016
Rate of increase in salaries	4.9%	5.0%
Rate of increase in pensions in payment	3.1%	3.4%
Rate of increase in deferred pensions	3.4%	3.5%
Discount rate	2.6%	2.7%
Inflation assumption	3.4%	3.5%
Longevity at age 65 for current pensioners (years)		
Men	24.3	24.2
Women	26.9	26.8
Longevity at age 65 for future pensioners (years)		
Men	26.9	26.8
Women	29.7	29.5

The assets in the Scheme were:

Equities	Value at 31 Dec 2017 £ million	Value at 31 Dec 2016 £ million	Value at 31 Dec 2015 £ million
– UK Equities	10	9	8
– Overseas Equities	13	13	12
– Diversified Growth	8	8	7
– Absolute Return	8	8	8
Index-linked Bonds	49	49	37
Bonds	19	18	17
Cash	2	–	1
Total	109	105	90

The amounts included in the balance sheet arising from the Group's obligations in respect of the Scheme are as follows:

	2017 £ million	2016 £ million	2015 £ million
Fair value of assets	109	105	90
Present value of funded obligations	(134)	(135)	(92)
Liability recognised in the balance sheet	(25)	(30)	(2)

31.A5 Pensions continued

Movement in defined benefit liability during the year:

	Defined benefit obligation		Fair value of Scheme assets		Net defined benefit liability	
	2017 £ million	2016 £ million	2017 £ million	2016 £ million	2017 £ million	2016 £ million
Balance at 1 January	(135)	(92)	105	90	(30)	(2)
Included in income statement						
Service cost	(2)	(2)	–	–	(2)	(2)
Interest cost	(4)	(4)	–	–	(4)	(4)
Interest income	–	–	3	4	3	4
	(6)	(6)	3	4	(3)	(2)
Included in statement of comprehensive income						
Remeasurements						
– Effect of changes in financial assumptions	2	(40)	–	–	2	(40)
– Return on plan assets (excluding interest income)	–	–	3	11	3	11
	2	(40)	3	11	5	(29)
Other						
Employer contributions	–	–	3	3	3	3
Benefits paid	5	3	(5)	(3)	–	–
	5	3	(2)	–	3	3
Balance at 31 December	(134)	(135)	109	105	(25)	(30)

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 2017 with a suitable insurer. This amount represents the amount that would be required to settle the Scheme liabilities at 31 December 2017 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 2017 is around £196 million which gives a Scheme shortfall on a buyout basis of approximately £87 million.

Cumulative actuarial gains and losses recognised in equity

	2017 £ million	2016 £ million
At 1 January	63	34
Actuarial (gains)/losses recognised in the year	(5)	29
At 31 December	58	63

The actual return on Scheme assets was a gain of £4 million (2016: £16 million).

31.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 a phased implementation of an investment strategy which will reduce the Scheme's exposure to adverse movements in interest rates and inflation. The reduction in interest rate and inflation risk will be achieved by investing in Liability Driven Investment ('LDI') funds which better match the liabilities of the Scheme and reduce the risk of funding level volatility. Once the phased implementation of the LDI funds is completed (expected to be achieved by September 2018) the Scheme will have removed 50% of interest rate and inflation risk (as measured on a gilts flat basis).

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 30 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.

	2017 £ million	2016 £ million
Defined benefit obligation by participant status		
Actives	**59**	57
Deferreds	**47**	51
Pensioners	**28**	27
	134	135

The duration of the liabilities is approximately 29 years.

Expected cash flows in future years

Expected employer contributions for the year ended 31 December 2018 are £3 million. Expected total benefit payments: approximately £7 million per year for the next 10 years.

COMPANY BALANCE SHEET (COMPANY NUMBER: SC177553)

As at 31 December 2017

	Notes	2017 £ million	2016 £ million
Fixed assets			
Property, plant and equipment	36	**25**	12
Investments	37	**730**	683
		755	695
Current assets			
Other receivables	38	**790**	921
Cash and cash equivalents		**6**	33
Deferred tax asset	42	**5**	7
Current tax asset		**17**	10
		818	971
Creditors: amounts falling due within one year			
Borrowings	39	**(82)**	(10)
Other payables	40	**(384)**	(501)
Derivative financial instruments		**(1)**	(1)
Provisions	41	**(1)**	–
Net current assets		**350**	459
Total assets less current liabilities		**1,105**	1,154
Creditors: amounts falling due after one year			
Borrowings	39	**(584)**	(633)
Derivative financial instruments		**(2)**	(5)
Retirement benefit obligation	31.A5	**(25)**	(30)
Net assets		**494**	486
Shareholders' equity			
Share capital	43	**42**	42
Share premium		**20**	20
Treasury shares		**(7)**	(14)
Capital redemption reserve		**13**	13
Hedging reserve		**(2)**	(3)
Retained earnings		**428**	428
Total Shareholders' equity		**494**	486

The financial statements on pages 154 to 160 were approved by the Board of Directors on 6 March 2018 and signed on its behalf by:

K Hanna
Chairman

H Drewett
Chief Financial Officer

COMPANY STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

Profit for the year	64	125
Other comprehensive income/(loss)		
Items that will not be reclassified to profit or loss		
– Remeasurement of retirement benefits	5	(29)
– Taxation on remeasurement of retirement benefits	(1)	5
Items that may be reclassified subsequently to profit or loss		
– Cash flow hedges	2	1
– Taxation on cash flow hedges	(1)	–
Other comprehensive income/(loss) for the year (net of tax)	5	(23)
Total comprehensive income for the year	69	102

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

As at 31 December 2017

	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 2017	42	20	(14)	13	(3)	428	486
Profit for the year	–	–	–	–	–	64	64
Other comprehensive income/(loss):							
Fair value gains on interest rate swaps (net of tax)	–	–	–	–	1	–	1
Remeasurement of retirement benefits (net of tax)	–	–	–	–	–	4	4
Total comprehensive income for the year ended 31 December 2017	**–**	**–**	**–**	**–**	**1**	**68**	**69**
Transactions with owners:							
Employee share awards	–	–	–	–	–	8	8
Issue of Ordinary Shares to employees under share option schemes	–	–	7	–	–	(7)	–
Dividends paid during 2017	–	–	–	–	–	(69)	(69)
	–	–	7	–	–	(68)	(61)
Balance at 31 December 2017	**42**	**20**	**(7)**	**13**	**(2)**	**428**	**494**

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 income/(loss):							
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**

NOTES TO THE COMPANY ACCOUNTS

For the year ended 31 December 2017

32 Company accounting policies

32.1 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.

32.1.1 Going concern

Given the going concern disclosures in the Group Accounts on page 116, the Directors consider it appropriate to adopt the going concern basis of accounting in preparing these financial statements.

32.1.2 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).

32 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 143.

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 120.

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 143 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.

33 Critical accounting estimates and assumptions

Taxation

This is explained in Note 1 to the Group Accounts on page 121.

34 Dividends

Refer to Note 11 of the Group Accounts.

35 Auditors' remuneration

	2017 £000	2016 £000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	248	224
Fees payable to the Company's auditor and its associates for other services:		
– Other assurance related services	46	72
– Other	–	230

36 Property, plant and equipment

	Total £ million
Cost	
At 1 January 2017	19
Additions	17
At 31 December 2017	**36**
Accumulated depreciation	
At 1 January 2017	7
Charge for the year	4
At 31 December 2017	**11**
Net book values:	
At 31 December 2017	**25**
At 31 December 2016	12

The property, plant and equipment of the Company comprise vehicles, plant and equipment.

37 Investments

	£ million
Cost of investments in subsidiary undertakings:	
At 1 January 2017	683
Additions	41
Net impact of share-based payments	6
At 31 December 2017	**730**

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.

The additional investment was in Aggreko Holdings Limited to allow it to invest in Aggreko Russia Finance Limited which was set up during 2017 to provide funding to Aggreko Eurasia LLC.

38 Other receivables

	2017 £ million	2016 £ million
Amounts due from subsidiary undertakings	783	917
Other receivables	7	4
	790	921

39 Borrowings

	2017 £ million	2016 £ million
Non-current		
Bank borrowings	103	329
Private placement notes	481	304
	584	633
Current		
Bank overdrafts	1	–
Bank borrowings	26	10
Private placement notes	55	–
	82	10
Total borrowings	666	643

The bank overdrafts and borrowings are all unsecured.

(i) Maturity of financial liabilities

The maturity profile of the borrowings was as follows:

	2017 £ million	2016 £ million
Within 1 year, or on demand	82	10
Between 1 and 2 years	79	97
Between 2 and 3 years	26	150
Between 3 and 4 years	146	127
Between 4 and 5 years	–	178
Greater than 5 years	333	81
	666	643

(ii) Borrowing facilities

The Company has the following undrawn committed floating rate borrowing facilities available at 31 December 2017 in respect of which all conditions precedent had been met at that date:

	2017 £ million	2016 £ million
Expiring within 1 year	77	–
Expiring between 1 and 2 years	64	178
Expiring between 2 and 3 years	383	1
Expiring between 3 and 4 years	50	189
Expiring between 4 and 5 years	50	34
Expiring after 5 years	–	–
	624	402

40 Other payables

	2017 £ million	2016 £ million
Amounts owed to subsidiary undertakings	367	491
Accruals and deferred income	17	10
	384	501

For the year ended 31 December 2017

41 Provisions

	Business priorities programme £ million
At 1 January 2017	–
New provisions	6
Utilised	(5)
At 31 December 2017	**1**

42 Deferred tax

	2017 £ million	2016 £ million
At 1 January	**7**	2
(Debit)/credit to statement of comprehensive income	**(2)**	5
At 31 December	**5**	**7**

Deferred tax is provided in the accounts as follows:

Deferred tax assets

	Derivative financial liabilities £ million	Relating to retirement benefit obligation £ million	Total £ million
At 1 January 2016	2	–	2
Deferred tax credit in statement of comprehensive income	–	5	5
At 1 January 2017	2	5	7
Deferred tax debit in statement of comprehensive income	(1)	(1)	(2)
At 31 December 2017	**1**	**4**	**5**

The net deferred tax asset due after more than one year is £5 million (2016: asset of £7 million).

43 Share capital

Refer to Note 23 of the Group Accounts.

44 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 £64 million (2016: £125 million).

SHAREHOLDER INFORMATION

Financial calendar

19 April 2018
Ex-dividend date – Final dividend

20 April 2018
Record date to be eligible for the final dividend

26 April 2018
Annual General Meeting

22 May 2018
Final dividend payment for the year to 31 December 2017

1 August 2018
Half Year Results announcement for the year to 31 December 2018

early September 2018
Ex-dividend date – Interim dividend

early September 2018
Record date to be eligible for the interim dividend

late September/early October 2018
Interim dividend payment for the year to 31 December 2018

Our 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 www.plc.aggreko.com

Managing your shares online

Shareholders can manage their holding online by registering to use our share portal at https://shares.aggreko.com. This service is provided by our Registrar, Link Asset Services, 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.

Payment of dividends

We encourage Shareholders to have dividends paid directly into 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 contact our Registrar, Link Asset Services. UK Shareholders may also register using the share portal.

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 contact our Registrar, Link Asset Services, for details.

Dividend reinvestment plan (DRIP)

This allows eligible Shareholders to purchase additional shares in Aggreko with their dividend payment. Further information and a mandate can be obtained from our Registrars, Link Asset Services, or by using the share portal.

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, Link Asset Services.

Changes of address

To avoid missing important correspondence relating to your shareholding, it is important that you inform our Registrar, Link Asset Services, 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, Link Asset Services. Shareholders with queries relating to their shareholding should contact Link Asset Services directly. For more general queries, Shareholders can look at our website at www.plc.aggreko.com

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

Our Registrar

Link Asset Services
(formerly known as Capita Asset Services)
The Registry, 34 Beckenham Road
Beckenham, Kent BR3 4TU
United Kingdom

Share portal https://shares.aggreko.com
Website www.linkassetservices.com
Email enquiries@linkgroup.co.uk
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.

Aggreko's registered office

8th Floor, 120 Bothwell Street
Glasgow G2 7JS
Scotland, United Kingdom
Telephone +44 (0) 141 225 5900
Email investors@aggreko.com
Registered in Scotland No. SC177553

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 2017 £ million	December 2016 £ million
Operating profit pre-exceptional items	Income statement	**229**	248
Average net operating assets			
1 January	Note 4(h) of 2017 and 2016 Accounts	**2,124**	1,707
30 June	Refer to Note (a) below	**2,070**	1,991
31 December	Note 4(h) of 2017 & 2016 Accounts	**2,078**	2,124
Average (i.e. total of 1 Jan, 30 June and 31 Dec divided by 3)		**2,091**	1,941
ROCE (operating profit pre-exceptional items divided by average operating assets)		**11%**	13%
Note (a):			
Per June 2017 Interim Accounts			
Note 4(e)			
Assets		**2,464**	2,286
Liabilities		**(394)**	(295)
Net operating assets		**2,070**	1,991

Adjusted Earnings before interest, taxes, depreciation and amortisation (EBITDA)

Calculation:

	Accounts reference	December 2017 £ million	December 2016 £ million
Operating profit pre-exceptional items (Earnings Before Interest and Taxation)	Income statement	**229**	248
Depreciation	Note 5	**296**	281
Amortisation	Note 5	**4**	4
EBITDA		**529**	533

Adjusted Interest cover: EBITDA divided by net finance costs

Calculation:

	Accounts reference	December 2017	December 2016
EBITDA (£ million)	Per above	**529**	533
Net finance cost (£ million)	Income statement	**34**	27
Interest cover (times)		**16**	20

Adjusted Net debt to EBITDA

Calculation:

	Accounts reference	December 2017	December 2016
Net debt (£ million)	Cash flow statement	**652**	649
EBITDA (£ million)	Per above	**529**	533
Net debt/EBITDA (times)		**1.2**	1.2

Adjusted Dividend cover

Definition:

Basic earnings per share (EPS) pre-exceptional items divided by full year declared dividend.

Calculation:

	Accounts reference	December 2017	December 2016
Basic EPS pre-exceptional items (pence)	Note 12	**53.98**	61.98
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)		**2.0**	2.3

FINANCIAL SUMMARY

Revenue £m

2017	1,730
2016	1,515
2015	1,561
2014	1,577
2013	1,573

Adjusted Operating Profit[2] £m

2017	229
2016	248
2015	275
2014	310
2013	358

Adjusted Operating Profit Margin[2] %

2017	13
2016	16
2015	18
2014	20
2013	23

Dividend per Share[1] Pence

2017	27.12
2016	27.12
2015	27.12
2014	27.12
2013	26.30

Adjusted Profit Before Tax[2] £m

2017	195
2016	221
2015	252
2014	289
2013	333

Adjusted Diluted EPS[2] Pence

2017	53.94
2016	61.95
2015	71.68
2014	82.49
2013	92.03

Average Number of Employees

2017	5,978
2016	6,090
2015	6,433
2014	6,112
2013	5,749

Net Operating Assets £m

2017	2,078
2016	2,124
2015	1,707
2014	1,690
2013	1,598

Adjusted Return on Average Capital Employed[2] %

2017	11
2016	13
2015	16
2014	19
2013	21

Capital Expenditure £m

2017	272
2016	263
2015	254
2014	251
2013	228

Net Debt £m

2017	652
2016	649
2015	489
2014	494
2013	363

Shareholders' Funds £m

2017	1,317
2016	1,368
2015	1,115
2014	1,078
2013	1,140

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 2017, 2016 and 2015.

MIX
Paper from
responsible sources
FSC® C001785
FSC
www.fsc.org

Design and production Radley Yeldar | www.ry.com
Board photography George Brooks
Print Park Communications on FSC® certified paper. Park is an EMAS certified company and its Environmental Management System is certified to ISO 14001. 100% of the inks used are vegetable oil based, 95% of press chemicals are recycled for further use and, on average 99% of any waste associated with this production will be recycled.
This document is printed on Galerie Satin, a paper containing 15% recycled fibre and 85% virgin fibre sourced from well managed, responsible, FSC® certified forests. The pulp used in this product is bleached using an elemental chlorine free (ECF) process.

FIND OUT MORE

Visit our website to find out more about Aggreko

www.aggreko.com/about-us