

**aggreko**

# Positioned for growth in a changing energy market

**Aggreko plc** Annual Report  
and Accounts 2019



**Decarbonisation, decentralisation, digitalisation and demographic change are increasing complexity and the demand for power. At Aggreko, we are embracing these changes and delivering innovative solutions to meet the evolving needs of our customers.**

**Investing in new technology to reduce the cost of energy and its environmental impact, while delivering operational and capital efficiency by optimising our resources, means that we are well placed to benefit through the energy transition.**

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**PERFORMANCE HIGHLIGHTS****Revenue****£1,613m**

2018: £1,760m

**Profit before tax****£199m**

2018: £182m

**Diluted EPS****50.7p**

2018: 49.2p

**Operating profit****£241m**

2018: £219m

**Return on capital employed<sup>1</sup>****11.2%**2018: 10.3%<sup>1</sup>**Dividend per share****27.65p**

2018: 27.12p

*i* Read more on page 20*1* ROCE calculation is detailed on page 137.

**The actions we are taking to reposition the business for the changes our industry is facing are beginning to deliver, and we have reported strong profit growth and cash generation during 2019.**

**Chris Weston**  
Chief Executive Officer

**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 INVESTMENT CASE**

**Attractive markets with opportunity for growth**

*i* Read more about our markets on page 03

**Focus on key sectors where our specialism differentiates us**

*i* Read more about our business model on page 06

**Renewable and storage integration capability**

*i* Read more about our technology strategy on page 14

**Actions in place to improve free cash flow and capital returns**

*i* Read more about our capital efficiency on page 16

**Attractive dividend and capital return policy**

*i* Read more about our capital allocation on page 08

## The world-leading provider of mobile modular power, temperature control and energy services

We are working at the forefront of a rapidly changing energy market and are focused on solving our customers' challenges to provide cost-effective, flexible and greener solutions across the globe.

### Our global reach

**79**

countries

**190**

sales and service centres

**6,000+**

permanent employees

**6,381 MW**

average power on hire

**>50 MW**

of hybrid projects on hire

### Rental Solutions

We provide power, heating and cooling in developed markets, focused on seven key sectors. Our customer requirements tend to revolve around smaller, short-term but often complex projects and key events.

### Power Solutions

We provide power, heating and cooling focused on seven key sectors across emerging markets for customers with generally longer-term power needs.

#### Industrial (PSI)

Comprises medium-term projects for industrial customers, as well as shorter-term rental contracts.

#### Utility (PSU)

Longer-term projects providing power to national utility customers.

#### ● Revenue

**£833m**

53% of Group revenue

#### ● Operating profit

**£133m**

55% of Group operating profit

#### ● Revenue

**£434m**

27% of Group revenue

#### ● Operating profit

**£64m**

27% of Group operating profit

#### ● Revenue\*

**£319m**

20% of Group revenue

#### ● Operating profit

**£44m**

18% of Group operating profit

\* PSU revenue excludes pass-through fuel.

#### Key sectors % of revenue

1. Petrochemical & refining	<b>19%</b>
2. Building services & construction	<b>18%</b>
3. Oil & gas	<b>18%</b>
4. Utilities	<b>10%</b>
5. Events	<b>9%</b>
6. Manufacturing	<b>7%</b>
7. Mining	<b>6%</b>
8. Other	<b>13%</b>

#### Key sectors % of revenue

1. Oil & gas	<b>41%</b>
2. Mining	<b>15%</b>
3. Events	<b>13%</b>
4. Building services & construction	<b>10%</b>
5. Manufacturing	<b>7%</b>
6. Utilities	<b>4%</b>
7. Petrochemical & refining	<b>2%</b>
8. Other	<b>8%</b>

100% of revenue is derived from national utility customers.

i See page 20 for financial performance

## Four megatrends are changing energy markets

Demand for power continues to grow, with a projected 465 TWh global increase in 2019. At the same time we are seeing a transformational shift in regulatory, environmental and societal expectations. The challenge is to find the best way to secure more energy, affordably and sustainably.

→ Demand for lower-cost generation technologies, renewables, flexibility and security of supply has led to rapid growth in the demand for decentralised power generation, including distributed or off-grid solutions, with over \$55 billion invested in distributed energy hardware. These projects affect all segments of the energy market – business, residential and communities, particularly in emerging markets where decentralised power systems are an increasingly important self-supply solution.

### Decentralisation

leads to demand for smaller, flexible power solutions on a localised basis.

**8.4 GW**

of installed microgrids globally

Source: BNEF

### Demographic change

means that investment in grid infrastructure is failing to keep up with population growth and urbanisation.

→ Global population is expected to increase by one billion over the next 10 years, with 94% of this in urban populations of less developed regions where power supply is often unreliable. The World Bank reports that electricity supply in 46 countries has deteriorated since 2017 and there are currently 850 million people, mainly in Africa, without access to power. There are also vast geographic areas where the population density does not, and may never, support national grid investment.

### Digitalisation

will help optimise operations, driving down cost and ensuring reliable integration of intermittent renewable power.

→ The impact of digitalisation in renewable energy is expected to be profound. The integration of diverse energy systems, including distributed generation, intermittent renewable power and energy storage, requires smart energy management to help balance the system in the most efficient way. Implementing digitalisation at each stage of the value chain of the energy system can enable increased efficiency, stability and reliability through monitoring and optimisation of a grid and associated power assets.

### Decarbonisation

drives investment towards renewables and lower emission fuels.

→ Decarbonisation represents both risks and opportunities for Aggreko. Pressure to improve the efficiency of existing installations and to limit emissions comes at a time when population and economic growth are pushing up both energy demand and CO<sub>2</sub> emissions. The falling cost of renewable technologies relative to traditional thermal capacity will drive investment in wind, solar and storage. Hybrid systems, which include a level of thermal generation, provide a pathway to integrate more renewable energy while reducing CO<sub>2</sub> emissions, but will require demand management to effectively balance the system.

**850m**

people, mainly in Africa, without access to power

Source: IEA

**17 GWh**

new energy storage project announcements in 2019

Source: BNEF

## Adaptability has always been one of our strengths

**Aggreko has been a pioneer in modular, mobile power for over 50 years and I am proud that we continue to lead the way as energy markets transform.**

**Ken Hanna**  
Chairman

### Transparent reporting

In line with the new reporting requirements of the 2018 UK Corporate Governance Code, we have evolved last year's stakeholder engagement section to describe how our stakeholders, and the matters set out in section 172 of the Companies Act 2006, have been considered in Board discussions and decision-making. The Board actively engages with our shareholders, employees and wider stakeholder groups when making decisions, and considers the impact of the Group's activities on the community, environment and its reputation.

● Read our section 172 statement on page 42

The last year has proved decisive for the Group and I am delighted that the significant work done over the last five years is now beginning to show through in an improved financial performance. Profit before tax has increased 13% on an underlying basis and our return on capital employed (ROCE) has improved year on year to 11.2%\* and provides good momentum as we go into 2020. For the first time in nine years, we have seen a working capital inflow driven by a £78 million inflow from receivables, as we have worked to reduce the overdue balances. As a result, as we enter 2020 we have a solid foundation from which to deliver on our mid-teens ROCE target.

### Dividend

We remain committed to a sustainable dividend. Accordingly, to reflect the progress achieved in 2019, the Board is proposing to increase the final dividend by 3% to 18.27 pence per share. Subject to shareholder approval, this will result in a full year dividend of 27.65 pence (2018: 27.12 pence) per Ordinary Share. The increase represents the first increase in the ordinary dividend since 2014.

### Energy in transition

Our continued focus on the strategic priorities has repositioned the Group financially, and also, importantly, in the context of the energy transition. Around the world, 2019 has seen a significant shift in public opinion towards the issue of climate change and in particular the impact of fossil fuels. As a result, energy markets are changing ever more quickly, with customers and many other stakeholders asking for cleaner methods of producing power. During the year, we launched the Y.Cube, our battery storage product, and we have been positively surprised by the market interest with a substantial pipeline of opportunities. Our technology team is also looking at alternative fuels and new technologies and how they could be adapted for our modular, mobile business model. As we enter 2020, we are working on what we can do as a Group to reduce our environmental footprint and continue to play a pivotal role in the energy transition.

\* Refer to page 137 for calculations

### Safety

Over the last few years our injury rate has been falling, and it has continued to trend downwards this year. However, tragically, one of our employees was involved in a fatal road traffic accident in December. Safety is always, and has always been, our first priority and we continue to work closely with management and the wider business to implement changes to ensure that all our employees return home safely at the end of each day.

### Looking ahead

As we enter the new year, there is much to be optimistic about. Although geopolitical events remain unpredictable, we are excited to be delivering our largest ever event this year, the Tokyo 2020 Olympics, for which our preparations are well under way. We are focused on delivering our 2020 ROCE expectations, while also reviewing our purpose and strategic priorities for the next chapter in the company's future. We look forward to updating you on this later in the year.

### Coronavirus

Our primary concern is for the welfare of our people, their families and the local communities in which we work. We are following the development of the coronavirus outbreak and have implemented several measures to protect our people and to prepare for possible consequences of the virus. It is unclear how the outbreak will develop and, therefore, the potential impact on our business. We will continue to follow developments closely and will take further action as appropriate.

### Thank you

Finally, I would like to thank everyone in Aggreko for continuing to embrace our values, adapt to the changing market conditions and evolving our business. Each person's hard work and determination has delivered substantial change and is central to how the Group makes a massive difference for all its stakeholders.

**Ken Hanna**  
Chairman

## Focused on delivering improved returns

**Our strong performance in 2019 provides good momentum, and we believe that a continued focus on our four strategic priorities will underpin the objective of mid-teens ROCE in 2020.**

**Chris Weston**  
Chief Executive Officer



### What are your key reflections on 2019?



2019 was a busy and successful year for Aggreko, with much going on all over the world. From providing power to the Rugby World Cup in Japan, to dealing with the aftermath of a hurricane in the Caribbean, I would like to thank all our people for their hard work in delivering for our customers this year. It gives me immense pride to think that across the world, Aggreko has been centre stage, quietly getting on with what we do best to deliver for all our customers.

That is not to say the year did not include disappointments, and we were all reminded of the critical importance of safety this year following a motor vehicle accident on a remote ice road in Russia, in which one of our employees, Vladimir Antonov lost his life. This tragic accident serves to highlight some of the challenging environments in which we operate.

We take safety very seriously at Aggreko – working safely is our licence to operate – and it remains our number one priority. We are committed to doing everything we can to share the learnings from incidents across the Group, so we can achieve zero harm.



### You have reiterated confidence in achieving the mid-teens ROCE target in 2020, what underpins that?



Delivery of the mid-teens ROCE target in 2020 will require both growth in operating profit and a reduction in the Group's capital employed. Our confidence in achieving this is underpinned by the progress we have made in 2019 on delivering on our four strategic priorities. Specifically, the 13% growth in operating profit on an underlying basis and the significant improvement in working capital that we have achieved this year provide strong momentum as we move into 2020.

This performance reflects the various self-help measures we have taken to manage down our capital employed, including a continued focus on fleet utilisation, a disciplined approach to capital investment and tighter inventory management. Significant progress has also been achieved in reducing the levels of outstanding debt through proactive engagement with customers, which we expect to continue this year.

And finally, we are very busy preparing to deliver our Tokyo 2020 Olympics contract, which will contribute significantly to the Group's financial performance this year. We are monitoring closely the development and potential impact of the coronavirus outbreak, both in terms of the Tokyo Olympics and the Group more widely.



### Do you think that the shape of the business today enables you to effectively pursue the right opportunities in your markets?



We are primarily focused on the growth opportunities that we see in both the Rental Solutions and Power Solutions Industrial markets through our shift towards a sector-focused sales approach, which leverages the benefits of the sector-specialisation of our salesforce and the investment we have made in our systems and processes.

In Power Solutions Utility, we have absorbed a substantial decline in contract profitability as our legacy contracts have either re-priced or off-hired over the last few years, reflecting the considerable

changes in this market as competition has increased. However, the actions we have taken, including our increased sales discipline and cost reduction programme, are delivering improving returns in this business.



### How well are you positioned for the longer term to meet your customers' needs through the energy transition?



The energy sector is in transition, undergoing greater change and uncertainty than ever, which brings fresh challenge and new opportunities. I am excited by our actions to innovate and meet the evolving needs of our customers. In 2019, this included the continued programme to upgrade our existing diesel and gas fleets, and the first deployments of our new Y.Cube mobile and modular storage system.

With the launch of battery storage, we now have a product that enables us to offer an optimised solution that is designed to fit seamlessly within the Aggreko thermal fleet and can be easily combined with solar and thermal products to reliably meet critical power applications. Our innovation and investment in this important technology has the overall aim of lowering the total cost of energy for customers through increased fuel efficiency, while at the same time reducing the environmental impact of our products.

The considerable interest in battery storage across our key sectors validates the work undertaken by our Global Products and Technology team to identify, evaluate and develop the future technologies that our customers value.

Aggreko delivered uninterrupted power for the Rugby World Cup 2019 in Japan

Our new Y.Cube 1 MW battery storage unit is housed entirely within a standard 20ft container

## We have the right business model to succeed as energy markets transform

We solve our customers' energy problems whatever, and wherever, they are

Working at the forefront of a rapidly changing energy market, we are focused on solving our customers' energy problems by providing cost-effective, flexible and greener power and temperature control solutions.

Our customers are generally other businesses, but also include governments and individuals, who have a specific and often critical need for a short period of time. Over 90% of our revenue comes from seven key sectors where we have developed a deep understanding of customer needs.

### How we do it

Along with our mobile and modular equipment, we bring sector-specific expertise in any location, from the world's busiest cities to its most remote places, for a wide range of commercial and industrial projects, events, emergencies and utilities.

We offer maximum fuel flexibility, using diesel, gas, heavy fuel oil (HFO) and renewable fuel sources, as well as microgrid and storage solutions. We also have the tools to help our customers adapt to the global energy transition, including our energy management system which enables the seamless integration of multiple energy sources.

Through our two geographic business units, Rental Solutions and Power Solutions, our sales teams are focused on key sectors and, with their deep understanding of the sector dynamics, are able to work with our customers and understand their problems. Together with our technicians and engineers, we then design a solution and deploy our equipment to the customer site.

The solutions we deliver may be very simple, where the customer rents and operates the equipment themselves; or may be complex, in which case we are on hand to support; in other cases, we act as a power producer for our customers, installing and operating power plants. In all cases, we retain asset ownership and responsibility for servicing and maintenance.

## An Aggreko project from start to finish

### Build relationships and understand the requirement

Customers will find us through our website, word of mouth, advertising or existing relationships. For simple enquiries, we direct customers through our inside sales channel, where they can speak to one of our sales team. For more complex customer needs, we operate a sector approach with sales specialists who take the time to really understand the characteristics of the sector and our customers' problems, often meeting with our customers on site to assess their needs.

**96%**

Rental Solutions salespeople specialise in 1 or 2 sectors

### Proposal / tender

Having understood the challenge our customer is facing, we demonstrate the bespoke solutions we can offer and put together a proposal and quote. For larger government-funded projects there is often a formal tender process.

### Design and plan

Once the contract has been agreed, detailed design work is undertaken for the more complex projects. This will involve our engineering experts who develop bespoke applications and solutions. For large projects, there may be a number of design iterations. The design informs the operations team planning for fleet, people and logistics.

**60,135**

opportunities quoted for, excluding projects

**~30,000**

pages of designs were completed for Tokyo 2020 tender process

### Mobilise and install

Mobilisation may take hours, days, weeks or months depending on the scale and location of the contract. Rental contracts usually mobilise faster with equipment sourced from local service centres; project contracts may require civil works and equipment to be brought in from further away. Our technicians then work to install and commission the solution.

### Operate

Customers who rent our equipment will generally choose to run it themselves after our engineers have explained the operating procedures. Our equipment is fitted with sensors and is monitored 24 hours a day from our operations centre in Louisiana, USA. Through collecting this data and our historic experience we can see how equipment is performing and address any potential issues before they arise. Servicing by our engineers can therefore be based on condition, rather than time, which should improve our operational efficiency. Where our contract is for power, heat or cool air, our skilled technicians remain on site and operate the equipment; we aim for a mix of experienced Aggreko employees and a local workforce which we train up.

### Demobilise and redeploy

At the end of a contract customers have the ability to extend and, in the case of rental contracts, this can be done using our customer app. When a customer does off-hire we will remove the equipment and for our project contracts we will remediate the site to leave it as we found it.

Using our data monitoring and fleet management systems to determine whether maintenance is required, the fleet is either moved on to the next customer or returned to one of our service centres. This reduces costs and improves utilisation through more efficient fleet logistics and condition-based maintenance.

**~20,000 km**

the distance our equipment will sail up the Amazon river to deliver power to remote locations in the Amazon basin

**>31,000**

contracts operating globally in 2019

**65%**

group fleet utilisation

## How we make money

**There are four main ways in which we generate revenue for the Group.**

### Capacity charge

The charge for having each equipment item on rent.

### Production

Based on an agreed rate for the power, heating or cooling generated, we derive revenue from our customers' use of our equipment.

### Technical services

This includes any design work that is done to develop a customer solution, installation, and service and maintenance during operations.

### Fuel and logistics

We recover our costs and can provide a fully managed fuel service.

In some instances, we act as a power producer for our customer, operating the site and supplying power. In these cases, the revenue streams are the same, but it will be charged as an "all-in" price to the customer. These items are closely linked and contribute to the three revenue generating performance obligations detailed in the accounting policies on page 96.

## How we allocate capital

**Effective capital allocation is critical to delivering long-term value to shareholders given the capital-intensive nature of our business.**

We aim to support this by maintaining gearing of around one times net debt to EBITDA. We believe this appropriately reflects the Group's operational risk profile, although from time to time it may be higher as investment opportunities arise.

### 1. Reinvest for organic growth

Capital spend across the fleet, including refurbishments, replacement and new technology; investment in training our people; and IT infrastructure, including digital.

### 2. Sustainable dividend policy

Committed to a sustainable dividend in the context of the business, delivering regular cash returns to shareholders.

### 3. Strategic investments

Investment in structural changes to our business activities in either capability or scale; these tend to be infrequent.

### 4. Return excess capital to shareholders

Review our future cash generation reflecting growth, productivity and investment plans, while considering the external environment. When excess cash is identified it will be returned to shareholders through additional dividends or share buy-backs.

## What sets us apart

We compete with national, regional and local businesses, many of which are privately owned specialist rental businesses, general rental companies or divisions of large plant hire companies of OEM (Original Equipment Manufacturer) dealerships. We believe Aggreko has a number of differentiating factors:

### 1. Brand strength and reputation

Customers value our flexibility, reliability, innovation in offering options for lower cost and emissions, and our ethics.

### 2. Global network of sales and service centres

We are truly global, with operations in 79 countries and 190 sales and service centres. This diversity means that we can respond to events as they happen anywhere around the world and can move our equipment between end-user sectors and countries to wherever we can deliver the best returns.

### 3. Investment in our digital capability

As we own our equipment for its useful life, we have a vast amount of fleet performance data which we can use to improve customer experience and operating efficiency. Combined with our market intelligence platform, customer relationship management (CRM) and other customer-facing systems, this gives us the edge in the digital field.

### 4. Continuous innovation

Our product and technology team is always working to optimise our existing applications and equipment, while testing and developing future technologies to deliver the reliability, flexibility and innovation our customers value.

### 5. Highly trained team of experts

Our technical engineering expertise, combined with our sector specialisation and depth of experience, differentiates us from our competitors.

### 6. Delivery of bespoke solutions for customers

We excel in the most challenging conditions where Group-wide engineering and operational expertise are brought together to deliver specific solutions in the most complex situations.

The extensive technical capability and experience of our people, together with our values, continue to reinforce our reputation for appropriate, reliable and, where necessary, innovative solutions for every customer.

## The value we create

**£262m\***

free cash flow

\* Refer to page 138 for calculations

**11%**

reduction in CO<sub>2</sub> emissions on hybrid contracts vs. thermal baseline

**82%**

local workforce

**817 days**

supporting our local communities through our Orange Days of Difference

**£427m**

wages and benefits expended

**£272m**

taxes borne and collected

## A clear focus on our four strategic priorities will help us to prosper in a changing world

We have evolved the strategy that we set out in 2015 to reflect the changes in the markets in which we operate to continue to create value by providing mobile and modular temporary power, temperature control and energy services on a global basis. To achieve this over the next few years we will remain focused upon the following four strategic priorities to drive growth.

### Customer focus

#### Tailoring our solutions to improve customer experience

##### Being particular about the sectors we target

- Continued focus on our seven key sectors
- Using our technical capability to enable us to tackle higher-value, more complex challenges
- Developing hybrid solutions using solar power and battery storage to regulate and integrate power

##### Offering specialist solutions

- Applying sales and marketing discipline and process enhancements
- Developed segmentation and channel approach, including telesales and e-commerce
- Adopted real-time pricing governance

##### Being simple to do business with

- System investment to improve customer experience and manage the end-to-end customer journey

### Technology investment

#### Reducing the total cost of energy through innovation

##### Developing competitive configurable products

- Continued focus on reducing the total cost of energy
- Improving our fuel efficiency, hybrid solutions and emissions management

##### Smarter use of connected systems & data analytics

- Complex sector-specific applications leveraging the technical capability of our people
- Creating specific applications leveraging relevant experience

##### Integrating renewable & storage technology

- Developing our remote monitoring platform and data analytics capability
- Integrating renewables, storage and thermal assets
- Innovating across existing sites to improve efficiency and reliability

 Read more on page 12

 Read more on page 14

**Capital efficiency****Optimising deployment of resources****Being mobile & modular**

→ More centralised fleet management to drive utilisation

**Getting the very most out of our assets**

- Completing the roll-out of remote monitoring and data analytics tools across our fleet
- Reducing maintenance costs and improving utilisation
- Improving our working capital performance

**Striving for the most competitive cost base**

- Deploy Rental Solutions systems into Power Solutions Industrial
- Achieving back-office and process efficiencies
- Cost reduction programme to deliver £50 million of savings in Power Solutions Utility by 2021

► Read more on **page 16**

**Expert people****Cultivating a high – performance organisation****Living Always Orange**

- Our values underpin all we do and how we behave
- Extensive internal communication ensures that this is fully embraced

**Nurturing our full potential**

- Valuing our people, incentivising them, monitoring their performance and enabling them to achieve greater things

**Staying safe and professional at all times**

- Safety is the top priority for our people
- Professionalism remains core to our reputation and customer relationships

► Read more on **page 18**



# Tailoring our solutions to improve customer experience

- Targeting particular sectors
- Offering specialist solutions
- Being simple to do business with

## **Targeting particular sectors**

Our customers share a common need for critical power, heating and cooling to solve complex challenges and ensure operational reliability. We focus on each customer interaction that we have, how we sell, deliver and maintain our products and solutions, to ensure exceptional customer service. Our deep understanding of customer needs across seven key sectors enables us to continually evolve our offering to solve their challenges while expanding our market opportunity.

### **Utilities**

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

### **Oil & gas**

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

### **Building services & construction**

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

### **Petrochemical & refining**

Complex power & temperature control solutions to optimise turnaround and daily maintenance processes that improve production rates.

### **Events**

A valued and trusted partner, offering high-profile event knowledge, cost-efficient design capability combined with flexibility and reliability.

### **Mining**

Fully flexible, cost-effective solutions for every stage of the mining lifecycle.

### **Manufacturing**

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

## **Offering specialist solutions**

By being particular about the sectors we serve, we can develop tailored applications and, through greater experience and expertise, ensure that our customers receive a superior solution.

Our customers' requirements range from short-term, simple equipment rental, through providing power for three to six months where the complexity depends on the sector and geography, to longer-term projects where we may be providing a solution for a number of years.

Our ability to manage and deliver increasingly complex, higher-value solutions, such as hybrids, emergency response, off-grid work and critical power, generates the majority of our revenue; the balance of revenue comprises shorter, more transactional rental contracts.

## **Being simple to do business with**

Implementing customer-focused systems and processes make us simpler and more efficient to do business with.

The implementation of our enhanced CRM system was completed during 2019. It provides a better understanding of customer requirements by analysing our operating history and service provision to increase internal collaboration and the speed of our service delivery. For more transactional sales, we are deploying an e-commerce platform, providing a more agile, cost-effective telesales channel and a better service proposition. We reached a milestone in July 2019 with our first online order which means our sales offering now includes telesales, online and outside sales together, to suit all types of customer. Alongside this, the systems we previously implemented enable real-time pricing, building in much more discipline and governance, to help improve rates and recoveries.

**Remote monitoring and data analytics** enhance the service we provide to our customers by improving our management of asset downtime, servicing and the efficient running of our equipment. This also builds our understanding of our equipment and the sharing of knowledge across the Group to feed back into the development of our products and bespoke solutions.

We continue to enhance the skills and capabilities of our employees, and during the year we launched the **Technician Learning Cycle** to provide development for our technical workforce within a globally consistent framework. Similarly, we revised the core competency model for our sales team to drive a global sales model focusing on processes and tools, as well as sector and product knowledge. We also developed a consistent leadership suite of programmes aligned to the global leadership model for the Company.

The ongoing evolution of our **Market Intelligence Platform** provides us with an accessible, in-depth understanding of the market dynamics affecting customers in each of our sectors and geographic markets, helping us to focus on the greatest opportunities for our business. It draws data from multiple sources to give our sales teams a detailed view of their markets, factoring in economic and political stability, ability of customers to pay, the electricity supply and demand balance, and fuel availability and pricing.

During the year, we launched the **Cost of Electricity Calculator (CoEC)**. This proprietary tool is designed to cut through cost complexity to enable our customers to make the best energy choices for their business. Using the CoEC, we can input different parameters to provide numerous comparison points for customers, including emissions, to help them make more informed energy decisions.

## Working safely, under frozen ground

### Challenge

Paris Metro is expanding by three new Metro stations. This was no ordinary construction programme with the tunnel for the prospective stations created before the stations themselves. Being 25 metres underground, the site had hazards not common in ground-level work, and proximity to a large volume of water requiring new construction methods to ensure that this major potential risk was managed.

### Solution

Our experts designed an application utilising a Very Low Temperature Cooler (VLTC) to freeze the surrounding ground and maintain the integrity of the subterranean site from the threat of water leaks and subsidence. Our VLTC and ancillary equipment with our expertise maintained a consistent very low temperature to minimise site risks compared with conventional means.

### Impact

The station projects remained on track with workers kept safe as a result of our engineering expertise combined with the reliable equipment we deployed. Our experience and ability to operate in dangerous environments is made possible by our dedication to safety that allows every person on site to concentrate on performing their own tasks.

**-25m**  
depth of site

**-45°C**  
temperature of  
frozen ground

**84**  
wireless  
temperature  
probes per  
station

## Measuring our performance

### Customer loyalty

#### Measure

We use an industry standard known as Net Promoter Score (NPS) to measure and benchmark our performance against competitors and other B2B organisations.

#### Relevance

It is important that we understand the extent to which we meet our customers' expectations. The statistical insight we collect is driving our customer-focused change agenda to improve overall customer satisfaction and enable us to be simple to do business with.

#### Target

Sustainable improvements in the NPS over time.

#### Performance

We have continued to focus on improving our customer experience during 2019 and this is demonstrated by an NPS score of 65% (2018: 59%). Our encouraging progress further consolidates our position within the top 5% of B2B service organisations on a global basis.

### Customer activity

#### Measure

Group average megawatts (MW) of power on hire.

#### Relevance

Average megawatts on hire across the year provides a good measure of the activity of the business globally.

#### Target

Our focus on returns means that we will not increase average megawatts on hire at the expense of price or the quality of our customer offering.

#### Performance

During the year, we have seen a reduction in the average megawatts on hire primarily reflecting off-hires within the Power Solutions Utility business, and the focus on increased pricing discipline across the wider business.

### Net Promoter Score

**65%**

\* Reflects a change in how we measure.

### Group average power on hire (MW)\*

**6,381 MW**

\* Excludes hybrids.



# Reducing the total cost of energy through innovation

- Developing competitive configurable products
- Smarter use of connected systems and data analytics
- Integrating renewable and storage technology

## Developing competitive configurable products

Our knowledge of the regulatory requirements and the environments in which the fleet operates has significantly strengthened our capability to adapt as energy markets evolve, and drive innovation that reduces costs and/or emissions.

- Through understanding local emissions requirements and leveraging our in-house technical expertise, we continually innovate to deliver lower cost, greener solutions for our customers.
- The in-house design of our equipment and the development of unique, tailored solutions for our customers, some of which are patented, have considerable value to the Group. This is managed centrally and shared globally across Aggreko.
- The energy transition is opening up opportunities to support the deployment of renewables. Their intermittent nature creates inherent grid instability, which requires complex control systems to integrate existing power sources with battery storage and start to effectively manage security of supply.

→ Our newly formed Global Products & Technology function drives innovation and development of our existing fleet, while looking to the future in terms of assessing potential new technology and platforms. This enables sales and delivery to be managed by Rental Solutions and Power Solutions.

## Smarter use of connected systems and data analytics

- Increasing utilisation is a key focus for improving our returns. Our fleet is modular and mobile, so it can be flexibly configured to provide any number of different solutions and moved to where it is needed around the world, which ensures a quick response as well as optimum utilisation. We work closely with our strategic suppliers and, using market-leading but established technology, we design and assemble our fleet in a modular, mobile format, typically using 20ft shipping containers which facilitate transport logistics and lower costs.
- Remote monitoring and data analytics are helping increase fleet longevity. Our supplier agreements cover the life of the assets, but we have scope to reduce the initial build cost as well as planned and unplanned maintenance. The performance data collected on our equipment provides valuable insight into the optimum operating conditions to benefit our customers.
- Part of our cost-saving programme is reducing planned maintenance by introducing condition-based maintenance regimes across our fleet.

## Integrating renewable and storage technology

- In 2019, 99% of our greenhouse gas emissions came from the operation of our fleet. We recognise our responsibility to mitigate the carbon footprint of our products where possible. Aside from running hours, the three main factors which drive our emissions are: the fuel type our customers choose; the pattern of usage; and the fuel efficiency of our fleet.
- We constantly explore new ways to reduce emissions from our fleet and increase fuel efficiency. Our technology team assess new products and has recently been assessing whether bio-fuels, fuel cells and waste heat recovery could be adapted into our product portfolio.
- We also work to assess and reduce the impact of other environmental effects of our operations, such as refrigerant emissions and noise pollution, in which we have made significant advances using custom-built acoustic enclosures, high-performance isolation and attenuation systems to reduce noise.
- At a minimum, all of our equipment and processes are designed to comply with applicable laws, regulations and industry standards wherever we operate in the world.

**i** Read more about our greenhouse gas emissions on **page 81**

## We are constantly upgrading our fleet to improve efficiency and offer greater choice

	Diesel	Gas	HFO	Renewables
Average MW on hire	<b>5,064 MW</b>	<b>1,264 MW</b>	<b>53 MW</b>	We have now 10 MW of renewables on hire across various hybrid projects in Argentina, Ireland and Eritrea
Integration of new technology	Refurbished 43% of our 1 MW fleet to G3+	Addition of 392 MW of new gas engines since 2016	Fleet of 181 MW introduced in 2016	
Benefits	<ul style="list-style-type: none"> <li>› 5% improvement in fuel efficiency</li> <li>› 15% improvement in power output</li> </ul>	<ul style="list-style-type: none"> <li>› 11% improvement in fuel efficiency</li> <li>› 33% improvement in power output at lower capital cost</li> </ul>	<ul style="list-style-type: none"> <li>› 8% improvement in efficiency vs. G3</li> <li>› Modular and mobile offering using proven engine technology</li> </ul>	<ul style="list-style-type: none"> <li>› Emissions reduced by up to 13%</li> <li>› Provides a reduction in the overall total cost of energy</li> </ul>

## Cutting carbon, cost and downtime

### Challenge

An oil & gas customer, at a remote site in Argentina, required a solution to replace ageing infrastructure and improve its ability to manage frequency response and stability. The location made the project more challenging as onsite communications were limited, so planning and preparation ahead of time was key to a successful deployment.

### Solution

Our experts designed an application for the customer including our latest technology offering, the Y.Cube, our new mobile and modular battery storage system. The package delivered consists of four 1.5 MW gas generators and a 1 MW Y.Cube to provide the flexibility to meet the site's varied demand profile.

### Impact

The project will enable the production of cheaper, cleaner and more reliable power over the next five years. The successful deployment represents the result of collaboration between our experts in battery storage working alongside regional colleagues to deliver one of the first examples of energy storage in Argentina.

**~5 year**  
Contract duration

**6 MW**  
Next generation  
gas assets

**1 MW**  
Y.Cube  
storage

## Measuring our performance

### Fleet size and composition

#### Measure

Total power fleet size (in MW), split between generation type (diesel, diesel G3+, gas, next generation gas (NGG) and 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 NGG engine, and introducing clean energy sources such as solar and storage.

#### Performance

During the year, work has continued to refurbish and upgrade more of our diesel engines to the G3+ standard, while also introducing more NGG engines. We are making progress towards introducing more renewable technology such as solar and battery storage. This includes the launch of our new mobile and modular battery storage system, the Y.Cube, of which 30 of the 42 built in the year will be used in our fleet. While renewables are currently a small part in the context of the overall fleet, when deployed as part of a hybrid solution, they enable us to leverage our thermal fleet more efficiently for the duration of a project.

### Power fleet composition

**9,700 MW**

	2019	2018
1. Diesel	60%	62%
2. Diesel G3+	17%	16%
3. Gas	17%	17%
4. NGG	4%	3%
5. HFO	2%	2%

Total includes 46 MW (2018: 8 MW) of storage and solar assets

(2018 total power fleet composition: 10 GW)



# Optimising deployment of resources

- Being mobile and modular
- Getting the most out of our assets
- Striving for the most competitive cost base

## Capital allocation strategy

Effective capital allocation is critical to delivering value given the capital intensive nature of our business. This keeps the business focused on ROCE as a key metric to measure how effective we have been at delivering long-term value. The approach to allocating capital is disciplined both in terms of capital expenditure and working capital. We maintain a ROCE hurdle rate for all new projects, while improving our working capital management remains a key objective to help drive returns.

This is underpinned by maintaining 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, together with the nature of our business model, we believe it is appropriate to run the business with a modest amount of debt.

Given the high operational gearing of our business, we do not believe it is appropriate to couple this with high financial gearing. Therefore, we target gearing of around one times net debt to EBITDA, recognising from time to time it may be higher as investment opportunities present themselves. At the end of 2019, net debt to EBITDA\* was 1.0 times (2018: 1.3 times) despite the impact of adopting IFRS 16 'Leases'. During the year, cash flows from operations were £628 million (2018: £423 million).

## How we allocate our capital

- 01** Reinvest for organic growth
- 02** Sustainable dividend policy
- 03** Strategic investments
- 04** Return excess capital to shareholders

We remain committed to a sustainable ordinary dividend and, where we have excess capital, will look to distribute it to our shareholders. Subject to shareholder approval, the proposed final dividend will increase by 3% to 18.27 pence (2018: 17.74 pence), combined with the interim dividend of 9.38 pence (2018: 9.38 pence), will result in a full year dividend of 27.65 pence (2018: 27.12 pence) per Ordinary Share, our first increase in the ordinary dividend for five years.

## Being mobile and modular

Our scale brings operational efficiencies and minimises our capital costs, but the opportunity exists to improve the utilisation of our assets through increasingly centralised fleet management, making it easier to deploy fleet across the world, particularly from our Power Solutions Utility business to the faster growing businesses of Rental Solutions and Power Solutions Industrial.

**Capital expenditure is allocated where it can deliver the best returns over the long term.** We invested £189 million in our fleet during 2019, which compares with £196 million in 2018. Fleet capital expenditure is expected to increase in 2020 to between £200 and £250 million reflecting further investment to fulfill new contracts and support continued fleet renewal.

## Getting the very most out of our assets

We see the benefit of continued investment in asset monitoring and condition-based servicing to facilitate reductions in fleet redundancies and maintenance while extending the useful life of our assets.

Much work has been undertaken within Aggreko in the past few years to remove duplication through significant savings from procurement discipline and improved productivity from new HR policies which better align performance and remuneration.

The management of our receivables position has been a major focus during the year. Our Group-wide focus on working capital management has delivered significant benefits during 2019. However, some customers across Venezuela, Yemen and parts of Africa are taking longer to pay and face issues of liquidity and access to foreign currency leading to delays in payment. We have

taken proactive steps to address this. Having defined an engagement process with our customers based around clear targets with increased frequency and level of review, and the deployment of additional resources. In 2019, we have demonstrated our ability to reduce the receivables balance through strong cash collection in Power Solutions Utility.

We have also embedded inventory initiatives put in place during 2018 to increase levels of systematisation and enable automation improvements to our Group procurement processes. A centralised approach to inventory management ensures that we are able to utilise stock more efficiently across all our geographies. Closer relationships with suppliers enable us to establish more efficient stock arrangements and, where appropriate, put in place stock sales and buy-backs.

We seek to adopt best practice principles into our supply chain to further improve our payables performance.

## Striving for the most competitive cost base

We are targeting improved operating efficiency in our businesses through the sharing of best practice and adoption of standardised systems. This includes implementing effective customer-journey and remote asset monitoring systems from Rental Solutions into Power Solutions Industrial and utilising data analytics to reduce the costs of regular servicing and maintenance in the Group. In addition, in 2019 we implemented a new global HR system, Workday, to more effectively and efficiently manage our people.

A cost reduction programme, which is focused on Power Solutions Utility, remains on track to achieve net savings of £50 million in 2021. Work includes condition-based maintenance to reduce servicing costs; procurement savings through expansion of our spare parts supplier base; optimisation of fleet logistics and project manning; reviewing regional and support function locations alongside training and development courses to drive sales productivity.

\*Net debt to EBITDA calculation is on page 138

## Real-time intelligence from thousands of sensors

### Challenge

For the continued development of our products across the globe, we needed to increase our capability to remotely monitor the thousands of sensors across our mixed fleet of power generation and temperature control assets to enable increased performance and prevent disruption of our fleet, with the goal of improving customer service.

### Solution

Aggreko has invested further to increase our capacity to monitor the fleet, partnering our deep knowledge of the fleet we operate with our digital and data science expertise to expand our capacity to provide remote digital monitoring of our diversified fleet.

### Impact

The solutions developed are part of our commitment to expand our capability to utilise digital tools that provide real-time intelligence to help manage performance across more of our fleet. With the ability to draw 100 data points from each asset, there is an opportunity to leverage data to drive improved asset availability and operations productivity that deliver better service for customers, while improving our market competitiveness.

**>14,000 assets currently monitored**

**>100 data points can be monitored on each asset**

## Measuring our performance

### Capital efficiency

#### Measure

Fleet utilisation.

#### 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 megawatt utilisation as the 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 60–70%, while in our Power Solutions Utility business we target over 80%.

#### Performance

In 2019, we saw utilisation across the Group marginally reduce compared with 2018. Work continues to drive long-term improvements in the utilisation of our assets.

**Power Solutions:**  
Industrial utilisation

**68%**

**Rental Solutions:**  
Rental Solutions utilisation

**58%**

**Power Solutions:**  
Utility utilisation

**65%**

Expert  
people



# Cultivating a high-performance organisation

- Living Always Orange
- Staying safe and professional at all times
- Nurturing our full potential

## **Living Always Orange**

At Aggreko we believe our culture is a strategic lever for growth and we developed and implemented Always Orange in 2017 as a guide for the culture we need. Our four key values set out below, and their respective day-to-day behaviours, govern the way in which we work, remain safe and professional, develop the expertise of our people, influence our social interaction across our markets and ultimately allow us to successfully deliver our business objectives.

### **Be Together**

Asking the best of each other, harnessing our scale and diverse skills to grow stronger together.

### **Be Expert**

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

### **Be Dynamic**

Using our entrepreneurial passion to deliver and make great things happen.

### **Be Innovative**

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

- Our 2019 Be Heard employee engagement survey achieved an overall engagement score of 76%, in line with 2018, with 88% of our people declaring an overall pride in working for Aggreko. Our people embrace the Always Orange culture and recognise its importance in helping us to grow, with 88% of our people in the 2019 Be Heard survey stating their belief in our ability to make a difference to the individuals, customers and communities we serve.
- We expect all our people to act like owners and have increased our commercial acumen through the virtual ROCE learning experience on our internal business strategy microsite.
- We focus on the importance of managing our assets as well as the more obvious area of improving operating profit, thereby increasing the understanding of the levers we can exercise to influence ROCE.

→ Recognising the importance of the technical capability of our people to serve our customers, and the importance of our brand, we continually invest in ongoing training and development, and sharing of experience.

## **Staying safe and professional at all times**

Safety remains a key priority for everyone at Aggreko, our 2019 Be Heard survey showed that 92% of staff recognised the efforts we take to continue this.

Through our Standard Zero approach, we have set the foundation for how we manage risks to ensure that we stay safe and professional at all times across the world. We continue to embed the 13 specific HSE risk aspects directly related to our people and our business to ensure that we are staying safe and responsible, with work ongoing to refine our global standard operating procedures to manage these key risk aspects.

→ The extent of our safety culture can be seen in the results of our Be Heard employee survey, in which 97% of our people continue to state that they would use their 'stop-work authority' if a colleague placed themselves in immediate danger or they personally were tasked to do something that was unsafe. We have also seen a 12% increase in safety walks in the year.

→ Towards the end of the year we introduced a 'Safer behind the Wheel' initiative to support our refreshed Driving at Work standard. This update has a particular focus on mobile phone use to minimise the risks associated with driving.

→ We were reminded of the risks involved with driving when one of our employees, Vladimir Antonov, lost his life in a road traffic accident that occurred on an ice road in Northern Siberia, Russia. An in-depth internal investigation into the cause of this accident has been carried out and we have taken steps to reduce the likelihood of such an event occurring again.

→ Our people have access to a bespoke Security Incident Reporting app so that, wherever they are, they can effectively report a security incident at any time.

→ We conducted our first Safety Climate survey in 2017, implementing several safety initiatives through the business as a result. We conducted our second Safety Climate survey in December 2019 to measure our progress on the safety journey, and inform the steps we must take to drive further improvements.

## **Nurturing our full potential**

→ We remain committed to improving our scores across all areas by acting on feedback to make Aggreko an even better place to work and our Value Difference team was established in 2018 to improve diversity and inclusion in our workforce.

→ The team's focus in 2019 was on building awareness and implementing the systems improvements required to support the initiatives. We began training our senior leaders to identify difference, understand what it means and value it, and to learn how a more inclusive culture enhances capability and performance. Analysis of our employee engagement survey from the perspective of gender helped inform activities such as inclusion workshops and further research among senior leaders to generate ideas and commitment to drive workplace improvements through 2020. Our latest Gender Pay Gap Report is available on our corporate website.

→ The introduction of a globally consistent approach to performance and development (Be Your Best) is encouraging the best from our people. Be Your Best offers training and development opportunities and financial incentives through personal objectives and performance-based remuneration. We now align any potential bonus payments to individual performance, including behavioural aspects, alongside Company and strategic business unit performance.

**i** Read about our employee gender diversity statistics on **page 57**

## Critical support for disaster-hit families

### Challenge

Globally, at least 85 million people need emergency shelter every year following disasters. Relief charity ShelterBox supports families with essential aid items to help rebuild homes. ShelterBox is reaching more families than ever, and it needs effective partners to support that growth.

### Solution

We have a three-year partnership with ShelterBox to provide wide-ranging support such as skills sharing from our people to expand ShelterBox's capacity to respond to a range of scenarios faced by a growing charity, from volunteer recruitment, logistics and international fundraising, to providing funding to help more families rebuild their lives.

### Impact

Aggreko and ShelterBox together have already made a difference in supporting people following severe weather events. For example, Aggreko's funding supported distribution of Shelter Kits to more than 130 families in Malawi following Cyclone Idai in March 2019, while over 500 families were supported following Category 5 Typhoon Mangkhut which hit the Philippines in September 2018.

**~3 year  
partnership with  
ShelterBox**

**>130  
families supported  
in Malawi**

**>500  
families supported  
in Philippines**

## Measuring our performance

### 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 metric we use to measure safety performance is LTIFR which is calculated by dividing the number of recorded LTI cases by the number of hours worked at the Company, multiplied by 200,000. 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

Our overall LTIFR improved to 0.13 (2018: 0.20). Our safety culture remains empowered with 'stop-work authority' to ensure that employees act rather than putting themselves or others at risk, and this year we refreshed and re-authorised employees and contractors in our Energy Safety Rules, part of our ongoing commitment to evolve our standards consistently across the Group.

### 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 proxy for how our employees feel. It is measured as the number of employees who leave the Group (other than through redundancy) during the period as a proportion of the total average number of employees during the period.

#### Target

We expect to see permanent employee turnover levels around 10% in order to retain the skill base that we have developed.

#### Performance

Our employee engagement score is 76% which is the same as the prior year. Our employee turnover rate is in line with our average over the last five years.

#### Lost time injury frequency rate

**0.13**  
(2018: 0.20)

#### Employee turnover

**10%**

#### Employee engagement score

**76%**  
(2018: 76%)

## Strong performance amid industry change

**Our 2019 results demonstrate the significant progress we have made to improve the Group's financial performance.**

**Chris Weston**  
Chief Executive Officer

### Group Revenue

**£1,613m**

2018: £1,760m

### Operating margin

**14.9%**

2018: 12.5%

### ROCE\*

**11.2%**

2018: 10.3%

### Group trading performance

Underlying<sup>1</sup> Group revenue decreased 1%. Excluding revenue from the Winter Olympics in 2018 and early design and project management revenue for the Tokyo 2020 Olympics this year, underlying<sup>1</sup> Group revenue was in line with the prior year. Underlying<sup>1</sup> profit before tax was up 13% at £199 million. The operating margin was 14.9% (2018: 12.5%), with improved underlying margins in both Rental Solutions and Power Solutions Utility. Diluted earnings per share (DEPS) were 50.7 pence (2018: 49.2 pence), up 6% on an underlying<sup>1</sup> basis.

The Group's return on capital employed ('ROCE') increased to 11.2% (2018: 10.3%), despite a 4% reduction in the overall volume on hire and lower levels of utilisation. This was driven by an increase in the underlying profitability of Rental Solutions, as a result of higher rates in key sectors within North America, our emergency work in Belgium and an ongoing focus on cost efficiency and pricing discipline throughout this business, along with the benefit of the cost reduction programme in Power Solutions Utility. The increase in ROCE provides good momentum into 2020 and beyond, with the group on track to deliver mid-teens ROCE in 2020.

### Reported financial measures

Reported revenue and operating profit include the translational impact of currency as Aggreko's revenue and profit are earned in 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 £6 million and decreasing operating profit by £9 million.

In addition, the Group separately reports fuel revenue from certain contracts in the Power Solutions Utility business in Brazil and Sri Lanka, 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, which can be volatile and may distort the view of the performance of the underlying business. In 2019, fuel revenue from these contracts was £27 million (2018: £172 million), with the year on year decrease due to lower fuel consumption in Brazil as contracts off-hired.

Reported Group revenue was down 8% on the prior year, with Rental Solutions up 1%, Power Solutions Industrial up 3% and Power Solutions Utility down 33%.

### Cash flow and balance sheet

During the year cash generated from operations was £628 million (2018: £423 million). The increase in operating cash flow is mainly driven by a £163 million year on year improvement in working capital cash flows (2019: £107 million inflow, 2018: £56 million outflow). The 2019 £107 million comprised a £78 million inflow from trade and other receivables, a £21 million inflow from trade and other payables and a £8 million inflow from inventory. EBITDA\* also increased £47 million, although this was partially offset by a £24 million higher cash outflow relating to mobilisation (fulfilment assets) and demobilisation activities. The higher fulfilment and demobilisation cash flows in 2019 primarily relate to contracts in Brazil and Burkina Faso, as well as the Tokyo 2020 Olympics.

The decrease in trade and other receivables of £78 million included a £93 million decrease in Power Solutions Utility (2018: £1 million decrease) which reflects an increased focus and implementation of process improvements to drive cash collection in this business. This was partially offset by a £10 million increase in Power Solutions Industrial (2018: £2 million increase) reflecting activity levels and some prepayments in the period relating to the Tokyo 2020 Olympics, together with a £5 million increase in Rental Solutions (2018: £9 million increase). Despite this slight increase in the year, Rental Solutions has made good progress in reducing the level of unbilled revenue

<sup>1</sup> Underlying excludes pass-through fuel and currency.

\* Refer to pages 137 and 138 for calculations

that had built up through the end of 2018, and reducing its trade receivables balance continues to be a key focus for 2020.

In Power Solutions Utility, the level of our bad debt provision is broadly unchanged at \$81 million (2018: \$83 million) and we remain focused on managing the trade receivables which have risen over recent years, primarily as a result of our customers' limited liquidity and access to foreign currency.

The various initiatives established during last year drove an £8 million decrease in inventory, mainly in Power Solution Utility, which was partially offset by an increase in Power Solutions Industrial as we prepare for the Tokyo 2020 Olympics.

The increase in trade and other payables balances was primarily as a result of deferred revenue for the Tokyo 2020 Olympics, partially offset by lower trade and other payables on our fuel contracts in Brazil due to lower fuel consumption as these contracts off-hired.

Fleet capital expenditure was £189 million (2018: £196 million), representing 0.7 times fleet depreciation (2018: 0.7 times). Within this, £71 million was invested in Rental Solutions, primarily in relation to temperature control and the ongoing renewal of our oil free air (OFA) fleet, and £118 million in Power Solutions, which included our ongoing fleet refurbishment programme and £26 million of investment related to the Tokyo 2020 Olympics.

Net debt was £584 million at 31 December 2019. This was £102 million lower than the prior year, despite the recognition within net debt of a £101 million lease creditor following the Group's adoption of IFRS 16 'Leases' from 1 January 2019. A detailed cash flow is included on page 90 of the financial statements.

Net debt to EBITDA\* at 31 December 2019 was 1.0 times (2018: 1.3 times, pre IFRS 16).

#### **Capital structure and 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 operational 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 than this as investment opportunities present themselves.

More detail on our capital allocation policy will be outlined as part of the update on our four strategic priorities alongside our interim results. Prior to this, and subject to shareholder approval, the Board is proposing a final dividend of 18.27 pence (2018: 17.74 pence) representing an increase of 3%. This will result in a 2% increase in the full year dividend to 27.65 pence (2018: 27.12 pence) per Ordinary Share, giving dividend cover\* (basic EPS divided by the full year declared dividend) of 1.8 times (2018: 1.8 times). This increase reflects the Board's confidence in the sustainability of performance, and its recognition of the dividend's importance in providing returns to our shareholders. The retained earnings of the Company as at 31 December 2019 were £416 million and the majority of these earnings are distributable.

#### **Outlook**

Our underlying performance during 2019 provides good momentum into 2020 and our preparations for the Tokyo 2020 Olympic and Paralympic Games are progressing well. Notwithstanding this, we are monitoring closely the development and potential impact of the coronavirus outbreak, both in terms of the Tokyo Olympics and the Group more widely. At this point, however, we currently expect to deliver results in-line with expectations for 2020.

We expect to make further progress on working capital and will continue our capital expenditure discipline with expected fleet capital expenditure of around £200-£250 million. This, combined with our performance outlook, underpins our confidence in delivering our mid-teens ROCE target this year and beyond, and we look forward to providing an update on our strategic priorities alongside our interim results in August.

We launched our Cost of Electricity Calculator to increase industry transparency.

**i** Read more at: [aggreko.com/en/aggreko-perspectives/cost-of-electricity](http://aggreko.com/en/aggreko-perspectives/cost-of-electricity)

We won the Experian Data Excellence Award at the Lloyds National Business Awards for our approach to utilising data to deliver more efficient and cost-effective solutions for our customers.

Large events are complex and require considerable design and engineering, demonstrated by our interactive experience.

**i** Try it out at: [aggreko.com/en/sectors-and-services/events/an-interactive-events-experience](http://aggreko.com/en/sectors-and-services/events/an-interactive-events-experience)

\* Refer to pages 137 and 138 for calculations

## Measuring our performance

### Underlying revenue growth

**-1%**

#### 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 in order to deliver shareholder value. This is calculated as the adjusted revenue growth over the previous year.

Further detail including why we exclude the impact of currency movements and pass-through fuel is provided in the reported financial measures on page 20.

#### Target

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

#### Performance

Rental Solutions was down 1% with the year on year decrease driven by the Northern Europe and Australia Pacific regions. North America and Continental Europe performed well. Power Solutions Industrial grew 2%, with good growth in Latin America, Middle East and Africa; Eurasia and Asia had a challenging year. Power Solutions Utility was down 5% due primarily to off hires in Africa and Myanmar.

### Operating profit margin

**14.9%**

#### Measure

Pre-exceptional operating profit margin.

#### Relevance

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

#### Target

Our medium-term target is for Group operating profit margins to achieve levels that support mid-teens ROCE in 2020.

#### Performance

The operating margin was up 1.8pp after adjusting for currency and pass-through fuel. In Rental Solutions, the margin was up due to higher rates and an increased focus on cost. In Power Solutions, the Industrial margin fell as a result of the weaker performance in Eurasia, while the Utility margin was up driven by the cost reduction programme.

### Diluted earnings per share

**50.70p**

#### Measure

Pre-exceptional diluted EPS.

#### Relevance

We believe that EPS, while not perfect, is a good 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

While we are exposed to different cycles and EPS varies accordingly, we target growing EPS in line with our strategic aims.

#### Performance

EPS was up 3% however after adjusting for currency and pass-through fuel EPS was up 6% driven by the growth in profit. The significant increase in profit does not fully fall through to EPS due to the Group's tax charge. Read more on page 107.

### Return on capital employed

**11.2%\*\***

#### 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 not managed efficiently. We calculate ROCE by dividing operating profit pre-exceptional items in the period by the average of the net operating assets as at 1 January, 30 June and 31 December.

#### Target

Our target is to achieve mid-teens ROCE in 2020.

#### Performance

ROCE increased 0.9pp, and 1.1pp excluding the impact of fuel and pass-through fuel, reflecting the increase in underlying profit.

\* 2017 numbers are shown on a pre-exceptional basis and have been restated for the implementation of IFRS 15.

\*\* ROCE calculation is on page 137.

# Rental Solutions

**I am pleased with the performance of Rental Solutions in 2019. Our continued focus on key sectors and customer solutions, combined with our focus on cost management, has improved our profitability.**

**Bruce Pool**  
President, Rental Solutions

Revenue £m	2019	2018	Change	Underlying change <sup>1</sup>
	<b>833</b>	822	1%	(1)%
<b>Operating profit £m</b>	<b>2019</b>	<b>2018</b>	<b>Change</b>	<b>Underlying change<sup>1</sup></b>
	<b>133</b>	105	25%	22%
<b>Operating margin %</b>	<b>15.9%</b>	12.9%	3.0pp	2.9pp
<b>ROCE</b>	<b>16.7%</b>	14.7%	2.0pp	1.7pp

<sup>1</sup> Underlying excludes currency. A reconciliation between reported and underlying performance is detailed on page 26.

## Rental Solutions

- Underlying<sup>1</sup> revenue down 1% but operating profit up 22%
- Improved operating margin of 15.9%, up 2.9 percentage points on an underlying<sup>1</sup> basis
- ROCE of 16.7% reflects an underlying<sup>1</sup> increase of 1.7 percentage points, driven by profit growth in North America
- Strong performance in key sectors within North America

North American underlying<sup>1</sup> revenue was up 5% on the prior year (up 12% excluding hurricane revenue in 2018). Our sector focus has continued to drive growth and we saw good performance in most of our key sectors, particularly in oil & gas and building services & construction. This top-line growth enabled us to leverage our fixed cost base more effectively, supporting the business to an improved operating margin.

In our Australia Pacific business, underlying<sup>1</sup> revenue decreased 13% as good growth in the mining sector was offset by a 100MW emergency contract in the prior year numbers. Despite this revenue reduction, our focus on cost efficiencies helped to drive an improvement in operating margin.

Our Continental European business grew underlying<sup>1</sup> revenue 3%, supported by revenue earned from work in response to power shortages in Belgium and the FIFA Women's World Cup in France (which was partially offset by the Ryder Cup revenue in the prior year).

Underlying<sup>1</sup> revenue in Northern Europe was down 15%, as data centre contracts in Ireland off-hired, as planned, together with the effects of continuing market uncertainty.

Operating margin on an underlying<sup>1</sup> basis was up 2.9 percentage points, reflecting higher rates in key sectors within North America and our emergency work to support the power shortages in Belgium; this was despite lower fleet utilisation as a result of prior year hurricane work off-hiring. In addition, we have begun to realise the benefits of our investment in new systems and processes that enable us to focus on more profitable work and improve our ability to recover costs.

Inside sales in Houston, USA

Shovel walk solution developed for a mining customer in Australia

## Average MW on hire

**1,444 MW**  
2018: 1,531 MW

## Utilisation

**58%**  
2018: 62%

## Power Solutions

**Across the Industrial business, sector specialisation and our technology strategy have enabled us to develop industry leading customer solutions, such as the one for Resolute's Syama Gold mine. I'm also pleased that our cost efficiency programme and relentless focus on cash collection have delivered an underlying improvement in our Utility business.**

**Stephen Beynon**  
President, Power Solutions

Revenue £m	2019	2018	Change	Underlying change <sup>1</sup>
Industrial	<b>434</b>	424	3%	2%
Utility excl. pass-through fuel	<b>319</b>	342	(7)%	(5)%
Pass-through fuel	<b>27</b>	172	(84)%	(84)%
 <b>Operating profit £m</b>	 2019	 2018	 Change	 Underlying change <sup>1</sup>
Industrial	<b>64</b>	71	(9)%	(7)%
Utility excl. pass-through fuel	<b>43</b>	46	(7)%	21%
Pass-through fuel	<b>1</b>	(3)	154%	155%
 <b>Operating margin %</b>	 14.8%	 16.6%	 (1.8)pp	 (1.4)pp
Industrial	<b>14.8%</b>	16.6%	(1.8)pp	(1.4)pp
Utility excl. pass-through fuel	<b>13.3%</b>	13.4%	(0.1)pp	2.9pp
 <b>ROCE</b>	 10.4%	 10.7%	 (0.3)pp	 (0.2)pp
Industrial	<b>10.4%</b>	10.7%	(0.3)pp	(0.2)pp
Utility excl. pass-through fuel	<b>5.8%</b>	6.2%	(0.4)pp	1.1pp

<sup>1</sup> Underlying excludes pass-through fuel and currency. A reconciliation between reported and underlying performance is detailed on page 26.

### Power Solutions Industrial

- Underlying<sup>1</sup> revenue increased 2%; up 6% excluding the 2018 Winter Olympics and the early design revenue for the Tokyo 2020 Olympics recorded in 2019
- Underlying<sup>1</sup> profit decreased 7%, driven by a challenging year in our Eurasia business
- Operating margin at 14.8% was down 1.4 percentage points on an underlying<sup>1</sup> basis
- ROCE of 10.4% is down 0.2 percentage points on an underlying<sup>1</sup> basis

### Power Solutions Utility

- Underlying<sup>1</sup> revenue was down 5%, primarily due to off hires
- Underlying<sup>1</sup> operating profit was up 21% as a result of improved operational performance
- ROCE up 1.1 percentage points to 5.8% on an underlying<sup>1</sup> basis

## Power Solutions Industrial

Power Solutions Industrial underlying<sup>1</sup> revenue increased 2%. Excluding both the 2018 Winter Olympics in the prior year and early design and project management revenue for the Tokyo 2020 Olympics in 2019, revenue was up 6%.

Revenue in Latin America increased 3%, primarily driven by the mining and oil & gas sectors. In the Middle East revenue increased 10%, with good growth in Oman and Saudi Arabia, partially offset by Kuwait. Africa revenue grew 29%, driven by our local business in Nigeria and industrial projects in the Democratic Republic of Congo (DRC). As previously disclosed, Eurasia had a challenging year with revenue down 8% due to slower order intake and pressure on rates from increased competition. Revenue in Asia (excluding the 2018 Winter Olympics and Tokyo 2020 Olympics) decreased 17%, mainly driven by a reduction in work related to mining and oil & gas.

The operating margin, on an underlying<sup>1</sup> basis, was down 1.4 percentage points on the prior year at 14.8%, primarily driven by pricing pressure and a reduction in the number of available market opportunities in Eurasia, partially offset by a good performance in Africa and Latin America.

Power Solutions Industrial order intake for the year was 506 MW (2018: 604 MW), including 282 MW in Eurasia (2018: 333 MW).

Average MW on hire

**2,532 MW**

2018: 2,445 MW

Order intake

**506 MW**

2018: 604 MW

Utilisation

**68%**

2018: 71%

## Power Solutions Utility

Power Solutions Utility saw underlying<sup>1</sup> revenue decrease 5%, primarily due to off hires in Africa (including Angola, Benin and Mozambique) and Myanmar. The operating margin (excluding pass-through fuel) on an underlying<sup>1</sup> basis was up 2.9 percentage points to 13.3%, primarily as a result of the ongoing cost reduction programme.

Average megawatts on hire were down 10% to 2,405 (2018: 2,683), impacted most significantly by projects off-hiring in Africa and Asia. The full year off-hire rate was 33% (2018: 42%). Order intake for the year was 497 MW (2018: 398 MW), including 150MW in the Philippines. In addition, we have agreed contract extensions with a number of customers including an agreement to extend our 200MW Ivory Coast contract until December 2021.

Managing the trade receivables in our Power Solutions Utility business continues to be a major focus, with active ongoing engagement with our customers a key priority. Encouragingly our Power Solutions Utility cash collections in the year were \$584 million compared with amounts invoiced of \$484 million. However, we continue to experience delays in receiving payments in Venezuela, Yemen and parts of Africa due to our customers' more limited liquidity and access to foreign currency. While we believe that we remain relatively well positioned to recover the Group's net exposure in Venezuela and Yemen when the current situation in each of these countries stabilises, we also recognise that there is a range of potential outcomes for each. The customer with whom we have our largest net exposure (in the range \$30-40 million) is within the Africa region and, while there is no dispute over the amount outstanding, we remain in regular dialogue with this customer regarding the likely process and timing of future payments.

Overall the Power Solutions Utility bad debt provision at 31 December 2019 was \$81 million (2018: \$83 million). Although the overall provision is broadly in line with the prior year, to reflect the differing circumstances and payment progress made by customers, the Group has increased its provision against specific customers in Yemen and Venezuela by \$8m, while reducing its provision against other customers by \$10 million. In addition, we have revalued private placement notes relating to one customer in Venezuela (PDVSA) to £1 million (2018: £4 million).

Designing a customer solution in Tyumen, Russia

We won the Argus LPG Award for Excellence in the New Frontier category for delivery of a utility-scale power solution for the Virgin Island of St Croix

Monitoring power supply during the Rugby World Cup, Tokyo, Japan

Average MW on hire

**2,405 MW**

2018: 2,683 MW

Order intake

**497 MW**

2018: 398 MW

Utilisation

**65%**

2018: 66%

## The right capital structure to support our strategy

**We have delivered strong profit growth and cash generation resulting in a proposed 3% increase in the final dividend.**

**Heath Drewett**  
Chief Financial Officer

### Currency translation

The movement in exchange rates in the period had the translational impact of increasing revenue by £6 million and decreasing operating profit by £9 million. Currency translation also gave rise to a £75 million decrease in the value of the Group's net assets. Set out in the table below are the principal exchange rates which affected the Group's profit and net assets.

#### Principal exchange rates

(Per £ sterling)	2019		2018	
	Average	Year end	Average	Year end
United States Dollar	<b>1.28</b>	<b>1.31</b>	1.34	1.27
Euro	<b>1.14</b>	<b>1.17</b>	1.13	1.11
UAE Dirhams	<b>4.69</b>	<b>4.80</b>	4.91	4.66
Australian Dollar	<b>1.83</b>	<b>1.88</b>	1.79	1.80
Brazilian Reals	<b>5.03</b>	<b>5.30</b>	4.87	4.91
Argentinian Peso	<b>61.10</b>	<b>78.28</b>	37.48	48.62
Russian Rouble	<b>82.61</b>	<b>80.94</b>	83.70	88.02

(Source: Bloomberg)

#### Reconciliation of reported to underlying results

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

Revenue £m	Rental Solutions			Industrial			Utility			Group		
	2019	2018	Change	2019	2018	Change	2019	2018	Change	2019	2018	Change
As reported	<b>833</b>	822	1%	<b>434</b>	424	3%	<b>346</b>	514	(33)%	<b>1,613</b>	1,760	(8)%
Pass-through fuel	—	—	—	—	—	—	(27)	(172)	—	(27)	(172)	—
Currency impact	—	16	—	—	1	—	—	(6)	—	—	—	11
Underlying	<b>833</b>	838	(1)%	<b>434</b>	425	2%	<b>319</b>	336	(5)%	<b>1,586</b>	1,599	(1)%
Operating profit £m	Rental Solutions			Industrial			Utility			Group		
	2019	2018	Change	2019	2018	Change	2019	2018	Change	2019	2018	Change
As reported	<b>133</b>	105	25%	<b>64</b>	71	(9)%	<b>44</b>	43	2%	<b>241</b>	219	10%
Pass-through fuel	—	—	—	—	—	—	(1)	3	—	(1)	3	—
Currency impact	—	3	—	—	(1)	—	—	(11)	—	—	(9)	—
Underlying	<b>133</b>	108	22%	<b>64</b>	70	(7)%	<b>43</b>	35	21%	<b>240</b>	213	13%

1 The currency impact is calculated by taking the 2018 results in local currency and retranslating them at the 2019 average rates.

2 The currency impact line included in the tables above excludes the currency impact on pass-through fuel in Utility, which in 2019 was £5 million on revenue and £nil on operating profit.

## Interest

The net interest charge of £42 million was £5 million higher than the prior year, primarily due to an increase in interest of £5 million associated with the adoption of IFRS 16 'Leases'. The lower average net debt has been offset by an increase in the effective interest rate and an increase in arrangement fees for refinancing committed debt. Interest cover\* (including the impact of IFRS 16) measured against rolling 12-month EBITDA (Earnings before Interest, Taxes, Depreciation and Amortisation) remained strong at 13 times (2018: 14 times).

## Taxation

### Tax strategy

We operate in an increasingly complex global environment, doing business in 79 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 across all taxes in all countries where we operate.

Our tax strategy is reviewed and revalidated annually and revised as appropriate to reflect any material changes in our business or 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. We recognise the importance of the tax we pay to the economic development of the countries in which we operate. We aim to be transparent in terms of the geographic spread of where we pay tax, with a breakdown provided in the figures overleaf. In applying the tax strategy, we undertake to comply with the applicable tax legislation utilising, where appropriate, any available legislative reliefs.

### Our engagement with tax authorities

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

### Tax governance

Our tax governance framework is encompassed within a set of documented policies and procedures covering both the application of the strategy and operational aspects of tax.

Ultimate responsibility for managing the Group's tax risk and its tax affairs 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 the impact on our business of any legislative change, advisory and technical support is provided by major accounting firms with which the Group has a long association. The use of the Group's external auditor for tax work of any kind is prohibited.

### 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 overall risk profile of many of the countries in which we operate, we seek to structure our tax affairs in a way that carries a low degree of risk. Only the Director of Tax is permitted to consider any tax planning opportunities, with permission to implement any planning required from the Board or Finance Committee as appropriate. We will not implement any tax planning that is not driven by commercial aims or where the sole objective is to deliver tax benefit.

### Tax management and provisioning

Given the complex, uncertain and often volatile nature of the tax environment in which we operate, strong local compliance and governance are key. This is particularly so for our Power Solutions business, where we may only be present in a country on a temporary basis. While we will always seek to manage our tax affairs and agree our tax positions in a timely manner, it can often take some time to settle our tax position and uncertainties may therefore exist for a period of time, particularly with complex tax regimes or where legislation is changing.

We may therefore need to create tax provisions for potential uncertain positions. These provisions are based on reasonable estimates of the range of possible outcomes. Management uses its best judgement to determine the appropriate level of provision, recognising that differences of interpretation and a range of possible outcomes may arise, depending on the facts in each case.

The provisions are principally held to manage the tax impact of various potential historic tax exposures, largely in connection with our Power Solutions Utilities business, together with potential transfer pricing risks faced by the Group with respect to how we transact internationally across 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 focus from management, our tax advisers and the Group's external auditor (to the extent necessary for them to form a view on the truth and fairness of the financial statements). 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 also periodically reviews management's assessment on the effectiveness of our tax controls and will also consider any relevant tax risks as part of its core assurance programme.

### Legislative changes

While we continue to monitor global legislative change, the pace of change in our main operating countries slowed in 2019. Specifically, the tax reform agenda in North America has now largely been enacted into legislation and any impact of this change is reflected in our 2019 results.

In terms of Brexit, we continue to believe, based on our ongoing assessment, that it will not have a material tax impact on the Group.

### Cash taxes paid

In 2019, Aggreko's worldwide operations resulted in direct and indirect tax payments of £272 million (2018: £241 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.

Within this overall total, corporate taxes paid increased by £15 million to £76 million. We paid £4 million more in Africa (Senegal and the Democratic Republic of Congo) and a further £4 million in Asia (Indonesia), where we made a one-off tax payment following an audit by the local tax authorities. The remaining additional tax paid was principally in Europe, where we benefited in 2018 from a tax refund in the UK which did not reoccur in 2019.

Our indirect taxes paid increased by £16 million to £196 million. The main contributors to this were a £5 million increase in Africa as a result of increased activity in Malawi and Burkina Faso, coupled with a lack of VAT recoveries in Mozambique compared with 2018, together with an increase of £12 million in North America due to increased activities leading to higher sales and payroll tax payments.

\* Refer to pages 137 and 138 for calculations

#### Tax charge

The Group's effective corporation tax rate for the year was 35% (2018: 31%), based on a tax charge of £70 million (2018: £57 million) on a profit before taxation of £199 million (2018: £182 million). The Group's effective tax rate has risen in 2019 largely due to the geographic mix of the Group's profit and the impact of non-recurring prior year credits in 2018. Further information, including a reconciliation of the current year tax charge, is shown at Note 9 to the Accounts. Looking beyond 2019, our effective tax rate will continue to be driven principally by our geographic mix of profit, the ongoing resolution of open issues and 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 £272 million, comprising £196 million of indirect taxes and £76 million of corporate taxes. The difference between the corporate taxes paid of £76 million and the Group's tax charge of £70 million as reported in the income statement is analysed in the table below.

	£m
Cash taxes paid	272
Non-corporate taxes	(196)
Corporate tax paid	76
Movements in deferred tax and prior year adjustments	(5)
Differences relating to timing of tax payments	(1)
Corporate tax charge per the income statement	70

#### Cash flow

During the year cash generated from operations was £628 million (2018: £423 million). The increase in operating cash flow is mainly driven by a year on year improvement in working capital cash flows of £163 million (2019: £107 million inflow, 2018: £56 million outflow) and an increase in EBITDA\* of £47 million, partially offset by a higher cash outflow of £24 million relating to mobilisation (fulfilment assets) and demobilisation activities. The working capital movements in the period are explained in more detail on page 20. Capital expenditure in the year was £230 million (2018: £216 million), of which £189 million (2018: £196 million) was invested in fleet assets.

#### Net operating assets

The net operating assets of the Group (including goodwill) at 31 December 2019 totalled £1,997 million, £162 million lower than 31 December 2018, as detailed in the table below.

£m	2019	2018	Movement	Movement excluding the impact of currency
Goodwill/intangibles/investments	<b>227</b>	235	(3)%	(1)%
Rental fleet	<b>939</b>	1,057	(11)%	(9)%
Property & plant	<b>227</b>	112	103%	106%
Working capital (excl. interest creditors)	<b>496</b>	646	(23)%	(20)%
Fulfilment asset & demobilisation provision	<b>72</b>	33	118%	125%
Cash (incl. overdrafts)	<b>36</b>	76	(53)%	(51)%
<b>Total net operating assets</b>	<b>1,997</b>	2,159	(8)%	(5)%

A key measure of our performance is the return generated from the Group's average net operating assets (ROCE). We calculate ROCE\* by taking the operating profit (pre-exceptional items) for the year and expressing it as a percentage of the average net operating assets at 31 December, 30 June and the previous 1 January. In 2019 ROCE increased to 11.2% compared with 10.3% in 2018. On an underlying basis ROCE rose 1.1 percentage points, driven by a strong performance in Rental Solutions and the benefits of the cost-saving programme in Power Solutions Utility.

\* Refer to pages 137 and 138 for calculations

### Property, plant and equipment

Our rental fleet accounts for £939 million, which is around 80% of the net book value of the Group's property, plant and equipment. The majority of equipment in the rental fleet is depreciated on a straight-line basis to a residual value of zero over eight years, with some classes of rental fleet depreciated over 10 and 12 years. The annual fleet depreciation charge of £265 million (2018: £273 million) reflects 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. No changes were made in 2019.

### Shareholders' equity

Shareholders' equity decreased by £8 million to £1,359 million, represented by the net assets of the Group of £1,943 million less net debt of £584 million. The movements in shareholders' equity are analysed in the table below:

Movements in shareholders' equity	£m	£m
As at 1 January 2019	1,367	
Profit for the period	129	
Dividend	(69)	
Retained earnings	60	
Employee share awards	11	
Purchase of Treasury shares	(4)	
Re-measurement of retirement benefits	(1)	
Currency translation	(75)	
Other	1	
As at 31 December 2019	1,359	

### Pensions

Pension arrangements for our employees vary depending on market 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 surplus of £4 million at 31 December 2019 (2018: £1 million surplus) which is determined using actuarial assumptions. The improvement in pension funding is primarily driven by the additional contributions paid by the Company during the year. These were partially offset by the growth in liabilities being greater than the returns on the Scheme's assets. The Scheme's liability growth was primarily driven by a fall in interest rates, thereby reducing the discount rate applied to the liability,

while all asset categories provided better than expected returns.

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

Assumption	Potential change (Increase/ decrease)	Deficit impact (Increase)/ decrease (£m)	Profit impact decrease (£m)
Rate of increase in salaries	0.5%	(1)	-
Discount rate	(0.5)%	(14)	(1)
Inflation (0.5% increases on pensions increases, deferred revaluation and salary increases)	0.5%	(10)	-
Longevity	1 year	(4)	-

### Treasury

#### Liquidity and funding

The Group maintains sufficient facilities to meet its funding requirements over the medium term. At 31 December 2019 these facilities totalled £1,027 million, in the form of committed bank facilities arranged on a bilateral basis with several international banks and private placement lenders. The financial covenants attached to these facilities are that EBITDA should be no less than 4 times interest and net debt should be no more than 3 times EBITDA. The covenants exclude the impact of IFRS 16 'Leases' and, on that basis, at 31 December 2019, these ratios were 14\* times and 0.9\* times respectively. The Group does not expect to breach these covenants in the year from the date of approval of these financial statements.

Net debt (including £101 million of a lease creditor on the Group's adoption of IFRS 16 from 1 January 2019) amounted to £584 million at 31 December 2019 (2018: £686 million) and, at that date, un-drawn committed facilities were £516 million.

Further detail can be found in the Going Concern disclosure on page 94.

### Risks

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's policy is to manage its exposure to interest rates by ensuring an appropriate balance of fixed and floating rate debt. At 31 December 2019, £478 million of the gross debt of £570 million (excluding the lease creditor of £101 million) was at fixed rates of interest resulting in a fixed to floating rate debt ratio of 84:16 (2018: 77:23).

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, to hedge net currency flows. The Group's foreign currency exposure on the translation into Sterling of its net investments in overseas subsidiaries is managed using debt in the same currency as those investments.

The group manages its credit risk on cash deposits and other financial instruments by limiting the aggregate amounts and their duration depending on external credit ratings of the relevant counterparty.

### 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.

\* Refer to pages 137 and 138 for calculations

## **As our market and business changes, so do the 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, but to do so within the risk appetite set by the Board. It is important that we have in place a robust risk management framework to facilitate this.

### **Ultimate responsibility** Board

- Ultimate responsibility for risk and internal control
- Approves the risk management framework
- Approves 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 and 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 that the controls identified are operating and that open issues are closed out
- Facilitates the Group's risk process, collating risk registers and consolidating the Group Register of Principal Risks
- Aligns assurance activity

### **Ownership**

Business units and Group functions leadership teams (supported by Group Risk)

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

## Integrating risk and assurance

Risk management has always had a high profile at Aggreko, given what we do and where we work. We have developed a quantitative approach to measuring the residual risk that Aggreko is exposed to within its current control environment. We have started to integrate our approach to risk with that of assurance.

The main components of our risk management approach are:

- **A risk event universe:** We have defined a universe of 25 risk events that might prevent Aggreko from delivering its strategic plan. These risk events are a simple expression of what might go wrong and a reference point for working out the causes of risk events, identifying critical control activities and describing risk scenarios.
- **A set of critical control activities:** We have identified the critical control activities that could stop each risk event happening or mitigate the consequences of the risk event if it did happen. We have asked ourselves how good we are at these critical control activities and used the answers to estimate how likely it is that our 25 risk events might occur and how severe the consequences might be if they do.
- **An impact yardstick:** We have developed a yardstick that allows us to measure the relative level of concern we have for the environmental, financial, operational, regulatory, reputational and safety consequences of a risk event.
- **Quantitative risk scores:** We combine our level of concern for a particular risk event with the likelihood that it will occur to calculate its risk score. Tracking the Group's risk scores over time allows us to see how our risk environment is changing.
- **Risk registers:** We describe risk scenarios as routes from a cause through the preventative controls to a risk event and then through the mitigating controls to the consequences. We consolidate risk scenarios into registers at business unit level for Global Products & Technology, Power Solutions and Rental Solutions and at functional level for Aggreko Technology Services, Finance, HR and Legal. We use risk scores to rank risk scenarios by our level of concern for them and include those with the highest risk scores in the Group Register of Principal Risks.

→ **Emerging risks:** We expect new risk scenarios to emerge when the Group's activities or environment changes or when the effectiveness of our critical control activities changes. By applying a consistent quantitative approach to risk scoring in all our risk registers we get a better understanding of emerging risks before they reach the Group Register of Principal Risks.

→ **Risk appetite:** The Group is willing to take and manage considered risk within clear boundaries set by the Executive Committee and approved by the Board. We set our appetite for each of the risk scenarios in our registers by agreeing a maximum acceptable risk score for each scenario. If a risk scenario's score is outside our appetite, we look at our critical control activities to identify remedial actions that will lower the risk score to bring it within appetite.

Managing risk and assurance together helps us to see whether our control environment is operating effectively. We want to take the same standardised, quantitative approach to assurance as we do to risk so that we can see whether our assurance findings validate our estimates of risk.

We are integrating our approach to assurance with our approach to risk management as follows:

→ **Assurance coordination:** We have begun to coordinate the Group's assurance activities using an assurance calendar that reduces duplication of effort by eliminating overlapping audits by different assurance teams, reducing potential audit fatigue within the business and lowering the total cost of assurance for the Group.

→ **Assurance standardisation:** We are defining minimum standards for controls and introducing standard work programmes for all assurance teams to use in testing critical control activities.

→ **Assurance findings database:** We have launched a shared database to record all findings from the work that our assurance teams do using our risk scoring methodology.

→ **Risk experience history:** We are maintaining a historical dataset of our risk experiences as they are identified by the Group's assurance teams that will allow the assumptions in our risk framework to be validated and updated as the environment changes.

By thinking in the same way about assurance and risk and by managing them together, we can achieve better control, lower risk and higher efficiency.

## Changes since 2018

Our Group Register of Principal Risks will change from time to time as the business environment in which we operate evolves and as we take action to manage our risk exposure.

### Risks promoted to the Group Register of Principal Risks:

→ **Climate change:** We have isolated the contribution to the Group's aggregate level of risk that is attributable to climate change. This has been done to reflect our increased focus on this issue.

→ **Service delivery – major contract failure:** This risk returned to the Group Register of Principal Risks at the half year. The severity of this risk fluctuates with the number, scale and scope of major contracts that we are delivering at any time. The successful delivery of the Japan Olympics is a key priority for 2020 with associated risks gaining additional scrutiny as a result.

### Risks removed from the Group Register of Principal Risks:

The risk scores of the following risks have fallen below the threshold for inclusion in the Group's Register of Principal Risks. In both cases, additional control measures have been put in place to reduce the likelihood of a risk event occurring.

→ **Security:** Our Group security policy sets the standards in this area. Our Group security team provides guidance and monitors the security environment. In 2019, additional security training, security audits and a security incident reporting app were implemented.

→ **Failure to conduct business dealings with integrity and honesty:** You can read more about our code of conduct and compliance framework on page 54. In 2019, a new code of conduct and associated training, increased oversight of third-party sales representatives and an improved supplier onboarding process were implemented to strengthen our compliance framework further.

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

## PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

The Directors have carried out a robust assessment of the principal and emerging 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 Group's Principal Risks are presented in categories (strategic, hazard, operational, compliance and financial) for ease of reference.

### Strategic

#### Global macroeconomic uncertainty

Lower than expected global GDP reduces demand



##### Executive responsible

Chris Weston, Chief Executive Officer

##### Background and impact

Several geopolitical factors have the potential to impact upon our ability to meet our forecast performance.

An increased trend towards protectionism in several jurisdictions in which we operate; US trade policy shifts; oil price volatility; Russian foreign policy unpredictability; Brexit uncertainty; the potential for a global economic slowdown resulting from sluggishness in China; and the impact of the Coronavirus on global GDP, each have the potential to impact upon our forecasts.

As we move into 2020, any shifts in GDP growth outside of those which we have factored into our forecasts could impact on our returns.

##### Key preventions and mitigations

- Market analysis and monitoring
- Market and product diversification
- Mobile, modular, homogenous equipment
- Improved sector focus: structure, resourcing and capabilities
- Improved technology offerings make us more competitive
- Internal efficiency improvements

##### Link to strategic priorities

##### Related KPIs

- Revenue growth
- Customer activity
- Customer loyalty
- Operating profit margin
- Fleet utilisation
- Return on capital employed

##### Changes during 2019

The factors noted above have remained consistent over the course of the year. Increased uncertainty as to global growth levels in 2020 has resulted in our increasing the risk score.

**i** Read more about our perspectives on Brexit on [page 37](#)

#### Market dynamics

Challenging market dynamics reduce volumes and profitability



##### Executive responsible

Bruce Pool, President Rental Solutions  
Stephen Beynon, Managing Director Power Solutions

##### Background and impact

**Power Solutions**  
Commodity price variations will impact on the economies of developing countries, reducing their capacity to pay for temporary power. Customer buying power increases as more competitors enter the market. The power gap in developing markets may reduce as permanent power comes online.

Given the changing profile of our project portfolio, our results are less exposed to the impact of a major contract off-hiring.

##### Rental Solutions

Customer buying power increases as the supply of fleet in the market and the level of competition increases.

Our ability to differentiate our services from those of our competitors as

specialist energy and temperature control providers is critical to us maintaining market share and profitability.

##### Key preventions and mitigations

- Improved sector focus: structure, resourcing and capabilities
- Improved sales capability, resourcing and performance management
- Sales and marketing strategy
- Market and product diversification
- Developing new and improving existing technology offerings make us more competitive
- Internal efficiency improvements
- Market analysis and monitoring
- Mobile, modular, homogenous equipment

##### Link to strategic priorities

##### Related KPIs

- Revenue growth
- Customer activity
- Customer loyalty
- Operating profit margin
- Fleet utilisation
- Return on capital employed

##### Changes during 2019

Our 2019 results were driven by a strong performance in Rental Solutions and a significant working capital improvement. We improved underlying operating margins in both Rental Solutions and Power Solutions Utility.

We will continue to focus on delivering our strategic priorities as we move into 2020.

**i** Read more about our business performance on [page 20](#)

		Link to strategic priorities	Risk change during 2019
		Customer focus Technology investment Capital efficiency Expert people	Increased No change Lowered New
<b>Technology developments</b> Failure to identify, develop and deploy new technology hinders growth			
<b>Executive responsible</b> Dan Ibbetson, Managing Director Global Products & Technology	<b>Key preventions and mitigations</b> → Diversified product portfolio → Technology roadmap for existing and alternative technologies and fuels → Future Technology team to nurture future innovation → Market requirements monitoring → New product introduction process – design and build → Standard operating practices and training for new products	<b>Related KPIs</b> → Revenue growth → Operating profit margin → Customer activity → Fleet size and composition → Fleet utilisation → Return on capital employed	
<b>Background and impact</b> Alternative energy sources are becoming increasingly available and affordable. New energy business models using technology to manage the on and off-grid environment are emerging. Disruptive technology could reduce the size of the market for energy generated from fossil fuels faster than our expectations.	<b>Link to strategic priorities</b>	<b>Changes during 2019</b> We now have a specialist team which identifies, monitors and researches new technology innovations. We have continued to develop our existing fleet in line with market requirements.	i Read more about the technology developments taking place as part of our strategic priorities on page 14
Continuing to develop, build and deploy our power storage solution is a key component of our strategic objectives. We continue to monitor developments in this evolving area to ensure that we take advantage of opportunities and manage any associated risks.			
<b>Talent management</b> Failure to attract, retain and develop key personnel			
<b>Executive responsible</b> Richard Stokes, Interim Group Human Resources Director	Where we seek to reorganise our business operations to better serve our customers, we engage with our people to ensure that we minimise the impact to their wellbeing.	<b>Link to strategic priorities</b>	
<b>Background and impact</b> Our people make the difference between great performance and mediocre performance. The high-quality technical capability and exemplary attitude of our people is a competitive advantage that we wish to retain.	<b>Key preventions and mitigations</b> → Recruitment policy and succession planning → Talent management reviews and development plans → Feedback from staff surveys incorporated into strategic priorities → Benchmarking of remuneration and benefits to attract and retain the required talent → Long-term incentive plans → Performance management → Promoting our culture	<b>Related KPIs</b> → Employee satisfaction	
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.		<b>Changes during 2019</b> While, in general, attrition rates have remained broadly consistent with those in 2018, we have seen a slight increase in certain parts of our business which has seen us raise the relevant risk score. We expect that steps being taken to enact our succession and retention plans and to recruit more effectively will allow us to reduce the score in 2020.	i Read more about People on page 18
<b>Change management</b> Failure to successfully transform the Rental Solutions business to match customer needs			
<b>Executive responsible</b> Bruce Pool, President Rental Solutions	<b>Key preventions and mitigations</b> → Senior leadership sponsorship → Project management resources to provide challenge, assurance and risk oversight → Adequate resourcing to deliver planned improvements → Business user acceptance testing and training	→ Revenue growth → Operating profit margin → Customer loyalty → Fleet utilisation → Return on capital employed	
<b>Background and impact</b> We have successfully introduced new internal systems to manage customer requirements and to allow us to more efficiently deliver our services. We are continuing to refine these systems and the associated business processes.	<b>Link to strategic priorities</b>	<b>Changes during 2019</b> We remain in a critical period of implementation as we seek to embed revised processes, during which the likelihood of disruption to operations is higher.	
If we do not successfully execute these changes in a timely and sustainable manner it could result in a material impact on future revenue and profit in our Rental Solutions business.	<b>Related KPIs</b> → Customer activity	i Read more about the efficiency developments taking place as part of our strategic priorities on page 16	

## Strategic

### Climate change

Climate change has a greater effect on our business than expected



#### Executive responsible

Chris Weston, Chief Executive Officer

#### Background and impact

There is growing global awareness of the implications for the planet of global warming caused by greenhouse gas emissions.

Business risks we might face relate to physical risks (i.e. events arising due to extreme weather events or shifts in climate patterns) and transition risks (i.e. risks arising as a result of legal, technology or market changes as we move to a lower-carbon economy).

The most prevalent of these is the risk that we fail to win contracts due to our inability to service changing customer and legal requirements, for example not having appropriate equipment in our fleet.

#### Key preventions and mitigations

- Monitoring industry laws and regulations
- Market requirements monitoring
- Diversified product portfolio
- Technology roadmap for existing and alternative technologies
- Future Technology team to nurture future innovation
- Demand forecasting
- Capital expenditure management

#### Link to strategic priorities

#### Related KPIs

- Revenue growth
- Customer activity
- Customer loyalty
- Operating profit margin
- Fleet size and composition
- Fleet utilisation
- Return on capital employed

#### Changes during 2019

As we move to further develop our environmental and social responsibility strategy, we have undertaken a risk assessment of the business risks that we might face due to climate change.

## Hazard

### Health and safety

A health and safety incident occurs that results in serious illness, injury or death



#### Executive responsible

Chris Weston, Chief Executive Officer

#### Background and impact

Our business involves transporting, installing and operating equipment which is heavy, can produce high voltages or high pressure air and involves the use of millions of litres of fuel. All of these could cause serious injury or ill health to our people and third parties if not managed correctly.

In addition, some of our people work in high-risk locations. Besides the security considerations, issues facing these employees include: poor road infrastructure, a lack of access to healthcare services and exposure to contagious diseases. We also operate on customer sites, which present their own health and safety risks, such as offshore oil and wind platforms and mine sites.

#### Key preventions and mitigations

- Senior leadership focus area with accountability replicated throughout line management
- Management safety walks
- Group HSE policy supported by standard operating procedures
- Incident response procedures
- HSE training (against HSE standards and job-specific)
- 'Stop work' protocol in place
- HSE compliance audits conducted
- Rigorous testing and ongoing maintenance of equipment
- Health testing and monitoring implemented, where required
- Comprehensive employee induction programme

#### Link to strategic priorities

#### Related KPIs

- Safety
- Employee satisfaction

#### Changes during 2019

During 2019, we began to re-authorise employees and contractors in our Energy Safety Rules (last authorisation in 2016) and we have supplemented our HSE standards with additional standard operating procedures. Tragically, one of our employees was fatally injured in a motor vehicle accident on a remote ice road in Russia. We have taken steps to reduce the likelihood of such an event occurring again.

**i** Read more about Health and Safety on page 18

## Operational

### Cyber security

A cyber security incident leads to a loss of data, a loss of data integrity or disruption to operations

#### Executive responsible

Grant Nairn, Chief Information Officer

#### Background and impact

A cyber security incident may be caused by an external attack, internal attack or 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 back-office or operational control 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.

We recognise that this is an area where, if we stand still, the level of risk will continue to rise.

#### Key preventions and mitigations

- Cyber security forum that monitors risk threats and directs actions
- Security technologies including: antivirus and malware software; firewalls; monitoring of data egress points
- Third-party expertise engaged for incident response and security penetration testing
- IT user policy and training
- Data encryption and security incorporated to all new systems

#### Link to strategic priorities

#### Related KPIs

- Revenue growth
- Operating profit margin
- Customer loyalty
- Fleet utilisation

#### Return on capital employed

#### Changes during 2019

A continued focus on delivery of our cyber security strategy in 2019 has allowed us to reduce the risk score. We have raised awareness internally through training and certification and invested further in the security technologies we employ. We will continue to improve in this area in 2020.

### Service delivery: major contractual failure

Failure to deliver critical contracts effectively

#### Executive responsible

Dan Ibbetson, Managing Director Global Products & Technology

#### Background and impact

The Group operates large and often technically complex contracts around the world. There is a risk that we commit to a contract that we cannot fulfil, either due to circumstances outside our control or due to a failure in our operational processes.

If this were to be one of our larger contracts, this could have a material financial impact and could damage the Group's reputation.

Among other large contracts, the successful delivery of the Japan Olympics is a key priority for 2020 with associated risks gaining additional scrutiny as a result. Aided by this additional focus, contract delivery is progressing well.

#### Key preventions and mitigations

- Recruitment, training and performance management
- Equipment redundancy built into planning and execution
- Rigorous servicing and maintenance regimes
- Equipment performance monitoring
- Group contract risk management policy – compliance and monitoring
- Enhanced project management oversight and disciplines
- Third-party insurance

#### Link to strategic priorities

#### Related KPIs

- Operating profit margin
- Revenue growth
- Customer loyalty
- Fleet utilisation

#### Return on capital employed

#### Changes during 2019

The scale and scope of the Japan Olympics contract in particular has seen this risk added to the Group Register of Principal Risks following our update process at the half year.

## Compliance

### Escalating sanctions

Escalating sanctions impact upon our ability to service customers and win new work. We are prosecuted as a result of trading with an entity subject to sanctions



#### Executive responsible

Peter Kennerley, Group Legal Director & Company Secretary

#### Background and impact

We believe that we have appropriate procedures in place to manage our compliance with current and developing sanctions regulations.

There is the potential that any further sanctions might impede our ability to service current customers or win new work.

In addition, changes to existing sanctions may result in contractual relationships that are currently within regulations becoming out of line with regulations.

#### Key preventions and mitigations

- Improved sector focus: structure, resourcing and capabilities
- Group contract risk management policy – compliance and monitoring
- Due diligence on all contracts in high-risk jurisdictions
- Targeted training of employees and third parties
- Recruitment, training and performance management

#### Link to strategic priorities

#### Related KPIs

- Revenue growth
- Customer loyalty
- Operating profit margin
- Employee satisfaction

#### Changes during 2019

Sanctions have been extended in some countries in which we operate. We continue to operate robust processes to ensure that we are assessing each new contract against current regulations while staying abreast of any changes in regulations that might impact on existing contracts.

## Financial

### Failure to collect payments or to recover assets

Significant customer payment default or impounding of assets



#### Executive responsible

Heath Drewett, Chief Financial Officer

#### Background and impact

The Group has some large contracts in emerging market countries where payment processes can be unpredictable, where liquidity has been adversely affected by a fall in commodity prices or our customers have competing demands on limited budgets.

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 is confiscated.

We continue to 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 while having to write off its residual net book value.

#### Key preventions and mitigations

- Regular monitoring of the risk profile and debtor position for large contracts
- Contract risk management policy application
- Mitigation techniques vary, though may include: obtaining advance payment; letters of credit; or insurance against losses
- Ongoing customer relationship management
- Business scale and customer portfolio diversification make it less likely that any unprovided bad debt or equipment seizure would be material

#### Link to strategic priorities

#### Related KPIs

- Operating profit margin
- Fleet size and composition
- Fleet utilisation
- Return on capital employed

#### Changes during 2019

While we have not suffered a significant loss in 2019, we continue to monitor closely overdue debt in our Power Solutions Utility business in particular and are pleased to report that we have reduced the level of aged debt this year. We continue to believe that the primary reason for delay in payments is liquidity and access to foreign currency, rather than customer dispute.

## Coronavirus

As the situation continues to evolve, our primary concern is for the welfare of our people, their families and the local communities in which we work. We are following the development of the coronavirus outbreak and have implemented several measures to protect our people and to prepare for possible consequences of the virus. It is unclear how the outbreak will develop and, therefore, the potential impact on our business. We will continue to follow developments closely and will take further action to protect our people and business as appropriate.

## Brexit

The UK has now left the EU and is currently in a transition period until the end of 2020 while the UK and the EU negotiate additional future arrangements. At this point, we do not know what the result of these negotiations will be or whether the current transition period will be extended.

We have completed an impact assessment to try to identify the aspects of our business that might be affected most by the UK's withdrawal from the EU. We do not expect the impact on the Group's business activities to be material because the large majority of them take place outside the UK and the EU. However, we have taken some actions and developed contingency plans to reduce the potential impact on the Group of the UK leaving the EU without a new trade agreement at the end of December 2020.

Delays in our supply chain and in the export of finished products, changes to customs duties on the movement of equipment, changes to tax legislation and the associated system changes have the potential to affect our business the most, on top of the impact of changes in the value of Sterling and GDP growth in our UK and EU markets.

The Group earns approximately 5% of its revenue from the UK and 11% from EU markets. Demand for our services in these markets is, in part, GDP dependent. A significant change in the GDP growth in these markets is likely to have a knock-on effect on our level of activity there.

We will continue to monitor the situation closely and refine our contingency plans as the situation develops.

## 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, while Power Solutions Utility is driven by shortfalls in permanent capacity caused by economic growth, ageing power infrastructure, hydroshortages and social pressures.

The Executive Committee and the Board regularly discuss factors that might affect Aggreko's prospects. The 11 principal risks which the Board concluded could affect business performance are set out on the previous pages.

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

→ It took the decision to carry out the assessment over a three-year period to 2022. Although the prospects of the Group are considered over a longer period, three years was deemed appropriate for the viability assessment as:

- 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 2022 by modelling scenarios linked to each principal risk, together with 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.

# It is important that we do the right thing

**To be a sustainable company means we have to manage our impact on society, by which we mean the environment, our people, the communities in which we operate, and our customers. We do all this to the highest standards of integrity and honesty.**

**Chris Weston**  
Chief Executive Officer

## The environment

We have always worked to minimise our environmental impact, but environmental preservation is now critical and so our traditional approach is no longer enough. Towards the end of the year, we began developing an environmental strategy which we expect to set out in 2020.

### Priorities

- Minimise our environmental impact
- Be accountable and transparent with regard to our environmental footprint

### Outcomes

- Maintain our reputation for responsible management of environmental matters
- Gain commercial benefit through development of new solutions to environmental problems

### Action in the year

- Introduced our battery storage product, Y.Cube
- Worked to optimise our existing fleet by improving fuel, and operating, efficiency and thus reduce its environmental impact
- Continued assessment of, and investment in, future technologies and alternative fuels which are more environmentally friendly
- i Read more about our technology strategy on **page 14** and our role in the energy transition on **page 40**
- i Read more about our greenhouse gas (GHG) emissions on **page 81**

## Social and community issues

The nature of the services we provide mean we are often powering critical services on which local economies and communities depend. We have a responsibility to listen to the needs of local people and where possible work with them to make a lasting difference.

### Priorities

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

### Outcomes

- Build business longevity
- Gain new talent for the organisation
- Support local industry and commerce
- Provide power for communities that need it
- Create local employment and enable skills development

### Action in the year

- 817 Orange Days of Difference where our people volunteered their time to support the communities in which we work
- Increased the proportion of local people we employ, with 82% now working in their home country
- Supported over 130 families in Malawi following cyclone Idai through our partnership with ShelterBox

## Using waste biogas to generate power in Thailand

Northern Biogas is a clean power enterprise that strives to improve the environment and the lives of local communities. The company was looking for a partner in Thailand to replace an existing HFO power plant at a manufacturing site and use the waste biogas to generate power.

We designed a 6 MW gas generator package that allows the customer to scale up or down in line with its operations. The design also enables

excess power to be exported to the grid for use by the local community.

The tailored solution we delivered helped Northern Biogas meet the project's demands six months earlier than its initial capital-intensive choice. Earlier provision of power allowed increased revenue generation while also saving \$1 million in annual power costs and significantly reducing the impact of the manufacturing plant on the environment.

**100,000 Nm<sup>3</sup>**

of biogas converted per day

**\$1m**

cost saving per annum

## Our people

Health and safety has always been, and will always be, our number one priority – our people have the right to return home safely each day. We are also committed to creating an inclusive working environment where everyone can reach their full potential and this remains an area of focus for the Group.

### Priorities

- Ensure the health and safety of our people and others at work
- Promote equal opportunities and an inclusive culture
- Provide career and personal development
- Operate with due regard to human rights

### Outcomes

- Attract and retain the best people
- Keep our people safe and reduce downtime

### Action in the year

- Delivered a learning video on our Orange Rules to improve the application of our global standards
- Hosted our second global safety climate survey to aid us in understanding where we need to refocus our efforts moving forward
- Launched our Safer behind the Wheel initiative to mitigate the risk of mobile phone use while driving
- Built awareness around diversity and inclusion, ensuring our senior leaders really understand what valuing difference means and the value it can bring.

**i** Read more about our UK Gender Pay Gap on our website at [www.plc.aggreko.com/responsibility/gender-pay-gap](http://www.plc.aggreko.com/responsibility/gender-pay-gap)

**i** Read more about our strategic objective of Expert people on **page 18**

Scan the QR code to find out more about ShelterBox. Or visit <https://www.youtube.com/watch?v=hLcQD4d8NK8>

## Ethics, human rights, anti-bribery and anti-corruption

→ Ethics, anti-bribery and anti-corruption policies are well embedded in the business and critical for our licence to operate. While acting with due regard for human rights has been implicit in our ethical policies, we are reviewing our human rights impacts and expect to provide further detail on this in 2020.

### Priorities

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

### Outcomes

- Maintain our reputation for integrity
- Benefit operationally from good working practices

### Action in the year

- Launched a new Code of Conduct which sets out the standards of behaviour that are expected across the business, based on our #AlwaysOrange values; 99% of our people completed the online training at launch

**i** Read more about our approach in the Ethics and Corporate Responsibility Committee report on **page 53**

# 817

Orange Days  
of Difference

## Orange Days of Difference inspired by the Sustainable Development Goals

In November, Aggreko Technology Services (ATS) in Glasgow focused its Orange Days of Difference on three UN Sustainable Development Goals (SDGs). The team chose three local community projects to support, including a food bank (Zero Hunger), collecting rubbish on the shoreline (Life Below Water) and working with a local not-for-profit educational organisation, CodeYourFuture, to prepare students for job interviews (Quality Education). By thinking globally and acting locally, the team enjoyed a fun day out while making a big difference to the community in which they live.

# 251

food bank boxes

# 35

bags of rubbish

# 9

students

## We are helping our customers reduce their emissions

**What we do goes well beyond mitigating our impact on the environment. Aggreko is playing a leading role in the critical shift to a lower-carbon economy.**

**Chris Weston**  
Chief Executive Officer

### Improving flexibility with cleaner fuels

Our technology and engineering team is continuously looking at new technology and testing new fuel types, such as biodiesel, for our existing technology. We are helping customers switch from diesel to natural gas through bespoke applications such as high-pressure reduction facilities and adaptations for our engines to run on non-standard gases.

At the Glastonbury festival in the UK, we used a special blend of hydrotreated vegetable oil (HVO) in our diesel generators. HVO fuel is derived from a mix of 100% used vegetable oils and waste fats. All carbon is removed in the production process resulting in a biofuel of higher consistency, quality and purity than other biofuels.

#### HVO advantages over diesel

<b>&gt;80%</b> saving on greenhouse gas emissions	<b>Zero</b> sulphur emissions
--	-------------------------------------

Scan the QR code to find out more. Or visit [aggreko.com/en/news](http://aggreko.com/en/news)

### Ensuring reliability with battery storage

Once installed, solar and wind produce power at very low costs, but unlike thermal generation the power is inherently variable. This creates instability in grids and results in operational uncertainty, particularly on micro-grids. Battery storage strengthens the grid by buffering the impact of fluctuating power demand and supply. This allows thermal generation equipment to run at an optimal level, burning less fuel and delivering a substantial reduction in emissions, while also increasing its life span.

The Y.Cube, which we launched this year, is our fully integrated, ready-to-install lithium-ion battery system. Housed entirely within a standard 20ft container, the 1 MW units can be delivered and quickly deployed almost anywhere, creating cleaner power solutions, while ensuring reliability.

**1 MW**

of power in 30 minute or 60 minute durations

**-20°C to +50°C**

operating range

Scan the QR code to find out more. Or visit [aggreko.com/en-gb/products/energy-storage](http://aggreko.com/en-gb/products/energy-storage)

# Bringing it all together with a hybrid solution

Granny Smith gold mine, Australia

To maximise the efficiency of our customer's energy system, we have created an energy package that smartly combines solar, thermal and battery storage – all seamlessly integrated and efficiently managed by our sophisticated software. This provides reliable power around the clock, come rain or shine, saving money and helping the environment.

Towards the end of 2019, we commissioned our first fully hybridised project supporting Gold Fields to introduce renewables at its Granny Smith gold mine in Australia. We have built, and will now operate, 8 MW of solar power generation and a 2 MW / 1 MWh battery system alongside the existing 22 MW of gas power generation. This allows Gold Fields to leverage the benefits of hybrid energy solutions providing the mine with reliable, flexible power at lower cost and with a significant reduction in carbon emissions.

**The renewable power microgrid is a welcome addition to our suite of onsite energy solutions, and enables us to reduce our carbon footprint.**

Stuart Mathews  
Gold Fields

**20,000**

solar panels integrated into the microgrid

**18 GWh**

of clean energy produced per year

**80,000**

tonnes of CO<sub>2</sub> less over six years

Learn more about the energy transition at [www.aggreko.com/en/aggreko-perspectives](http://www.aggreko.com/en/aggreko-perspectives)

# Listening to and understanding our stakeholders is critical

## Transparent reporting

In line with the new reporting requirements of the 2018 UK Corporate Governance Code and the Companies (Miscellaneous Reporting) Regulations 2018 for a separately identifiable section 172 (s172) statement, we have evolved our stakeholder engagement section to describe our stakeholders and how the matters set out in s172 of the Companies Act 2006 have been considered in Board discussions and decision-making. Our s172 statement is set out on pages 42 and 43. We have identified our key stakeholders, the issues that matter most to them, and engagement activities during the year; on pages 44 and 45 we describe how stakeholder considerations have been taken into account in a selection of Board decisions in 2019, along with a discussion of capital allocation.

### Employees

#### Material issues

- Working for a company they can be proud of and the difference we can make in the world
- Working environment, health and safety, reward, training, progression and inclusion
- Ensuring our employees feel engaged with, and listened to, about what matters most to them
- Understanding our strategy and values, how to promote them and how their performance can influence them

#### Engagement in 2019

Be Heard surveys: Our quarterly Be Heard employee engagement surveys achieved a very high engagement score of 76% in 2019 (2018: 76%). 88% of our employees say they are proud to work for Aggreko and 88% are proud of the difference we make, up 6% on 2018.

Safety culture surveys: Our biennial safety culture surveys attract a high response rate, which we follow up with regional workshops and actions for implementation. The actions implemented following our last survey in 2017 resulted in improvements across our 2019 metrics for lost time injuries, recordable injuries and vehicle accidents. In November 2019 we issued another survey and will hold workshops in early 2020 to identify areas for improvement.

Plan on a Page: We share our annual Plan on a Page to help our teams align behind the key actions to deliver our budget, updating our employees with progress on a quarterly basis.

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, priorities and sentiment across the business.

High performance culture: We are living and breathing Always Orange, it is part of the fabric of our Group – our people are demonstrating our values and have a good understanding of the important part our culture plays in helping us to grow. 85% of our people stated they agree with this sentiment in our 2019 employee survey (Be Heard), up 2% on 2018.

The Board takes its responsibilities for workforce engagement seriously and engages with our employees via our Ethics & Corporate Responsibility Committee.

- i Read more about our approach to workforce engagement on [page 46](#)
- i Read more about how we nurture our full potential on [page 18](#)

### Environment

#### The impact of our operations

What we do, and the way that we do it, can affect the world around us. We take that responsibility seriously by focusing on working in safe, responsible and honest ways. From designing our equipment, to building, installing and operating it, health and safety is our top priority for our people, our customers and our communities. We are also progressive in the way we provide power, by looking into alternative fuels, developing renewable energies and storage solutions, we aim to keep noise to a minimum and find ways to be more efficient with fuel burnt and energy used. Wherever we operate, we fully comply with regulations and follow strict standards for our equipment.

- i Read more about our approach to the environment on [page 38](#)

### Customers

#### Material issues

- Cost is nearly always top of the list for our customers
- Offering tailored solutions and sector specialist knowledge
- Reliability of supply, efficiency, customer service and product quality are also key
- Pressure to reduce emissions is increasingly important and will likely play a pivotal role in the coming years

#### Engagement in 2019

Voice of Customer surveys: These provide both transactional and relationship-based feedback on what matters most to our customers.

Net Promoter Score (NPS): We use the industry standard NPS to measure our performance and customer loyalty. We use this score to identify areas for improvement. We were delighted with an NPS of 65% in 2019, an increase of six percentage points since 2018.

CRM system: This is an enhanced customer relationship management system which gives us a better understanding of customer requirements by analysing our operating history and service provision, improving the speed of our service delivery.

Online platforms: An online customer portal which will enable customers to see their account with Aggreko including for example, what they have on rent, fuel usage and invoices. For more transactional services, we have evolved our e-commerce platform, providing a more agile and cost-effective sales channel.

- i Read more about our strategic priority of Customer Focus on [page 12](#)
- i Read more about our Net Promoter Score on [page 13](#)

## Investors

### Material issues

- Financial performance, including working capital and the strength of our balance sheet
- Capital allocation, including how we think about investment in new technology and the potential for capital returns
- Development of new, and deployment of existing, technology in the broader context of climate change
- Understanding the strategy and operations of the Group
- Strong relationships, with open communication channels to the Board and senior management
- Emerging issues include understanding our policies in relation to the environment (including specific actions to reduce consumption and emissions), management succession and inclusion

### Engagement in 2019

**Annual Report:** Each year we aim to improve our overall explanation and provide simple messaging.

**AGM:** An opportunity for direct engagement with the Board.

**Webcasts:** Live presentation and Q&As for our full and half year results and a conference call for our Q3 trading update.

**Investor website:** A central resource to view announcements and associated materials.

We also have engagement activities designed to specifically target the needs of the following investors:

- Institutional investor engagement during the year involved formal events, site visits, teach-ins, small group and one-to-one meetings. The investor relations team and senior management conducted 146 meetings in 2019, engaging with 128 institutions. During the year we implemented a new online tool which enables us to ask for, and receive, feedback directly from investors
- Our lenders receive an annual briefing with the executive and senior management
- Private shareholder engagement on an ad hoc basis by request

## Suppliers

### Material issues

- Working with them in partnership
- Commitment to integrity and honesty, and conducting business in a socially responsible and sustainable way
- Open channels of communication enable an understanding of our strategy and how they can work best with us to support its delivery

### Engagement in 2019

**Supplier performance management:** Our dedicated global procurement team focus on developing and managing our relationships with suppliers. This has enabled us to improve product quality and relationships with suppliers, introduce regular account review meetings and generate cost savings across the Group.

**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 expect all our suppliers to sign up to our Code of Conduct and ways of doing business. We monitor compliance and can terminate a relationship in the event a supplier falls short of the standards expected.

**Development agreements and sharing data:** Subject to appropriate confidentiality and intellectual property protections we share field data with our key suppliers. We are reducing the total cost of ownership of our fleet while continuously innovating to drive performance improvements.

## Local communities

### Material issues

- Minimising the impact of our activities on the local area and environment around a site
- Contributing to the communities we work in: providing opportunities for local employment and training, investing in children's welfare, education and health, partnering with local charities

### Engagement in 2019

Generating power can be a noisy business, so we have developed sound-proofed generators that reduce noise levels in line with industry standards. At night, we can switch to battery-operated hybrid power to make sure operations do not disturb the environment and people around a site.

We seek to employ and train local people wherever we work; 82% of our global workforce are locally employed. We provide extensive on-the-job training for new recruits and give them the skills to become technicians. This helps us build relationships in the local community which are very important when we might be operating a contract for a number of years. We also run apprenticeship schemes at our largest locations and employ c.90 apprentices in around eight countries.

Orange Days of Difference, our approach to corporate community investment, enabled 817 of our people to volunteer their time supporting the communities we served in 2019.

- Read more about our activities in local communities on **page 38**

## The Board empowers our people to engage with stakeholders and implement solutions

## Creating a new customer tool

Power Solutions conducted a global survey to better understand the priorities of customer decision-makers. Of those surveyed, 50% said that cost is their primary consideration, but the biggest barrier to better costing, and better decision-making from energy purchasers, is a lack of transparency of that cost. Decision-making has become more complicated, driven by the transformation in the global energy market and pressure to reduce emissions, with 57% of decision-makers thinking the fuel they use to generate electricity will change in the next five years.

The lowest cost and the cleanest options cannot consistently meet the demand for reliable and stable supply. Balancing the two is a constant challenge. There is also no one-size solution for all customers, each one has unique variables that will impact their options for the best operation.

We created a new Cost of Electricity Calculator to equip our customers with the right tools and information to make good decisions, balancing cost, efficiency, performance and emissions. Each customer's variables can be input into the calculator to build a complete picture of their project and present the most efficient solutions available.

- Read more about the Cost of Electricity Calculator at [aggreko.com/en/aggreko-perspectives/cost-of-electricity](http://aggreko.com/en/aggreko-perspectives/cost-of-electricity)

## Key Board decisions in 2019

### Investing in new technology

## 42 Y.Cubes

built in 2019

#### How we engaged

Environmentally friendly power solutions are becoming increasingly important for our customers, and Aggreko needs to offer products to meet these needs. With this in mind, our Microgrid Storage Solutions Team developed our battery storage product, the Y.Cube. This is a new 1 MW mobile and modular energy storage system, housed entirely in a 20ft container, working seamlessly with the rest of our Aggreko kit, meeting our customers' needs for energy storage and a lower carbon product.

#### Assessing the potential

Any investment in new technology is time consuming and expensive, but meeting the needs of our customers and investors, reducing emissions and producing more environmentally friendly projects is key for the long-term sustainability of Aggreko.

#### Long-term implications

The Y.Cube has successfully combined battery expertise from Younicos with Aggreko's containerisation experience. The Y.Cube enables us to provide cheaper, cleaner and smarter energy wherever it is needed. It is designed to fit seamlessly within the Aggreko thermal fleet and can be combined easily with solar and thermal products to provide our customers with the lowest cost of energy. We are now building a fleet of Y.Cubes, which will enable us to quickly deploy on short notice. Of the 42 Y.Cubes built in 2019, 30 are now under contract.

i Read more about our solar hybrid and Y.Cube power project at Gold Fields' Granny Smith gold mine on **page 41**

### Working with our suppliers to develop new ideas

## 40 MW

secured contract to build, operate and maintain a hybrid power plant at the Syama gold mine

#### How we engaged

In June 2019, the Board approved entering into a cooperation agreement with Wärtsilä, a global leader in smart technologies and complete lifecycle solutions for energy markets. The partnership agreement allows us to pursue a new concept in the power market of providing ready-to-go power plants using the Wärtsilä Modular Block solution.

#### Assessing the potential

Under the agreement, Wärtsilä provides the technology and designs for core thermal power generation equipment with Aggreko incorporating Wärtsilä's Modular Block within its Rental Solutions and Power Solutions sales offering. Working with an external party brings its own challenges and it is important that we ensure that both parties are able to protect their intellectual property.

#### Long-term implications

This product will lead to major savings in fuel consumption and operating costs for our customers for long-duration projects (more than five years). The engines can run on a variety of fuels, including natural gas, as well as biofuel for a fully sustainable solution, thereby reducing greenhouse gas emissions. The Wärtsilä Modular Block is easy to integrate with Aggreko's renewable energy and storage systems. This new concept responds to the growing market for distributed generation and the increasing need for new thermal power solutions that are cost competitive with permanent generation.

i Read more about our cooperation agreement with Wärtsilä and our 40MW contract in Syama at [aggreko.com](http://aggreko.com)

Modular block

### Giving our employees more control over their data

## 100%

of employees have transferred to People+

#### How we engaged

In September 2019, we launched a new portal for our employees called People+. The new system provides a self-service approach for our employees and is the one place where employees can view and manage their personal information and easily keep everything up to date.

#### Assessing the potential

Introducing a new employee system and launching it across the Group at the same time certainly brings some challenges and frustrations. A communications plan, designed to educate our employees on the new system, ran for three months in advance of the launch. A new support network was implemented with global help desks and 'how to' training videos were launched to support our employees with this transition.

#### Long-term implications

People+ enables us to deliver solid analytics which will allow us to make use of people data to drive our business forward. Processes have been streamlined and are largely consistent across all of our regions. The self-service model also puts our employees in control of their personal information and gives line managers immediate access to whatever they need. Also live is the Be Welcomed Onboarding Toolkit. Designed to work alongside People+, it will help line managers deliver a brilliant Always Orange welcome for every new team member, creating a great first impression that lasts.

i Read more about our employee engagement mechanisms on **page 46**

## Continuing with the current strategy

### 4

priorities to deliver growth

#### How we engaged

The Board discussed strategy over a number of meetings which culminated in a one-day strategy session in June 2019. We reviewed our current strategy and goals; looking at the markets and sectors in which we operate, our priorities within them and the competition. We reviewed data and feedback from our global sector leads, customers, investors and suppliers, and examined the impact of the global energy transition. The Board had a further strategy update in October 2019 on technology, in particular which emerging technologies might be appropriate for the business in the future.

#### Assessing the potential

Our environmental impact, and our approach to addressing this, is now a key concern for all stakeholder groups, particularly our customers and investors as emissions legislation and social pressures increase. The Board discussed the risks and opportunities of investing in new technologies and this was weighed up against other factors including financing, existing fleet, internal resources and our existing strategic priorities.

#### Long-term implications

As energy markets continue to evolve and we execute on our strategy, we will look to optimise our existing fleet and innovate for the future. The proportion of purely diesel engines within our fleet will reduce as hybrid, renewable and storage products increase in proportion. These new products will drive growth and help to address environmental concerns, while optimising our existing assets will deliver efficiencies and improve returns. We are confident that our strategy is the right one and will enable us to remain the global leader in providing mobile, modular power, temperature control and energy services. There is always more to do and the Board intends to spend more time on our ESG strategy in 2020.

**i** Read more about our strategic priorities on [page 10](#)

## Capital allocation

**Capital allocation and dividend policy decisions also have an impact on the long-term prospects of our business.**

This year's budget was approved by the Board following a comprehensive review of our strategic priorities and risks to our business.

We regularly review how we allocate capital and invest across the business. As part of the budget process we conduct a thorough review of our fleet which considers the age, utilisation, legislative requirements and sales pipeline in each of the geographies in which we operate by product line. This review considers whether the business needs can be met by transferring existing fleet or whether they require the purchase of new fleet. During the year, there is a monthly process where the regional teams submit requests to spend their budgeted capex; and these requests are reviewed and approved by the Executive team. Monthly and year to date spend versus budget is reported to the Board on a regular basis.

During the annual budget process and as part of our regular strategy reviews we look at our funding requirements. This ensures that our capital allocation supports the strategy of the business with due consideration to enabling organic growth, investing in the capability and scale of the business, and meeting shareholder expectations by paying sustainable dividends and returning capital to shareholders as appropriate.

Our plans are demanding but will position Aggreko well against our longer-term value creation ambition, while honouring our commitments to our stakeholders.

- i** Read more about capital allocation on [page 8](#)
- i** Read about our investment in fleet on [page 14](#)

## Non-financial information statement

We comply with the non-financial reporting requirements contained in sections 414CA and 414CB of the Companies Act 2006. The table below is intended to guide stakeholders to where relevant non-financial information is included within our Annual Report.

Reporting requirement	Page	Our approach, outcomes and additional information
<b>Environmental matters</b>	<b>40</b>	The environment
	<b>38</b>	Our role in the energy transition
	<b>14</b>	Mitigating our environmental impact
	<b>15</b>	Cutting cost, carbon and downtime
	<b>81</b>	GHG emissions
<b>Employees</b>	<b>39</b>	Our people
	<b>18</b>	Cultivating a high-performance organisation
	<b>18</b>	Leading by example, and promoting our culture and values
	<b>46</b>	Workforce engagement
	<b>57</b>	Gender diversity metrics
<b>Social matters</b>	<b>38</b>	Social and community issues
	<b>19</b>	Critical support for disaster hit families
<b>Human rights</b>	<b>39</b>	Ethics, human rights, anti-bribery and anti-corruption
<b>Anti-bribery and anti-corruption</b>	<b>39</b>	Ethics, human rights, anti-bribery and anti-corruption
	<b>53</b>	Ethics & Corporate Responsibility Committee Report
<b>Business model description</b>	<b>06</b>	Our business model
<b>Principal risks and uncertainties</b>	<b>30</b>	Risk management
<b>Non-financial KPIs</b>	<b>13</b>	Customer focus
	<b>15</b>	Technology investment
	<b>17</b>	Capital efficiency
	<b>19</b>	Expert people

Chairman's introduction

## Updating and improving our approach

**Aggreko is committed to high standards of corporate governance; it is the way we do business and is at the core of everything we do.**

**Ken Hanna**  
Chairman

### Corporate governance developments affecting our 2019 Annual Report

In our 2018 Annual Report we highlighted the regulatory changes that would impact our corporate reporting for 2019 and the preparation we had undertaken to date to ensure compliance. These regulations were, the new UK Corporate Governance Code (2018 Code), and the Companies (Miscellaneous Reporting) Regulations 2018 (Reporting Regulations). There are a number of overlapping requirements between the 2018 Code and the Reporting Regulations. Subject to a few additional disclosures, compliance with the 2018 Code has, for the most part, enabled Aggreko to comply with the Reporting Regulations.

### Our approach

The UK Corporate Governance Code (2018 Code) calls for companies to focus on the application of the principles, with high quality reporting on the provisions. We have used this as an opportunity to restructure parts of the annual report, moving more meaningful content to the front and enhancing our disclosures in relation to culture and stakeholders.

Much of what Aggreko already does reflects the best practice embodied in the 2018 Code. We carefully reviewed the 2018 Code against the 2016 Code to identify gaps or areas for improvement, made recommendations and monitored the application of those recommendations in 2019 to ensure the guidance and measures we put in place for the 2019 financial year reflected the new requirements. The new measures adopted to ensure compliance with the 2018 Code include:

- New disclosures on the Board's role in defining our culture, aligning values with strategy and the mechanisms we use to monitor culture are included on page 52.
- Enhanced stakeholder disclosures and a new section 172 statement on pages 42 to 45.

→ New responsibilities for the Ethics & Corporate Responsibility Committee in relation to workforce engagement and monitoring the effectiveness of our Speaking Up policies and procedures. Our rationale for appointing the Ethics and Corporate Responsibility Committee as the formal mechanism for Board engagement with the workforce is described in more detail in the section below.

→ A larger role for the Nomination Committee: monitoring the application of our diversity and inclusion policy, supporting a diverse pipeline for succession planning purposes and appointments to the Board and Executive Committee and additional gender diversity reporting requirements in the Nomination Committee report on page 56.

→ An enhanced role for the Remuneration Committee to review workforce remuneration and its alignment with culture when setting the policy for Executive Director remuneration. There are also additional remuneration reporting requirements. These additional requirements are explained in more detail in the Remuneration Committee report on page 62.

### Compliance statement

Aggreko is committed to high standards of corporate governance; it is the way we do business and is at the core of everything we do. We work hard to ensure compliance with the principles and provisions of the 2018 Code and fully support the "comply or explain" basis of reporting against it. Except as referred to below, Aggreko has complied with all relevant provisions of the 2018 Code throughout the year.

### Workforce engagement

Provision 5 of the 2018 Code requires the Board to explain if it has not chosen one, or a combination of, the methods set out in provision 5 for board engagement with the workforce. The Guidance on Board Effectiveness (the Guidance) supporting the 2018 Code notes that the methods set out in provision 5 are not mandatory and other methods may be more effective.

In deciding what method would be best for workforce engagement at Aggreko we: reviewed the three options suggested by the 2018 Code; undertook a detailed review of the Guidance for the 2018 Code; and reviewed the existing engagement mechanisms we had in place. We also

considered this against the structure of our highly diversified workforce, operating in around 79 countries, with many different languages. We concluded that Aggreko already had a well-established and effective approach to workforce engagement. We identified some areas for improvement, including scope for expansion and greater participation from the Non-executive Directors and articulating the formal mechanism for workforce engagement.

Given the highly diversified nature of our workforce, we decided that to appoint a Director from the workforce, or to have a formal workforce advisory panel would be impractical. We also decided that the global scale of the business meant that oversight by a single Non-executive Director would be too onerous. We therefore decided to give the task to the newly named Ethics & Corporate Responsibility (ECR) Committee, while ensuring that it was adequately resourced for this task. In support of the ECR Committee's new role, we agreed the following:

- Support from a core team led by the Group HR Director and members of the HR team
- Review and approval of a formal planner of Board engagement activities to oversee and report back to the Board
- Additions to the ECR Committee planner, including a biannual presentation on workforce engagement from the HR team
- A requirement for the ECR Committee Chair to formally report to the Board on workforce engagement annually, in addition to the informal updates at each Board meeting
- Review and update of the ECR Committee terms of reference

All of the items described above were in place and operating from 1 January 2019. The Chair of the ECR Committee presented a formal report on workforce engagement activities to the Board in December 2019, which included a review of the effectiveness of the current arrangements. The Board confirmed that workforce engagement mechanisms for 2019 were effective.

#### **Chair tenure**

Provision 19 of the Code states that the chair should not remain in post beyond nine years from the date of their first appointment to the board. To facilitate effective succession planning and the development of a diverse board, this period can be extended for a limited time, particularly in those cases where the chair was an existing Non-executive Director on appointment.

I was appointed as a Non-executive Director in October 2010 and as Chairman in April 2012, so my overall tenure with Aggreko is just over nine years, my tenure as Chairman being almost eight years as at the date of this report in March 2020. In March 2018 (before the publication of the 2018 Code) the Nomination Committee extended my appointment as Chairman for a further three years, expiring at the conclusion of the 2021 AGM.

Although this will take my overall tenure as a Non-executive Director beyond the total nine year tenure described in the 2018 Code (this includes 18 months as a Non-executive Director before my appointment as Chairman), the Board believes that it is important to ensure an orderly succession for the role of Chairman and we should retain the existing timescale. We expect to make an announcement about the succession of the Chairman later in the year.

#### **Looking ahead to reporting in 2020**

The Board will continue to monitor emerging practices in corporate governance and reporting. We are acutely aware of the change in sentiment towards improved ESG strategies and associated reporting, and are closely monitoring the potential impact of the increasing volume of reports, guidance documents and items of potential legislation. The Board intends to review the Group's ESG strategy in 2020 and we will report on the outcome of this review in our 2020 Annual Report.

**Ken Hanna**  
Chairman

**Aggreko already has a well-established approach to workforce engagement.**

**Ken Hanna**  
Chairman

## **GOVERNANCE CONTINUED**

### **Our Board**

#### **R N E**

##### **Ken Hanna** Chairman

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

**Experience:** Ken brings international 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 Arena Events Group Plc, an AIM-listed company, and Chairman of RMD Kwikform, a privately owned engineering services company. Until 2009, Ken spent five years as Chief Financial Officer of Cadbury Plc. He has also held positions as Chair of Inchcape Plc, 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 30 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 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 an MA in Mathematics from Cambridge University.

#### **A N**

##### **Sarah Kuijlaars** Non-executive Director

**Appointed:** October 2019.

**Experience:** Sarah brings extensive international finance expertise, together with experience in many of our most important markets.

Sarah is currently Chief Financial Officer and a Member of the Executive Board of Arcadis NV, a global design and consultancy organisation for natural and built assets, with a listing on the Euronext Amsterdam Stock Exchange. Prior to joining Arcadis, Sarah was Deputy Chief Financial Officer at Rolls-Royce Holdings plc, and held a number of senior financial leadership roles during a 25-year career at Royal Dutch Shell plc.

Sarah has a Master's degree in Mathematics from Oxford University, is a Fellow of the Chartered Institute of Management Accountants and an Associated Member of Corporate Treasurers.

#### **A N E**

##### **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 Oxford University and a Master's degree in International Economics and Public Administration from Harvard University.

#### **A R N**

##### **Ian Marchant** Non-executive Director

**Appointed:** Non-executive Director in November 2013 and Chair of the Audit Committee in April 2016.

**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 Chair of Thames Water Utilities, having recently retired as Chair of John Wood Group Plc. He is also a Member of the Prince's Council of the Duchy of Cornwall, Honorary President of RZSS, Chair of the advisory board of the Centre of Energy Policy at Strathclyde University and former Chair of Scotland's 2020 Climate Group.

## Key to committee membership

**Audit**

**Remuneration**

**Nomination**

**Ethics & Corporate Responsibility**

**Committee Chair**

## N E

### Dame Nicola Brewer

Non-executive Director

**Appointed:** Non-executive Director in February 2016 and Chair of the Ethics & Corporate Responsibility Committee in January 2019.

**Experience:** Nicola 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.

## R N E

### Barbara Jeremiah

Non-executive Director

**Appointed:** Non-executive Director in March 2017 and Chair of the Remuneration Committee in April 2018.

**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 is Senior Independent Director for the Weir Group and sits on the boards of Russel Metals and Premier Oil, having retired as Chair 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, 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.

## R N

### Uwe Krueger

Senior Independent Director

**Appointed:** Non-executive Director in February 2015 and Senior Independent Director in April 2018.

**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 Senior Managing Director, Head of Industrial/Business Services/Energy & Resources and Joint Head of EMEA for Temasek. He also sits on the Board of Gategroup AG and lectures at the University of Frankfurt on renewable energy. Before joining Temasek, Uwe was Chief Executive Officer of WS Atkins plc and his past roles include Chief Executive Officer of Oerlikon, Senior Advisor at Texas Pacific Group, President of Cleantech Switzerland, and various senior leadership positions at Hochtief AG.

## A N

### 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 Group Chief Executive 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.

## Executive/Independent Non-executive composition of Board (excludes Chairman)

No.	%
Executive	2 22
Non-executive	7 78

## Tenure of Non-executive Directors

No.	%
0 - 3 years	3 42
3 - 6 years	2 29
6 - 9 years	2 29

## Sector experience of the Board

	%
Customer	90
Finance	60
Energy	50
Geo-politics/diplomacy	20
Operational	70
Technology	40

## Independence

The Board reviews the independence of its Non-executive Directors as part of its annual Board evaluation process. We are committed to ensuring that the Board comprises a majority of independent Non-executive Directors who objectively challenge management, balanced against the continuity on the Board. All of our Non-executive Directors bring strong independent oversight and continue to demonstrate independence.

## Board attendance in 2019

Name of Director	Board meetings		
	A	B	attended
Ken Hanna	6	6	100
Chris Weston	6	6	100
Heath Drewett	6	6	100
Dame Nicola Brewer	6	6	100
Barbara Jeremiah	6	6	100
Uwe Krueger	6	6	100
Sarah Kuijlaars*	2	1	50
Diana Layfield	6	6	100
Ian Marchant	6	6	100
Miles Roberts**	6	5	83

A Maximum number of meetings Director could have attended.

B Actual number of meetings Director attended.

\* Sarah was appointed to the Board in September 2019 and advised on appointment that she would be unable to attend the December 2019 meeting

\*\* Miles was unable to attend the June 2019 meeting owing to a commitment at DS Smith

## Company Secretary

Peter Kennerley

**Appointed:** October 2008

2019 Board highlights

## A busy year for Aggreko

### Key discussion and decisions in the year

In 2019, the Board held six scheduled meetings. At each scheduled meeting the Board received reports from the CEO on the key issues affecting the business, the CFO on the performance of the business and the Committee Chairs on matters discussed at the Committee meetings.

### Key priorities and discussions in 2019 included:

Tracking progress against the actions agreed upon following the strategy review discussions in Q2 2018: At our meetings in March, July and December, the Chair presented an updated tracker to the Board. We also held a one-day strategy review session in June, and received a number of updates through the year from the CEO. Read more about our strategy review on page 45.

Approving the 2020 Budget: At our meetings in October and December we reviewed and approved the proposed allocation of capital across the Group, including investing in new technology

and dividend strategy. Read more about our capital allocation process on page 45.

Reviewed progress against our five year plan: At our July meeting, the CEO presented an update on our five year plan, including progress against our sector based and specialised approach. The leaders of our Rental Solutions and Power Solutions businesses also provided in-depth reviews of their business units.

Monitored culture and workforce engagement mechanisms: Through regular reports from the Ethics & Corporate Responsibility Committee. You can read more about how the Board monitors culture on page 52 and our workforce engagement mechanisms on page 46.

A deep dive into our approach to technology: At our October meeting, the Managing Director for Global Products & Technology and the Director of Future Technologies presented a review of our technology. This included the external factors driving technology evolution, business model requirements, an

overview of our current technology and roadmaps, and environmental and efficiency considerations.

Approved entering a cooperation agreement with our supplier Wartsila: Read more about the cooperation agreement and long-term benefits for Aggreko on page 44.

Visit Dubai to learn more about the Asia and Middle East business, engage with the local workforce and other stakeholder groups: In June the Board visited the Middle East and Power Solutions operations in Dubai.

### Key areas of focus for 2020

- ESG strategy, including a review of our position and risk exposure to climate change and consideration of target setting.
- Review our dividend policy.
- Plan a visit to Argentina to learn about the Power Solutions business in Latin America and engage with local stakeholder groups.

**Spending time outside the confines of the boardroom, experiencing Aggreko's operating environment and engaging with our people, is fundamental to increasing our understanding of culture and the needs of our workforce.**

**Dame Nicola Brewer**  
Non-executive Director

### Our workforce engagement activities from a Non-executive Director's perspective

#### How has the remit of the Ethics & Corporate Responsibility (ECR) Committee changed in 2019?

In response to the new requirements of the UK Corporate Governance Code for greater involvement by the Board in workforce engagement the role of the ECR Committee was expanded from 1 January 2019 to take responsibility for workforce engagement and for monitoring the effectiveness of our Speaking Up policies and procedures. This has brought an interesting new dimension to the ECR Committee,

as we looked to review existing channels of engagement with the workforce and worked closely with Group HR to develop a broader framework of engagement activities with increased Board involvement.

#### How would you gauge the impact of the ECR Committee on workforce engagement mechanisms in 2019?

We were fortunate that Aggreko already had a well-established and innovative approach to workforce engagement. In 2019 we were able to introduce workforce focus groups to discuss areas of concern following the Be Heard surveys, each one was chaired by a Non-executive Director. We also introduced additional engagement activities for the Non-executive Directors,

encouraging attendance at Senior Leadership Team meetings and increasing the number of site visits in the year. I am confident that our workforce engagement mechanisms are effective.

The outcomes of our focus groups in Dubai confirmed, in particular, high levels of awareness of the importance of health and safety and satisfaction with the visibility of senior managers. They also revealed strong interest in the future strategic direction and structure of the company. There was appetite for more development and promotion opportunities.

i Read more about our workforce engagement activities in 2019 on **page 55**

## Our Board evaluation

In line with the UK Corporate Governance Code, we undertake a formal and rigorous annual evaluation of the performance of the Board, its committees, the Chairman and individual Directors. We operate a three-year cycle of Chair's review, Company Secretary's review and externally facilitated review. Our 2018 evaluation was an externally facilitated evaluation, and so this year Ken Hanna, as Chairman, undertook the evaluation.

### Our approach for 2019

Given the depth and rigour of last year's external evaluation, our approach for 2019 was to ensure that:

- we delivered on the agreed recommendations and actions set out in the 2018 Annual Report
- we addressed any new issues relevant to the business

### Our process for 2019

Ken Hanna circulated a list of recommendations and actions arising from the 2018 evaluation. This included the actions identified in the 2018 Annual Report. The Board discussed and agreed the list at its February meeting and then discussed progress on the actions at the June meeting. In addition, at the July meeting, the Board discussed a number of important developments facing the Group, in particular, relating to risk management, technology, ESG and climate change, as referred to in the table opposite.

In April, Uwe Krueger, as Senior Independent Director, chaired a meeting of the Non-executive Directors, including an appraisal of Ken Hanna, who was not present at the meeting. Ken Hanna then joined the meeting for further discussion. In June, October and December Ken Hanna chaired further meetings of the Non-executive Directors.

### Recommendations and actions: 2018 External evaluation

#### What we committed to do in 2018

Agree approach to strategy discussions for 2019

Continue to review the competitor and supplier landscape in strategy discussions

Expand scope of Nomination Committee to cover executive succession, talent management and diversity pipeline

Ensure succession discussions take place twice a year at the main Board, in tandem with the Nomination Committee (annual review and mid-year update)

Review Board composition to enhance the international profile of the Board

Increase the amount of contact between Board members and the senior team, one level below the Executive Committee

Increase visibility of Non-executive Directors in the organisation

#### What we did in 2019

April: CEO presented proposals on strategy to the Board

June: Board strategy session

June: Strategy discussions included detailed presentation on competitors for each of Power Solutions and Rental Solutions

December 2018: Nomination Committee terms of reference were revised accordingly

July and December: Chris Weston and Anna Filippopoulos, Group HR Director presented to the Nomination Committee

September: Appointed Sarah Kuijlaars as Non-executive Director

Throughout year: Executive Committee direct reports joined the Board for dinners

May: Ken Hanna and Nicola Brewer attended the Senior Leadership Team meeting

June: Managing Director Asia & Middle East and Head of Power Solutions Operations presented to the Board. Afterwards their teams joined the Board for dinner

November: Ian Marchant attended the Senior Leadership Team meeting

June: Nicola Brewer and Ian Marchant hosted focus groups in Dubai

October: Nicola Brewer visited Japan Olympic team

October: Miles Roberts visited a UK Depot

November: Ian Marchant received presentations on strategic projects from LEAD participants

### Recommendations and actions: 2019 evaluation

#### Recommendations

Requested more involvement in the approval process of large and potentially high risk projects

In light of the perceived increase in pace of the energy market transition, requested an update on the Group's technology plans

Requested an increase in focus at the Board on ESG and climate change

#### Actions

October: Approved a new contract risk management policy, requiring Board approval for certain projects over designated thresholds

October: Detailed review session on technology with the senior management of the Group Product & Technology team

October and December: Ongoing discussion at the Board to review Aggreko's position and strategy for ESG and climate change

# Leading by example, and promoting our culture and values

## Defining our culture

After reorganising our business in 2015, we spent some time researching and refreshing the components of our culture. Always Orange was launched in 2017 and is the cultural framework that resulted, bringing together our purpose, values and behaviours. Our four values, and their respective day-to-day behaviours, govern the way in which we work, remain safe and professional, develop the expertise of our people, influence our interactions across our markets and ultimately allow us to deliver our business objectives.

The creation of Always Orange involved employee workshops in Buenos Aires, Houston, Dumbarton, Tanzania and Dubai. We gathered input from our online community and through debate at the Board, with the Executive Committee and Senior Leadership Team.

## Setting the tone from the top

Our leaders have a critical role in setting the tone of our organisation and championing the behaviours we expect to see. At Board level, commitment to Always Orange values and behaviours is demonstrated through transparent operations and engagement outside the boardroom, which ensures that the Directors lead by example, reinforcing the cultural tone and expected behaviours. Our strategic initiatives for each year are underpinned by Always Orange values and behaviours. Specific behaviours are selected for each year to help us deliver our strategic initiatives, while highlighting and reinforcing those behaviours. Progress against those behaviours is tracked and quarterly updates on progress reported back to employees by email and online videos. For 2019, the behaviours selected were Playing for Team Aggreko and Loving the Discipline. These behaviours were selected to ensure focus and embed them within the organisation. For 2020, we will focus on role modelling Always Orange and demonstrating leadership in collaborating, to deliver for our customers and maximise the impact of our expertise. Culture is also monitored and assessed by the Board through a combination of direct contact and a number of recognised indicators.

## Indicators of culture reviewed by the Board and its Committees:

- Reviewing the results of our employee surveys (Be Heard)
- Reviewing the volume and nature of whistleblowing reports and outcome of any investigations
- Our safety performance, uptake of initiatives and trends
- Internal audit reports and findings, as attitudes to regulators and internal audit can give an early indication of potential culture-related issues
- Monitoring our KPI on employee satisfaction
- Training completion rates
- Feedback reports on workforce engagement activities
- Visiting Aggreko locations in the UK and overseas to spend time with our people, allowing us to assess culture in the local context
- Reviewing and monitoring compliance with our Code of Conduct
- Receiving reports from the Ethics & Corporate Responsibility Committee

i Read our purpose on **page 1**

i Read more about our culture on **page 18**

# Ethics & Corporate Responsibility Committee report

## Introduction by Dame Nicola Brewer, Ethics & Corporate Responsibility Committee Chair

The Ethics & Corporate Responsibility Committee is made up of three Independent Non-executive Directors and the Chairman of Aggreko Plc. I was appointed as the Chair of the Committee from 1 January 2019. In 2019, we held three meetings. We invited the Head of Compliance, the Group Legal Director and the CEO to attend all meetings.

A primary purpose of the Ethics & Corporate Responsibility Committee is to oversee the effectiveness of Aggreko's compliance programme. Aggreko aims to conduct its business with integrity, honesty and transparency. We expect all Aggreko employees and any third parties 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 potential 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 of 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.

In 2019 we extended the remit of the Committee to facilitate and monitor engagement with the workforce in line with the 2018 UK Corporate Governance Code. In response to this increased scope, we have reviewed the existing channels of engagement with the workforce and developed a broader framework of activities to enable the Board to understand the views of the workforce. As part of this broader remit in 2019 the Committee oversaw the conduct of the quarterly Be Heard surveys and discussed key themes. We also introduced focus groups, which were held in Dubai this year and we expanded the engagement by Non-executive Directors through site visits, Board dinners and meetings of the Senior Leadership Team. We have welcomed this increased engagement with the workforce and we look forward to continuing with this broader engagement in 2020.

**The role of the Ethics & Corporate Responsibility Committee is to ensure that Aggreko conducts business with integrity and transparency and in accordance with the law, and to oversee workforce engagement.**

**Dame Nicola Brewer**

Ethics & Corporate Responsibility Committee Chair

### Attendance in 2019

Members in 2019	Position	Meetings attended/ No of meetings eligible to attend
Dame Nicola Brewer	Committee Chair	3/3
Diana Layfield	Non-executive Director	3/3
Ken Hanna	Chairman, Aggreko plc	3/3
Barbara Jeremiah	Non-executive Director	3/3

### Areas of activity in 2019

- Monitored the effectiveness of the Third-Party Sales Representatives Policy
- Oversaw the development and implementation of the new Code of Conduct and updated Speaking Up Policy
- Monitored the completion of refresher ethics training across the business
- Monitored the effectiveness of the Speaking Up Policy and procedures
- Oversaw the completion of internal investigations
- Monitored actions taken to address sanctions risks
- Reviewed the existing workforce engagement activities and developed a broader framework of workforce engagement activities for the Board
- Undertook additional workforce engagement activities and reported to the Board on the findings from this engagement

### Areas of focus for 2020

- Oversee the implementation of a new sanctions compliance framework
- Review the anti-bribery and corruption compliance framework
- Implement the plan for increased workforce engagement
- Conduct a review of the policies which fall under the remit of the Committee
- Receive feedback on the implementation of the policies

**(i)** Ethics & Corporate Responsibility Committee terms of reference:  
[www.plc.aggreko.com](http://www.plc.aggreko.com)

## Ethics & Corporate Responsibility Committee report continued

### Main activities of the Ethics & Corporate Responsibility Committee during the year

#### Third-party monitoring

We recognise that it is not just our employees who could be exposed to ethics risks but also our third-party sales representatives including sales consultants, agents and joint venture partners. Although the number of third-party sales representatives used by the business has reduced over the past few years there are circumstances in which we still need them to support some areas of the business. A summary of the measures we take to ensure these representatives conduct business in line with Aggreko's standards is set out below in the overview of our compliance programme. In 2019, we received a briefing from the Power Solutions Managing Director on the outcome of his review of all arrangements with, and payments to, third-party sales representatives. We are pleased to observe the continued focus of the business in monitoring all activities in this area.

#### 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 2019 we reviewed the Ethics Policy, which has been in place since 2011. This is an important document, which sets out the basic standards and behaviours we expect from our employees, contractors and third-party sales representatives. It forms part of our employee induction and all employees are required to acknowledge compliance with it when they join Aggreko. During our review we identified some areas of emerging risk, which were absent or not adequately addressed in the Ethics Policy. This included sanctions, facilitation of tax evasion, data privacy and modern slavery. In response we developed a new Code of Conduct and Speaking Up Policy, which addressed these gaps and incorporated our Always Orange values and behaviours. The new Code of Conduct and Speaking Up Policy were issued to all employees, together with training, in 2019.

#### Speaking Up Policy and procedures

We monitor the volume and nature of whistleblowing reports received throughout the year to identify any underlying concerns and/or trends and to assess whether there are effective processes in place to enable the workforce to report any concerns. In 2019 we updated the Speaking Up Policy and provided training on the procedures for reporting concerns. We also reviewed the volume and nature of the reports received and the actions taken in response to the reports. We are satisfied that the mechanisms that are in place to enable all members of the workforce to raise any concerns are effective.

#### Sanctions

The introduction and extension of sanctions in some of the countries in which we operate potentially attracts increased risk for the business. We received briefings on developments in relation to sanctions, the potential impact to the business and the actions being taken to manage potential risks. This included a review of the sanctions developments in relation to Russia and Venezuela.

#### Workforce engagement

We recognise the valuable insight the Board can obtain by engaging directly and indirectly with the workforce. In 2019 we reviewed the activities already in place to engage with the workforce and developed a programme of activities to increase this engagement. This included overseeing the conduct of the quarterly Be Heard surveys and reviewing the key themes and proposed actions. We also introduced focus groups, which were held in Dubai this year and we expanded the engagement by Non-executive Directors through site visits, Board dinners and meetings of the Senior Leadership Team. Meetings in Dubai confirmed, in particular, high levels of awareness of the importance of health and safety and satisfaction with the visibility of senior managers. They also revealed strong interest in the future strategic direction and structure of the company. There was appetite for more development and promotion opportunities. We shared with the Board the key themes identified from our workforce engagement in 2019 and the actions underway across the business in response to these findings.

Our engagement has focused on individuals who have formal employment contracts with Aggreko, wherever they work. Aggreko also uses the services of individual contractors, directly or through agencies or third-party companies. Since the tasks and terms on which contractors work vary greatly throughout the business, and there is no particular group that provides a substantial element of our workforce, we do not include them in our formal engagement.

We will continue to broaden this engagement in 2020 through oversight of the Be Heard surveys and direct engagement through site visits, focus groups and team meetings.

### 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. The programme has a number of elements designed to ensure that we effectively manage compliance risks.

#### Code of Conduct

Every employee receives a copy of the Code of Conduct when they join Aggreko. This code 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 they continue to work effectively.

#### Training

Every employee receives training, which is regularly refreshed, via our multi-lingual online ethics compliance training programme. This online training is supplemented by additional workshops with senior management, which gives us comfort that our employees remain alert to risks.

#### Third-party risks

All of our sales consultants and agents are comprehensively reviewed before they are engaged and this exercise is refreshed at least every two years.

Our sales consultants and agents are contractually required to comply with our Code of Conduct and we require them to confirm compliance with the code annually. We also provide ethics training to our sales consultants and agents to ensure that they remain alert to potential risks. We have controls in place in relation to the remuneration of sales consultants and agents and we monitor all payments to them 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 sales 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.

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 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 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 of our workforce and allows anyone who has any concerns to report them on an anonymous basis. All reports are followed up, and we regularly analyse the types of report we receive. Where appropriate, our Group internal audit team is asked to investigate the issue and report on the outcome.

#### **Sanctions**

We have procedures in place to ensure that we conduct due diligence on any proposed activities in countries targeted by sanctions and/or export control restrictions. Any activities involving countries subject to the most extensive sanctions require approval by the Board. This currently includes the Crimea region of Ukraine, Cuba, Iran, Myanmar, North Korea, Sudan, Syria and Venezuela.

We have developed a sanctions compliance framework documenting our policies and procedures relating to sanctions compliance, which will be fully implemented in 2020.

#### **Modern slavery**

We apply high employment standards across our business, complying with relevant employment, health and safety and human rights laws to ensure that our workforce is 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](http://www.plc.aggreko.com), provides more detail on the approach we take in relation to modern slavery.

## **Non-executive Director workforce engagement activities in 2019**

### **Power Solutions / Rental Solutions Leadership**

January Ken Hanna attended Power Solutions Leadership Team meeting and dinner

June Ken Hanna met with Rental Solutions Leadership Team

### **Board lunches / dinners**

February Invited Managing Director of Northern Europe and Managing Director of Africa

April Invited Managing Director Global Products & Technology, Managing Director for Events & Load Bank Services, Group Chief Information Officer and Head of Analytics & Business Intelligence

June Invited Director of Operations for Power Solutions and Managing Director for Asia & Middle East with their direct reports

July Invited Managing Director Continental Europe and Group Financial Controller

October Invited Managing Director Eurasia and Managing Director Global Products & Technology

### **Focus groups**

June Nicola Brewer and Ian Marchant led two focus groups in Dubai

### **Executive Committee**

May Ken Hanna attended Executive Committee dinner

### **Senior Leadership Team Meetings**

May Ken Hanna and Nicola Brewer attended two days of meetings, break-out sessions and dinner

October Ian Marchant attended two days of meetings, break out sessions and dinner

### **LEAD**

October Ian Marchant met with participants in our LEAD programme, designed to provide exposure, education and experience for high potential leaders and to prepare them for more senior roles

### **Site visits**

June Barbara Jeremiah visited our facility in Dubai to meet with local employees

September Ken Hanna visited our manufacturing facility in Dumbarton to meet with local employees

Ian Marchant visited our Northern Europe team in Overburn, Dumbarton

October Nicola Brewer met the Aggreko Olympic team in Tokyo

Miles Roberts met the Managing Director for Northern Europe in Sutton for a tour of operations and to meet local employees

# Nomination Committee report

**The Nomination Committee's role is to lead the process for appointments to, and ensure orderly succession for, the Board and Executive Committee. Having a diverse pipeline for succession ensures Aggreko has the right structure, skills and diversity for the effective management of the Group.**

**Ken Hanna**  
Nomination Committee Chair

## Attendance in 2019

Members in 2019	Position	Meetings attended/ No. of meetings eligible to attend
Ken Hanna	Committee Chair and Chairman, Aggreko plc	3/3
Nicola Brewer	Non-executive Director	3/3
Barbara Jeremiah	Non-executive Director	3/3
Sarah Kuijlaars <sup>1</sup>	Non-executive Director	0/1
Uwe Krueger	Senior Independent Director	3/3
Diana Layfield	Non-executive Director	3/3
Ian Marchant	Non-executive Director	3/3
Miles Roberts	Non-executive Director	3/3

<sup>1</sup> Sarah Kuijlaars was appointed to the Board in October 2019 and advised at the time of her appointment that she would be unable to attend the December 2019 Nomination Committee meeting.

## Areas of activity in 2019

- Oversaw the recruitment, appointment and induction of Sarah Kuijlaars as a Non-executive Director
- Reviewed succession plans
- Monitored the work of the team established to look at diversity across the Group
- Approved the terms of reappointment for two Non-executive Directors

## Areas of focus for 2020

- Continued focus on succession planning
- Identify a suitable candidate for appointment as a Non-executive Director
- Monitor and support the work of the Value Difference team

## Introduction by Ken Hanna, Nomination Committee Chair

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 Chair. I have been Chair 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 Chairman of Aggreko. In 2019, we had three formal meetings to which we also invited the CEO.

## Main activities of the Nomination Committee during the year

### Appointment of a new Non-executive Director

During the year, the Committee undertook a broad review of the non-executive profile of the Board, including skills, experience, tenure and diversity. We decided to search for two new Non-executive Directors, with the aim of one starting in Q4 2019 and the other in Q4 2020, to strengthen our Board overall and add to our succession planning. We appointed Lygon Group, an independent search firm with no other connection to Aggreko, or any of our Directors, to assist in identifying suitable candidates. In September 2019 we were delighted to announce the appointment of Sarah Kuijlaars as a Non-executive Director with effect from October 2019.

Sarah is currently Chief Financial Officer of Arcadis NV, a global design and consultancy organisation for natural and built assets, with a listing on the Euronext Amsterdam Stock Exchange. Prior to this, Sarah was Deputy Chief Financial Officer at Rolls-Royce Holdings plc, and has held a number of senior financial leadership roles during a 25-year career at Royal Dutch Shell plc. Sarah brings extensive international finance expertise, together with experience in many of our most important markets and has joined the Audit and Nomination Committees.

### Reappointment of Directors

Since the Committee's last report, the Company has extended terms of appointment as follows:

- Diana Layfield, as Non-executive Director, for a further year, expiring on 1 May 2020. Since Diana had already served for seven years, under the UK Corporate Governance Code (2018 Code), any proposal to extend a term beyond six years should be subject to particularly rigorous review, and should take into account the need for progressive refreshing of the Board. However,

<sup>1</sup> Nomination Committee terms of reference: [www.plc.aggreko.com](http://www.plc.aggreko.com)

the Committee was unanimously of the view that Diana's tenure had not compromised her independence in any way, and that it was important to retain her market and financial experience and knowledge of Aggreko.

→ Ian Marchant, as Non-executive Director, for a further year, expiring on 1 November 2020. Since Ian had already served for six years, we undertook a rigorous review as required by the 2018 Code and were unanimous in our view that Ian's tenure had not compromised his independence, and we should retain his knowledge of Aggreko, particularly in his critical role as Audit Committee Chair.

#### **Succession planning**

Executive Committee and senior management: The Committee spent a considerable amount of time looking at succession planning and top talent review throughout the executive population in 2019. The Committee formally met with the CEO and Group HR Director in July and December 2019 to review succession plans. The focus of these discussions was to review our succession plans for each of the CEO's direct reports. Following the implementation of the 2018 UK Corporate Governance Code, we have increased our visibility of the succession pipeline below Executive Committee level and, at our July 2019 meeting, reviewed the talent replacement grid for approximately 40 employees at the CEO-2 level.

Board: The Committee 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, Executive Committee and senior management and will keep succession planning under review.

#### **Diversity and inclusion**

Aggreko acknowledges the importance of diversity and inclusion to the effective functioning of the Board and Group. While we acknowledge that the current make-up of the Board has good gender diversity, we are always mindful of the need to recruit Board members from a wider and more diverse population.

We also acknowledge that diversity extends beyond the boardroom. The Board continually encourages management to be more mindful of diversity in the Group and we fully support management in its efforts to build a diverse and inclusive organisation in order to effectively execute our strategy. In 2019, we monitored the work of the Value Difference 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.

Read more about the work of the Value Difference team on **page 18**.

#### **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 comprising 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 to, 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 for 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.

#### **Diversity metrics at 31 December 2019**

##### **Gender of Board**

	No.	%
Male	6	60
Female	4	40

##### **Gender of Executive Committee**

	No.	%
Male	7	87
Female	1	13

##### **Gender of Executive Committee direct reports\***

	No.	%
Male	46	72
Female	18	28

\* as required by the Companies Act 2006, the composition of our subsidiary company Boards is made up of 114 males and 9 females

##### **Gender of permanent employees**

	No.	%
Male	5,366	83
Female	1,090	17

# Audit Committee report

**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.**

**Ian Marchant**  
Audit Committee Chair

## Attendance in 2019

Members in 2019	Position	Meetings attended/ No. of meetings eligible to attend
Ian Marchant	Committee Chair	3/3
Sarah Kuijlaars <sup>1</sup>	Non-executive Director	1/1
Diana Layfield	Non-executive Director	3/3
Miles Roberts	Non-executive Director	3/3

<sup>1</sup> Sarah Kuijlaars was appointed to the Board in October 2019.

## Areas of activity in 2019

- Close monitoring of key accounting judgements, including contract provisions, with a particular focus on Yemen, Venezuela and Africa, and tax provisions throughout the year, receiving detailed updates in 2019 at all of our meetings
- Monitored the position in relation to fleet obsolescence
- Ensured proper application of a new accounting standard impacting the Group in 2019: IFRS 16
- Regular updates on the status of the internal control environment
- Monitored our cyber security strategy and status
- Presentation on managing financial risks in our Rental Solutions business
- Looked at the status of subsidiary statutory accounts in overseas jurisdictions following the identification of control weaknesses in Indonesia
- Recommended some updates to the Group Register of Principal Risks, including a review of the overall number

of risks and the inclusion of a separate risk for climate change

- Monitored the closure of outstanding internal audit findings

## Areas of focus for 2020

- Continue close monitoring of contract provisions and tax provisions. Held an additional meeting in February 2020, ahead of the year-end meeting, to discuss contract provisions in detail, with a particular focus on Venezuela and Africa
- Receive regular updates on the status of the internal control environment
- Receive an update on the management of financial risk in our Power Solutions business
- Continue to monitor the status of subsidiary statutory accounts in our overseas jurisdictions
- Monitor our cyber security ratings
- Receive an update on risk management within our tax function
- Monitor the closure of outstanding internal audit findings

## Introduction by Ian Marchant, Audit Committee Chair

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 Chair. I have been a member of the Committee since November 2013 and was appointed as Chair 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. All the members of the Committee have recent and relevant financial experience.

In 2019, 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 of the Board, the CEO and the CFO to attend our meetings in 2019, together with the Group Financial Controller, Director of Internal Audit and the KPMG audit partner.

<sup>i</sup> Audit Committee terms of reference: [www.plc.aggreko.com](http://www.plc.aggreko.com)

## The primary areas of judgement considered by the Committee in relation to the 2019 Annual Report were:

### Area of judgement Contract provisions – Power Solutions Utility (PSU)

#### Reporting issue

One of the most significant risks facing the Group is that of non-payment by customers under some of the larger contracts in our PSU business. The Group policy is to consider each significant debtor individually, within its relevant context, taking into account a number of factors. These factors include, but are not limited to, the political and economic conditions in the relevant country, the duration and quality of our relationship with the customer, the age of the outstanding debt and the customer's payment profile with us, together with any relevant communication exchanges with the customer (and other relevant stakeholders) throughout the year.

#### How did the Audit Committee address the judgement?

The Committee addressed contract provisions by considering accounting judgements papers, presented by the CFO, at its July 2019, December 2019 and February 2020 meetings. These papers detailed the latest position of debtors outstanding (at the half year and year end respectively), including any cash received against amounts invoiced during the year and post the reporting period end, and gave an assessment of the likelihood of future receipts. The Committee discussed in detail the main changes during the period and assessed the adequacy of all the provisions. In assessing the adequacy of the Group's overall provision, consideration was given as to whether it was both sufficient to cover the risks identified and also whether it was in excess of the risks identified. Historically, the Group has experienced a low level of bad debt write-offs. However, we do operate in countries within our PSU business where customer payments are more unpredictable and volatile, and where political and economic conditions mean that there is a risk of default, and therefore the Group's bad debt history may not be indicative of potential future outcomes.

In forming its view on the appropriateness of the Group's provision against its receivables balances the Committee noted that PSU cash collections in the year were \$584 million compared with amounts invoiced of \$484 million. The Committee also discussed the 16 most significant debtors in the PSU business, which accounted for 84% (2018: 84%) of

the total PSU overdue debtor value at 31 December 2019 (before taking into account provisions or payment security/guarantees). At 31 December 2019, 87% (2018: 86%) of the PSU impairment provision related to these top 16 debtors. Among these debtors, the Group had a net exposure, after taking into account provisions or payment securities/guarantees, of \$30-40 million to one customer (2018: two customers), a net exposure between \$20-30 million to one customer (2018: four customers), a net exposure of \$10-20 million to three customers (2018: three customers) and a net exposure of less than \$10 million to each of the others.

While the Committee considered all of the most significant debtors as detailed above, the discussion focused on key customers in Venezuela, Yemen and parts of Africa, where we continued particularly to see delays in payments during the year. In Venezuela (where the Committee included in its review some outstanding balances within the PSI business), we raised invoices for \$2 million in the year. Given the current political uncertainty we provided for these invoices in full and also recorded a further provision of \$1.6 million during the year. In line with past practice we also marked to market the value of the PDVSA private placement notes, which resulted in a charge to the income statement of \$3 million. The Group's net exposure in Venezuela at 31 December 2019 of \$12 million (2018: \$17 million) reflects a combination of bad debt provisions and payment security/guarantees representing 82% (2018: 78%) of the gross debt and accrued income together with a 91% (2018: 75%) fair value adjustment against the private placement notes with PDVSA.

In Yemen, given the ongoing civil war, the Group increased its provision by \$7 million to provide fully for its legacy debt (pre the current conflict). The net exposure at December 2019 is \$9 million (2018: \$10 million) and only relates to our current trading in Yemen. This net exposure position reflects a combination of bad debt provisions and payment security/guarantees representing 71% (2018: 59%) of the gross debt and accrued income.

While we believe that we remain relatively well positioned to recover these net exposure amounts when the current situation in each of these countries

stabilises, we also recognise that there is a range of potential outcomes for each, both above and below the net exposure. Net exposure is defined here as the gross debtor value plus accrued revenue, less any payment security/guarantees and bad debt provision.

In addition, we continue to monitor closely the situation with regard to our overdue debtors in Africa, as specifically, the customer with whom we have our largest net exposure (in the range \$30-40 million) is within the African region. While there is no dispute over the amount outstanding, we remain in regular dialogue with the customer regarding the likely process and timing of future payments, with one of the customer's primary issues being its access to US dollars to settle the debt. Given the ongoing engagement with the customer and other key stakeholders, the Group does not hold a material provision against this debt and, therefore, the likelihood of receiving more cash than the net exposure is low. Non-payment of this particular debt represents one of the Group's key single risks.

KPMG also reported on these contract provisions at both the July 2019 and February 2020 meetings in the context of its half year review and year end audit. In addition, the Committee is aware that the Executive Committee receives a report on contract exposures each month and has assessed the Group's processes for calculating and regularly monitoring contract risk provisions.

#### Conclusion and outcome

We concluded that the judgements and estimates with respect to the Group's contract provisions were reasonable and appropriate.

Overall the PSU contract provision at 31 December 2019 was \$81 million (2018: \$83 million). Although the overall provision is broadly in line with the prior year, reflecting the differing circumstances and payment progress made by customer, the Group increased its provision against specific customers in Yemen and Venezuela by \$8 million, while reducing its provision against other customers by \$10 million.

More information on our risk profile and mitigation for failure to collect payment or to recover assets can be found on page 36.

### Area of judgement Direct and indirect tax positions – Bangladesh

#### Reporting issue

There is an ongoing dispute in relation to a tax assessment in Bangladesh. The matter is in court and is expected to take many years to resolve. We have strong legal opinion which supports our case. However, we recognise that this is a judgemental issue due to the complexities and uncertainties of local tax legislation.

#### How did the Audit Committee address the judgement?

The Committee addressed this matter by considering update papers tabled by the Chief Financial Officer, which included reference to updated legal opinions, at our meeting in February 2020. These legal opinions confirm there have been no material developments on either our case or other similar cases during the year.

As there have been no further material developments, in line with expectations, the Audit Committee remains

comfortable with the approach but has specifically requested further regular updates.

KPMG reported on this issue at the July 2019 meeting in the context of the half year review and at the February 2020 meeting in the context of the year-end audit.

#### Conclusion and outcome

We concluded that the judgement and approach were reasonable and appropriate at this time.

## Audit Committee report continued

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

- We considered whether there was a risk of obsolescence in our fleet due to changes in market conditions and advances in technology and concluded that there were no issues
- We also reviewed the impact of IFRS 16, a new accounting standard which applied to the Group from 1 January 2019. IFRS 16 applies to leases and further detail is provided in Note 1 to the financial statements
- 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, taking into account current forecasts and secured long term contracts
- We reviewed the status of subsidiary statutory accounts in overseas jurisdictions following the identification of control weaknesses in Indonesia
- We also considered the overall level of provisions for uncertain tax matters, particularly in respect of historic exposure in our Power Solutions business

Following completion of the above steps, we agreed to recommend the approval of the 2019 Annual and Interim Reports to the Board.

**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 2019 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 37 and 94 and information presented by management on the process underpinning the fair, balanced and understandable assessment and confirmation on page 83.

**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 2019 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 2019 Annual Report, this process included:

- Review in December 2019 of a summary paper on key messages and changes from 2018
- Feedback provided by Committee members on a number of drafts during January and February 2020
- Full draft provided to the Committee and Board seven days prior to the February 2020 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 2019
- 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 2019

Following its review, the Committee was of the opinion that the 2019 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 and fees, and assess their effectiveness.

**Audit plan**

KPMG presented its audit plan at the July 2019 meeting and an update at the December 2019 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, proposed areas of audit focus and coverage. 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 their effort should be focused.

KPMG carried out its work using an overall materiality of £9.9 million, as stated in its report on page 85, and confirmed that unadjusted audit differences were not material. 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 this amount that warranted reporting for qualitative reasons.

**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 2020. 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 Chair 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 2019 Annual Report was carried out.

We also used an internal questionnaire sent in December 2019 to Committee members, CFO, Group Functional Heads, Business Unit Finance Directors and a selection of Business Unit Heads of Finance (where a full scope audit had been undertaken in the year); 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 2020 meeting of the Committee for discussion. Management concluded that both KPMG and its audit processes are considered to be effective, and that a good working relationship is complemented by a sufficiently rigorous and challenging audit approach. The Committee concurred with this view.

### **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 Chair or the full Committee.

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 2019 Interim Review. In 2019, we spent £1,442,000 on audit fees (2018: £1,361,000) and £51,000 on non-audit fees (2018: £46,000); this accounted for 4% (2018: 3%) of the overall audit fee for the year. 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: [www.plc.aggreko.com](http://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 2019, 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.

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. Agenda items in 2019 included:

- Reviewing our cyber security arrangements with the Chief Information Officer and Director of IT Operations and Security to understand progress against our security programme, the results of a detailed review of our microgrid and storage solution product portfolio, an update on the external threat landscape and actions for 2020
- Receiving a detailed presentation on the management of financial risk in our Rental Solutions business, focusing on the capabilities of the finance leadership team, the status of statutory account filings, outstanding internal audit actions and the results of the financial control checklist
- Receiving a detailed presentation on the internal control environment in place 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 2019, the Committee continued to receive assurance that financial controls were in place for items on the Group Risk Register
- Receiving an update on various balance sheet controls issues identified by management in Eurasia as part of its year end close process. All issues raised have now been addressed, including the appointment of a new Head of Finance for the region.

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. Beyond the issues identified in Eurasia, as noted above, the Committee confirms that no significant failings or

weaknesses were identified in the review for the 2019 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 37.

### **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. The audit plan is risk-based and includes themed reviews based on an assessment of the strategic risks faced by the Group along with cyclical coverage of key business processes and locations. We also specifically followed up on a selection of areas where audit actions were outstanding to ensure that the overall control environment was still adequate.

The Committee assessed the effectiveness of the internal audit function by reviewing its reports, progress against the 2019 plan and meeting with the Director of Internal Audit without management being present. We also utilised a third-party risk assessment tool to verify the results of our own assessment and agreed the three-year Strategic Plan and Group Internal Audit Charter. Although the review found internal audit to be effective, the following actions were agreed for 2020: greater use of technology to improve planning, resourcing and data quality; and, sharing of best practice within the Group's online community.

# Remuneration Committee report

## Introduction by Barbara Jeremiah, Remuneration Committee Chair

### Dear shareholders

On behalf of the Board and the Remuneration Committee, I am pleased to present to you our Remuneration Committee report for 2019. Following extensive consultation with our largest shareholders and representative bodies, Aggreko introduced our current remuneration policy in 2018, so 2019 was its second year of adoption.

No changes are proposed to the remuneration policy approved at the 2018 AGM. This report includes both my annual statement and our annual report on remuneration. For ease of reference, we include a summary of the key elements of our remuneration policy with the full policy available in the 2017 report. The annual report on remuneration and this annual statement will be subject to an advisory vote at our AGM on 23 April 2020.

i Annual remuneration statement  
page 62

i Annual report on remuneration  
page 67

i 2018 remuneration policy summary  
page 75

**The principal role of the Remuneration Committee is to determine the remuneration for Executive Directors and Executive Committee members. We also oversee Aggreko's overall remuneration policy and practice for the wider workforce.**

**Barbara Jeremiah**  
Remuneration Committee Chair

### Attendance in 2019

Members in 2019	Position	Meetings attended/No. of meetings eligible to attend
Barbara Jeremiah	Committee Chair	4/4
Ken Hanna	Company Chairman	4/4
Uwe Krueger	Senior Independent Director	4/4
Ian Marchant	Non-executive Director	4/4

### Areas of activity in 2019

- Determined outcomes for the 2018 Annual Bonus for financial and personal/strategic objectives
- Set targets for the 2019 Long-term Incentive Plan (LTIP) and Annual Bonus Plan, both financial and personal/strategic objectives
- Approved awards under the 2019 LTIP
- Ensured compliance with the revised FRC UK Corporate Governance Code in respect of remuneration

### Areas of focus for 2020

- Determine outcomes for the 2019 Annual Bonus for financial and personal/strategic objectives
- Set targets for the 2020 Annual Bonus Plan, both financial and personal/strategic objectives
- Review the financial performance measures for the LTIP to ensure that they continue to be aligned with the Group's strategy for growth
- Approve awards under the 2020 LTIP
- Consult with shareholders on the 2021 remuneration policy renewal
- Ensure continued compliance with the revised FRC UK Corporate Governance Code in respect of remuneration

i Remuneration Committee terms of reference: [www.plc.aggreko.com](http://www.plc.aggreko.com)

## Our remuneration policy

The aim of our remuneration policy is to ensure that executive incentives are aligned with Group strategy and performance with, for example, a continued focus on reducing working capital, while investing in new technology to reduce the cost of energy and its environmental impact, leading to a reduced level of net operating assets and further improvement in ROCE. Our policy also ensures alignment with the shareholders of the Company with deferral of a portion of annual bonuses into shares.

Our reward package for Executive Directors is structured such that:

- The fixed element of pay – salary, pension and benefits – is set at an appropriate level by reference to the talent markets in which we operate
- The majority of executive remuneration is linked to Aggreko's performance, with a heavier weighting on long-term performance than on short-term performance
- The remuneration packages reward a balanced portfolio of measures which are designed to reflect our goal of delivering sustainable profit growth over the long term. We plan to achieve this by focusing on our four business priorities of customer focus, technology investment, capital efficiency and expert people
- The Committee is regularly appraised of developments in the market more widely. The Committee plans to commence work on the next policy renewal (due to be presented to shareholders at the 2021 AGM) in the summer of 2020 and will consult with our largest shareholders and their representative bodies as part of that process. Without pre-empting the outcome of that review, it envisages full consideration of such developments in market practice and implementation of any changes as appropriate.

i Full details are set out on page 64

## Summary of 2019 performance outcomes

The Committee set challenging targets for 2019 and we have reported strong profit and cashflow growth. Both Chris Weston, Chief Executive Officer and Heath Drewett, Chief Financial Officer earned a total annual bonus for 2019 of 71.54% of salary (54.04% related to financial objectives and 17.5% to personal/strategic objectives). For both Executive Directors this was out of a maximum 175% of salary. Chris and Heath have made good progress on the challenging financial performance targets set and will receive a payment of 38.60% of the maximum available for the financial element as set out on page 68.

Chris and Heath shared a single personal/strategic objective relating to capital efficiency and ROCE targets were set at the beginning of 2019. At the end of the year, following a review of the strong business performance and full year progress on capital employed, the Committee decided that the original budget presented by management was the appropriate measure for ROCE improvement and this remained consistent with the calculation of the financial objective (D-EPS) and the capital efficiency measure for the rest of the organisation. This involved the technical exercise of discretion as the Committee initially set a ROCE scale which was higher than the agreed plan. 25% of the total bonus is deferred in Aggreko shares for three years.

i Full details of the performance outcomes for the annual bonus are set out on pages 67 and 68

LTIP awards granted in June 2017 did not meet the performance targets, so these awards will lapse in full.

i Full details are set out on page 68

All of these outcomes reflected the operation of our incentive programme formulas without the exercise of any discretion by the Committee other than the personal/strategic objective where an on-target payout was deemed valid. All outcomes were felt to reflect an appropriate recognition for the year's performance.

## Implementation of the policy for 2020

The annual bonus for 2020 for the Executive Directors will operate on the same basis as in 2019, with financial performance – measured against D-EPS – accounting for 80% of total opportunity and the remaining 20% measured against personal/strategic objectives. Further details can be found on page 65. Awards under the LTIP will be made at the same level as the previous year – 250% of salary. The LTIP is designed to align the interests of management with those of shareholders in growing the value of the business over the long-term. In line with our policy, performance conditions are reviewed annually to ensure they remain appropriate and aligned with shareholder interests. The awards will again be subject 50% to EPS (5-12% CAGR on an aggregate measurement basis) and 50% to ROCE. The ROCE range of 13-18% (final year measurement basis) has, consistent with the policy approved in 2018, been set in line with the aspirations of our business performance over the next three years, which we look forward to updating you on later in the year. Further details can be found on page 65.

Salary review – in December 2019 the Committee undertook a detailed review of the salaries of our Executive Directors. Neither Executive Director has received a salary increase since joining Aggreko (in January 2015 in the case of the Chief Executive Officer, Chris Weston). Following this review the Committee has agreed to increase the salaries of Chris Weston and Heath Drewett, Chief Financial Officer, by 2%. The increases became effective on 1 January 2020 and are in line with the budgeted level set for the wider UK workforce in 2020. The salaries of both these Executives will be reviewed again in December 2020, to take effect from January 2021.

## Corporate Governance Code changes

In response to the introduction of the new Corporate Governance Code from January 2019, the Committee's remit has been widened to include oversight of all-colleague remuneration and the Committee has received reports on such practices. The Committee considers that the objective of encouraging shareholdings beyond cessation is met through the combination of holding periods and bonus deferral. It will consider the adoption of more formal post-ceSSION share ownership guidelines as part of the 2021 policy renewal.

The 2018 UK Corporate Governance Code states 'The pension rates for Executive Directors or payments in lieu, should be aligned with those available to the workforce.' The Committee notes that shareholders have endorsed this change. Thus, while this will also be considered fully as part of the policy renewal, we confirm that any new Executive Director will be appointed with an allowance set at a rate when expressed as a percentage of salary no higher than the rate available to the majority of colleagues either in the UK or in the jurisdiction in which the executive resides. The rate for the majority of the UK workforce is currently 9% (but subject to periodic review). The rate for Chris Weston has been reduced for 2020 from 30% of salary to 24%. Both Chris Weston's rate and Heath Drewett's rate (currently 20%) will reduce to the rate applicable to the UK workforce generally with effect from 1 January 2023.

## In conclusion

I welcome any shareholder feedback in the meantime and hope you will continue to be supportive of the implementation of our policy in 2020.

Yours sincerely

**Barbara Jeremiah**  
Remuneration Committee Chair

## Our remuneration at a glance

### Summary of 2019 remuneration

#### Our aim

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

The following table summarises how the policy was applied in 2019 and the components making up the reported single figure on page 67.

Element of remuneration	How the policy works	How it was implemented in 2019	Total single figure (% change from 2018)	
			CEO	CFO
<b>Salary</b>	To pay at an appropriate level in the talent market(s) relevant to each individual Cap of £900,000	No increase in 2019	£750,000 (0%)	£460,000 (0%)
<b>Benefits</b>	To provide market normal benefits Not expected to exceed 20% of salary	Market-competitive insured benefits and company car allowance	£27,175 (3.2%) <sup>1</sup>	£19,342 (3%) <sup>1</sup>
<b>Pension</b>	Defined contribution and/or cash in lieu Between 20% and 30% of salary (with no more than 20% for new hires) <sup>2</sup>	30% of salary cash supplement for the CEO and 20% for the CFO	£225,000 (0%)	£92,000 (0%)
<b>Annual bonus</b>	Reward for delivery of annual targets Cap of 175% for Executive Directors 75% paid in cash, 25% deferred into shares for three years	D-EPS 80% weighting Personal objectives 20% weighting	40.88% of maximum (see page 67)	40.88% of maximum (see page 67)
<b>Long-term incentives</b>	2019 LTIP grant subject to pre-vest performance conditions over three years 50% subject to D-EPS 50% subject to ROCE Legacy awards continue on their terms	2017 LTIP award: subject to continued service, due to vest in June 2020 <sup>3</sup> D-EPS 0% vesting ROCE 0% vesting	0% of maximum (see page 68) £0 (0%)	n/a
<b>Total</b>			£1,538,725 (-7.2%)	£900,426 (-8.3%) <sup>4</sup>

<sup>1</sup> Any change in reported value reflects the cost of provisions rather than a change in the level of benefits.

<sup>2</sup> The rate for Chris Weston has been reduced for 2020 from 30% of salary to 24%.

<sup>3</sup> The 2017 LTIP award which is due to vest in June 2020 is subject to performance conditions over three years, ending on 31 December 2019, with 75% of the award subject to D-EPS and 25% of the award subject to ROCE. These awards were granted under our previous remuneration policy.

<sup>4</sup> Heath Drewett's total single figure for 2018 included buy-out awards and buy-out payments. These have been excluded from the percentage change calculation.

## Implementation of remuneration policy in 2020

The Committee intends to implement the remuneration policy in 2020 as follows:

### Base salaries

Chris Weston and Heath Drewett's base salaries were reviewed by the Committee in December 2019; an increase of 2% was agreed. The increases became effective on 1 January 2020 and are in line with the budgeted level set for the wider UK workforce in 2020. The Committee intends to confirm in the new policy to be presented to shareholders in 2021 that Executive Directors' salary increases will normally be consistent with the level of increase set for the wider workforce.

The base salaries for Executive Directors as at 1 January 2020 and 1 January 2019 were as follows:

Executive Director	Position	1 January 2020 £	Increase <sup>1</sup> %	1 January 2019 £
Chris Weston	Chief Executive Officer	765,000	2	750,000
Heath Drewett	Chief Financial Officer	469,200	2	460,000

<sup>1</sup> The average increase across the Group for 2019 was 4.1%.

### Pensions and benefits

Pensions and benefits will continue in line with policy. Any new Executive Director's allowance would be set at a rate (when expressed as a percentage of salary) no higher than the rate available to the majority of colleagues either in the UK or in the jurisdiction in which the executive resides – currently 9% for the majority of the UK workforce. The Committee has elected to begin this transition for the incumbent Chief Executive Officer in 2020 rather than deferring any action until 2023. The rate for Chris Weston has been reduced for 2020 from 30% of salary to 24%. Heath Drewett's rate is currently 20%.

### Annual bonus

The Committee set annual bonus targets for the Executive Directors on the same basis as in prior years as follows:

Executive Director	D-EPS growth			Personal objectives
	Total max bonus % salary	Max bonus % salary	On-budget 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.

Consistent with the Corporate Governance Code, the Committee has appropriate discretion to adjust any formulaic result if it concludes that it is not appropriate in all the circumstances.

We do not disclose full details of the personal/strategic objectives for the Executive Directors or the financial targets in this report, as we consider them to be commercially sensitive. It is, however, our intention to disclose retrospectively these targets in next year's annual report on remuneration.

### Long-term Incentive Plan (LTIP)

The Committee approved the grant of 2020 LTIP awards to Executive Directors with a face value of 250% of salary with the same EPS performance target as the 2019 awards – 50% EPS of 5–12% CAGR per annum (aggregate measurement basis). However, the ROCE performance target will be revised to be in line with our assessment of the range of performance acceptable for the business for the next three years taking into account all facets of our business – 50% ROCE of 13–18% (final year measurement).

Awards are expected to be granted in March 2020.

As with the annual bonus, consistent with the Corporate Governance Code, the Committee has appropriate discretion to adjust any formulaic result if it concludes that it is not appropriate in all the circumstances.

## Remuneration in context

### How our remuneration policy relates to reward in the wider employee context

The Committee has clear line of sight and oversight of workforce remuneration and related policies when setting policies of Executive Director remuneration and to enable it to advise the Board whether Company policies and practices support culture and strategy. The Group HR Director and Group Director of Reward support the Committee in this and at the July meeting of the Committee provided an overview of annual pay in Aggreko. Throughout the year, the Committee reviews the frameworks and budgets for key components of the wider workforce remuneration, together with the broader structure of Group bonus arrangements; which ensures appropriate alignment with executive pay arrangements. The Committee, as members of the Board, has oversight of the quarterly Be Heard surveys and direct engagement with the workforce through focus groups and team meetings.

### Employee engagement

**Share ownership** – employees in a number of countries in which we operate are offered the opportunity to participate in our Sharesave plan – nearly 70% of our workforce.

**Pay and bonus budgets** – the Committee notes the total budgeted salary and bonus expenditure for all Aggreko employees, ensuring reward principles are aligned throughout the business.

**Direct engagement with our people** – we will communicate a link to the 2019 Annual Report through our “Orange Segments” all-employee communication vehicle. Employees will be invited to comment or ask questions through Orange Segments.

### Chief Executive Officer's pay ratio

The table below discloses the ratio of CEO pay for 2019 and has been calculated using the statutory method A approach – the general preference of institutional shareholders.

	CEO £	25th percentile ratio	50th percentile ratio	75th percentile ratio
CEO pay ratio	n/a	44:1	30:1	21:1
Total pay and benefits	£1,538,725	£34,875	£50,513	£72,890
Base salary	£750,000	£27,591	£44,521	£59,876

Consistent with practice elsewhere, executives have a greater proportion of their overall pay subject to performance than other staff. Accordingly, the ratio may prove volatile. For the delivery of an on-target bonus and LTIP vesting (even ignoring share price appreciation) the median ratio would have been 41.

### Percentage change in remuneration of CEO

The table below shows the change in remuneration of the Chief Executive Officer in comparison with the average change in remuneration of employees within the Group central functions over that period.

	Percentage change for CEO	Percentage change for Group central functions
Salary/fees	0	4.0
Benefits	3.2	10.5
Bonus	-17.6	-21.8

The comparator group relates to the employees within the Group central functions 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, while reducing the distortion that would arise from including all of the many countries in which the Group operates, with their different economic conditions.

### Gender pay gap

In line with government requirements, we have published our gender pay gap statistics as at 5 April 2019 and the reported data is available on our website.

Our gender pay numbers this year show some improvement from last year, and globally we have seen a small increase in the proportion of senior women in the workforce. As these numbers can be sensitive to quite small changes in our workforce profile, we have clear plans and priorities to take us forward.

The focus in 2019 has been on building awareness and capability among our most senior leaders so that they can take the necessary action to build an inclusive culture in their teams to ensure that Aggreko can support everyone in fulfilling their potential. For 2020, we plan to continue to share our commitment to inclusion and collaboration, rolling out a leadership framework that incorporates inclusion as a key component of leadership capability and effectiveness and developing a set of actions and an integrated roadmap to promote a culture of inclusion and collaboration.

### For 2020

During the coming year, the Committee will be developing a new remuneration policy for 2021. Consistent with the widening of its remit, the Committee will also review arrangements which extend beyond the Executive Directors and Executive Committee members.

In the following section of our report we explain how we have implemented Aggreko's remuneration policy during 2019. The policy in place for the year was the one which was approved by shareholders at Aggreko's 2018 Annual General Meeting, a summary of which is set out on pages 75 to 77.

The full policy is available on the Company's website:  
[www.plc.aggreko.com](http://www.plc.aggreko.com)

## Annual report on remuneration

### Single total figure of remuneration – Executive Directors (audited)

The table below sets out a single figure for the total remuneration received by each Executive Director for the years ended 31 December 2019 and 31 December 2018.

Executive Director	Year	Base salary £	Benefits £	Annual bonus £	LTIP £	Sharesave £	Pension £	Other £	Total £
<b>Chris Weston</b>	<b>2019</b>	<b>750,000</b>	<b>27,175</b>	<b>536,550</b>	–	–	<b>225,000</b>	–	<b>1,538,725</b>
Chris Weston	2018	750,000	26,324	651,000	–	5,612	225,000	–	1,657,936
<b>Heath Drewett</b>	<b>2019</b>	<b>460,000</b>	<b>19,342</b>	<b>329,084</b>	–	–	<b>92,000</b>	–	<b>900,426</b>
Heath Drewett <sup>1</sup>	2018	458,820	18,784	407,100	–	5,612	92,000	984,417	1,966,733
<b>2019 Total</b>		<b>1,210,000</b>	<b>46,517</b>	<b>865,634</b>	–	–	<b>317,000</b>	–	<b>2,439,151</b>
2018 Total		1,208,820	45,108	1,058,100	–	11,224	317,000	984,417	3,624,669

<sup>1</sup> Heath Drewett's remuneration for 2018 is from date of appointment, 3 January 2018.

The figures have been calculated as follows:

- Base salary: amount earned for the year.
- Benefits: the taxable value of benefits received in the year. See Benefits below.
- Annual bonus: the total bonus earned on performance during the year. See Annual bonus scheme below.
- No LTIPs vested in relation to the 2019 final performance.
- Sharesave: the value is based on the market price of an Aggreko share on the date of grant, less the option price, multiplied by the number of options.
- Pension: the amount of any Company pension contributions and cash in lieu. Chris Weston and Heath Drewett both received payment entirely in cash.

Total aggregate emoluments for Executive and Non-executive Directors were £3.16 million in 2019.

### Additional disclosures in respect of the single total figure of remuneration table

#### Benefits

Chris Weston and Heath Drewett received healthcare benefits, life assurance cover, income protection, accident insurance and a car allowance.

The following table shows those benefits that the Committee considers significant:

Executive Director	Car/fuel £	Other £	Total £
Chris Weston	12,000	15,175	27,175
Heath Drewett	12,000	7,342	19,342

The table below sets out the total bonus entitlement for 2019:

Executive Director	D-EPS growth			Personal objectives		Total payable <sup>1</sup>	
	Total max bonus % salary	Max bonus % salary	Outcome % salary	Max bonus % salary	Outcome % salary	% salary	£
Chris Weston	175	140	54.04	35	17.5	71.54	536,550
Heath Drewett	175	140	54.04	35	17.5	71.54	329,084

<sup>1</sup> The total bonus includes the 25% deferred shares element.

The maximum bonus opportunity for 2019 for both Executive Directors was 175% of salary.

Bonus payments are payable as 75% in cash and 25% deferred into shares for three years. The Committee has discretion to reduce the number of shares that can vest in the event of gross misconduct, material misstatement of the accounts or any other circumstances or events that arise which the Committee considers to be sufficiently exceptional to justify the operation of malus/clawback.

## **REMUNERATION CONTINUED**

### Annual report on remuneration continued

The targets under the 2019 annual bonus scheme were based 80% on financial performance measures set against the annual budget at the start of the year and 20% against personal/strategic objectives.

#### **Financial performance measures**

The financial objectives for the Chief Executive Officer (Chris Weston) and Chief Financial Officer (Heath Drewett) were measured against D-EPS.

For the financial measure, they 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 in between. The bonus then increases 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 2019:

Measure	Threshold	Budget	Maximum	Outcome			% maximum earned	
	% budget		% budget	% budget	% budget	% budget		
D-EPS <sup>1</sup>	48.0p	95	50.5p	55.6p	110	49.9p <sup>1</sup>	98.86	38.60

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

#### **Personal/strategic performance measures**

Capital efficiency was a key priority for Aggreko in 2019. Chris Weston and Heath Drewett shared a single personal/strategic objective relating to capital efficiency – to improve Group ROCE. Against this personal objective they could achieve the maximum bonus entitlement of 35% of salary, 17.5% at target.

The Committee reviewed performance against this measure and the table below shows the Committee's assessment of the personal/strategic performance measure used for calculating the annual bonus for 2019:

<b>Weighting (% total bonus)</b>	20%
<b>Metric</b>	ROCE Chosen to reflect strategic focus on capital efficiency
<b>Target and assessment</b>	Target range from 11.2% (budget) to 11.8% (ROCE measured using the average of 3 in-year data points) All outcomes to be subject to post year qualitative assessment by the Committee of in-year performance and full year progress on capital efficiency
<b>Outcome</b>	11.2% ROCE (based on average of 3 in-year data points) Following year end, the scale was re-aligned to the original budget. The Committee reviewed the decision to approve a payout in line with the original budget metrics with the entire Board and the Committee exercised its discretion accordingly. This resulted in an on-target outcome. This is consistent with the use of the ROCE metric in Aggreko's bonus plans generally for the wider workforce.
<b>% salary payable</b>	17.5%

An explanation of the Committee's review of performance is detailed in the Committee Chair's letter on page 63.

The performance criteria for the LTIP awards granted in 2017 were as follows:

→ 75% of the award is based on three-year cumulative D-EPS as compared with three-year compound growth in real terms (RPI-adjusted). 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 on a straight-line basis to a maximum at an equivalent of RPI+15% per annum growth

→ 25% of the award is based on average ROCE over the three-year 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 2017 LTIP awards ended on 31 December 2019. Over the three-year period:

- Aggreko's aggregate D-EPS was 145.3 pence. Since the threshold of growth of RPI+3% was not achieved, no shares will vest under this performance measure
- Aggreko's actual average ROCE for the period was 10.7%. Since this was less than the threshold of 20%, no shares will vest under this performance measure

As a result, all 2017 LTIP awards lapsed in full.

In April 2019, Chris Weston and Heath Drewett were granted awards of shares under the LTIP, with a value equivalent to 250% of salary. The three-year performance period over which D-EPS will be measured began on 1 January 2019 and will end on 31 December 2021. ROCE will be measured on a final year basis – in 2021. None of the awards granted under the LTIP are eligible to vest until 1 April 2022.

The performance criteria for the LTIP awards granted in 2019 are as follows:

- 50% of the award is based on three-year cumulative EPS. No performance shares will be awarded against this element if performance is below an equivalent of 5% per annum growth. If performance is equivalent to 5% per annum growth, 25% of the award will vest. Vesting will increase on a straight-line basis to a maximum at an equivalent of 12% per annum growth
- 50% of the award is based on final year ROCE (2021) in a range of 15% to 22%. No performance shares will be awarded against this element if performance is less than 15%. If performance is equivalent to 15% ROCE, 25% of the award will vest and awards will increase on a straight-line basis to the maximum at 22% ROCE

Shares which vest will be subject to a further holding period of two years in accordance with the rules of the LTIP.

In addition, 25% of the 2018 bonus payments for Chris Weston and Heath Drewett were deferred into shares under the Deferred Share Bonus Plan (DSBP). These shares will be released three years from the date of grant.

The table below shows details of interests awarded to Executive Directors during 2019:

Executive Director	LTIP			DSBP		
	Shares	Face value <sup>1</sup> £	% vesting on minimum performance	Shares	Face value <sup>2</sup> £	% vesting on minimum performance
Chris Weston	242,561	1,874,997	25	21,054	162,747	100
Heath Drewett	148,771	1,150,000	25	13,166	101,773	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 1 April 2019, which was used to determine the number of shares awarded, being 773 pence.

2 Face value of DSBP is the number of shares awarded on 1 April 2019 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 773 pence.

3 Both awards will further increase to reflect the value of any dividends paid over the vesting period.

## Executive Directors' shareholdings (audited)

As at 31 December 2019, the shareholdings of the Executive Directors were as follows:

Director	(A) Shares owned outright <sup>1</sup>	(B) Shares held subject to deferral	Shares held subject to performance conditions <sup>2</sup>	Options held not subject to performance conditions <sup>3</sup>	Shareholding guidelines % salary	Shares counting towards guidelines (A + B)	Current shareholding % salary <sup>4</sup>
Chris Weston	83,788	51,163	759,776	2,727	250	134,951	150
Heath Drewett	-	42,936	395,400	2,727	250	42,936	78

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 832.6 pence as at 31 December 2019. Under the Company's share ownership guidelines, Executive Directors have a period of five years to achieve the shareholding guideline of not less than 250% of base salary.

Departing executives only receive deferred share awards at the normal time of maturity so are required to maintain some level of ownership post-ceSSION.

There have been no changes in the Executive Directors' interests in Ordinary Shares between 31 December 2019 and 3 March 2020.

Chris Weston and Heath Drewett, as 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 2019, the trustees of the EBT held a total of 1,611,875 Aggreko plc Ordinary Shares and the holding at the date of this report is 1,554,060. The dividend has been waived on these shares. All Aggreko share plans are settled through the use of market purchase shares so the Company has not utilised any of its available dilution limits.

## REMUNERATION CONTINUED

Annual report on remuneration continued

### Share awards and share options

The table below shows details of share awards or options over Ordinary Shares in the Company pursuant to the Company's share-based incentive plans for Executive Directors who were in office for any part of the 2019 financial year. Details of awards and options granted to Executive Directors in 2019 under these plans are also included on page 69.

	As at 1 January 2019	Options/ awards granted during year	Options/ awards exercised/ vesting during year	Options/ awards lapsing during year	At 31 December 2019	Market price at date awards granted (pence) <sup>4</sup>	Exercise price – options (pence)	Normal vesting date/ exercise period
<b>Chris Weston</b>								
<b>LTIP<sup>1</sup></b>								
2016	209,302	–	–	209,302	–	1,075		May 2019
2017	260,718	–	–	–	<b>260,718</b>	863		June 2020
2018	256,497	–	–	–	<b>256,497</b>	731		May 2021
2019	–	242,561	–	–	<b>242,561</b>	773		April 2022
<b>DSBP<sup>2</sup></b>								
2017	5,569	–	–	–	<b>5,569</b>	909		March 2020
2018	24,540	–	–	–	<b>24,540</b>	735		March 2021
2019	–	21,054	–	–	<b>21,054</b>	773		April 2022
<b>Sharesave</b>								
2015	2,168	–	–	2,168	–	1,027	830	January – June 2019
2018	2,727	–	–	–	<b>2,727</b>	865.8	660	January – June 2022
<b>Heath Drewett</b>								
<b>LTIP<sup>1</sup></b>								
2018	157,318	–	–	–	<b>157,318</b>	731		May 2021
2019	–	148,771	–	–	<b>148,771</b>	773		April 2022
<b>DSBP<sup>2</sup></b>								
2019	–	13,166	–	–	<b>13,166</b>	773		April 2022
<b>Restricted stock agreements<sup>3</sup></b>								
2018	29,770	–	–	–	<b>29,770</b>	724.6		August 2020
2018	89,311	–	–	–	<b>89,311</b>	724.6		April 2021
<b>Sharesave</b>								
2018	2,727	–	–	–	<b>2,727</b>	865.8	660	January – June 2022

1 All LTIPs have performance periods of three financial years commencing with the financial year in which the award is granted.

2 Awards under the Deferred Share Bonus Plan (DSBP) are not subject to any performance conditions other than continued employment on the vesting date.

3 Restricted stock agreements – conditional share awards were granted under our restricted stock agreements on 3 May 2018 to compensate Heath Drewett for the forfeiture of variable awards from his previous employment as explained on page 80 of our Annual Report 2017.

4 Market price at date awards granted is the average market price of an Aggreko share over the five business days prior to the date of grant for the LTIP and DSBP awards (which was used to determine the number of shares awarded). Market price for Sharesave is the market price on the date of grant. For the awards granted under the restricted stock agreements market price is the share price on date of grant, being 3 May 2018.

### Arrangements with past Directors (audited)

#### Exit payments

There were no exit payments during the year.

## Relative importance of spend on pay

The chart below shows Aggreko's profit after tax, dividend and total employee pay for the financial years ended 31 December 2018 and 31 December 2019, and the percentage change.

Dividends are the interim and final dividends paid in respect of the financial year ended 31 December 2018 and the interim dividend paid and the final dividend recommended in respect of the financial year ended 31 December 2019.

## Comparison of Company performance

The graph below shows the value, at 31 December 2019, of £100 invested in Aggreko's shares on 31 December 2009 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 £ <sup>1</sup>	Annual bonus payout against maximum %	Long-term incentive vesting rates against maximum opportunity %
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 <sup>2</sup>	42.4	5.8
2015	Chris Weston	1,485,516 <sup>3</sup>	0	0
2016	Chris Weston	1,909,155 <sup>3</sup>	15	0
2017	Chris Weston	2,320,112 <sup>3</sup>	55	0
2018	Chris Weston	1,657,936	50	0
2019	Chris Weston	1,538,725	40.9	0

<sup>1</sup> 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 the date of vesting for the LTIP.

<sup>2</sup> 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.

<sup>3</sup> 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.

Annual report on remuneration continued

### **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 the remuneration policy and level of fees for the Chairman of the Board (although the Chairman of the Board does not take part in the 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 Chair of the Audit, Remuneration and Ethics & Corporate Responsibility 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 opted to forego any fees as a Non-executive Director for 2020, as he did in 2018 and 2019. The Company will make donations to ShelterBox (an international disaster relief charity) and African Parks (an organisation that supports rehabilitation and long-term management of national parks across Africa) equivalent, in total, to the fees foregone.

The fees for the Chairman and Non-executive Directors as at 1 January 2020 and 1 January 2019 were as follows:

Role	1 January 2020 £	Increase %	1 January 2019 £
Chairman fee	342,000	0	342,000
Non-executive Director base fee	61,000	0	61,000
Committee Chair additional fee	20,000	0	20,000
Senior Independent Director additional fee	20,000	0	20,000

### **Single total figure of remuneration – Non-executive Directors (audited)**

Non-executive Director	Year	Fees £	Benefits £	Total £
<b>Ken Hanna</b>	<b>2019</b>	<b>342,000</b>	<b>1,925</b>	<b>343,925</b>
Ken Hanna	2018	342,000	851	342,851
<b>Nicola Brewer</b>	<b>2019</b>	<b>81,000</b>	–	<b>81,000</b>
Nicola Brewer	2018	61,000	–	61,000
<b>Barbara Jeremiah</b>	<b>2019</b>	<b>81,000</b>	<b>1,755</b>	<b>82,755</b>
Barbara Jeremiah	2018	74,564	2,317	76,881
<b>Sarah Kuijlaars<sup>1</sup></b>	<b>2019</b>	<b>15,250</b>	–	<b>15,250</b>
<b>Uwe Krueger<sup>2</sup></b>	<b>2019</b>	–	–	–
Uwe Krueger <sup>2</sup>	2018	–	–	–
<b>Diana Layfield</b>	<b>2019</b>	<b>61,000</b>	–	<b>61,000</b>
Diana Layfield	2018	61,000	–	61,000
<b>Ian Marchant</b>	<b>2019</b>	<b>81,000</b>	–	<b>81,000</b>
Ian Marchant	2018	81,000	–	81,000
<b>Miles Roberts</b>	<b>2019</b>	<b>61,000</b>	–	<b>61,000</b>
Miles Roberts	2018	61,000	–	61,000
<b>2019 Total</b>		<b>722,250</b>	<b>3,680</b>	<b>725,930</b>
2018 Total		680,564	3,168	683,732

1 Sarah Kuijlaars' remuneration for 2019 is from date of appointment, 1 October 2019.

2 Uwe Krueger opted to forego any fees for 2018 and 2019. The Company made donations to ShelterBox and African Parks equivalent, in total, to the fees foregone.

The figures have been calculated as follows:

→ Fees: amount earned for the year

→ Benefits: the taxable value of benefits received in the year

## Non-executive Directors' shareholdings (audited)

As at 31 December 2019, the shareholdings of the Non-executive Directors were as follows:

Director	Shares owned outright <sup>1</sup>
Ken Hanna	15,644
Nicola Brewer	1,450
Barbara Jeremiah	1,000
Sarah Kuijlaars	-
Uwe Krueger	3,101
Diana Layfield	2,855
Ian Marchant	3,331
Miles Roberts	-

<sup>1</sup> This includes shares held by connected persons.

There have been no changes in the Non-executive Directors' interests in Ordinary Shares between 31 December 2019 and 3 March 2020.

## 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 23 April 2020.

The Executive Directors are employed under contracts of employment with Aggreko plc. The Remuneration Committee sets notice periods for the Executive Directors at 12 months or less. The principal terms of the Executive Directors' service contracts (which have no fixed term) are as follows:

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

Non-executive Directors are appointed for a term of three years, subject to three months' notice from either party.

The dates of the Chairman's and Non-executive Directors' appointments are as follows:

Non-executive Director	Position	Effective date of letter of appointment	Unexpired term as at 31 December 2019
Ken Hanna	Chairman	29 April 2018 <sup>1</sup>	1 year 4 months
Nicola Brewer	Non-executive Director	25 February 2019 <sup>1</sup>	2 years 2 months
Barbara Jeremiah	Non-executive Director	7 March 2017	2 months
Sarah Kuijlaars <sup>1</sup>	Non-executive Director	1 October 2019	2 years 9 months
Uwe Krueger	Non-executive Director	1 February 2018 <sup>1</sup>	1 year 1 month
Diana Layfield	Non-executive Director	1 May 2019 <sup>1</sup>	4 months
Ian Marchant	Non-executive Director	1 November 2019 <sup>1</sup>	10 months
Miles Roberts	Non-executive Director	7 March 2017	2 months

<sup>1</sup> 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, 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 2019 in relation to this appointment were £15,000. Heath Drewett did not hold any external directorships.

## **REMUNERATION CONTINUED**

Annual report on remuneration continued

### **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 a strong return 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 four Independent Non-executive Directors. Peter Kennerley is Secretary to the Committee. We also invite the Chief Executive Officer, Group HR Director and Group Director of Reward to attend our meetings. The Chairman and the Executives are not present when their personal remuneration is discussed.

In 2019, as well as holding four meetings of the Committee, we also took a number of decisions based on papers circulated outside the context of a formal meeting.

#### **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 the Secretary)
- 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
- Review the pay and other main terms of employment of employees more generally
- 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 benefit structures throughout the Group

Read the full Terms of Reference for the Committee: [www.plc.aggreko.com](http://www.plc.aggreko.com)

### **Shareholder voting and shareholder engagement**

The following table shows the results of the binding vote on the remuneration policy at the 2018 AGM and the advisory vote on the 2018 Remuneration Report at the 2019 AGM.

	Remuneration policy		Remuneration Report	
	Total number of votes	% of votes cast	Total number of votes	% of votes cast
For	187,861,052	98.63	186,342,627	95.29
Against	2,606,948	1.37	9,203,889	4.71
<b>Total votes cast (excluding withheld votes)</b>	<b>190,468,000</b>	<b>100</b>	<b>195,546,516</b>	<b>100</b>
Votes withheld <sup>1</sup>	20,902	-	421,848	-
<b>Total votes cast (including withheld votes)</b>	<b>190,488,902</b>	<b>-</b>	<b>195,968,364</b>	<b>-</b>

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 Committee is committed to a continuous, open and transparent dialogue with shareholders on the issue of executive remuneration. The Committee plans to consult extensively with our shareholders in 2020 as we develop the remuneration policy for consideration by shareholders in 2021.

### **Consideration by the Directors of matters relating to Directors' remuneration**

The Committee was advised by FIT Remuneration Consultants LLP as the principal external adviser to the Committee for 2019. FIT was appointed in 2017 by a sub-committee of the Committee comprising the current Chair, Barbara Jeremiah, and the previous Chair, Russell King. FIT is a member of the Remuneration Consultants Group and signatory to its code of conduct and charges on its normal terms. Taking these factors into account, the Committee is satisfied as to the impartiality and objectivity of FIT's advice.

The fee paid to FIT in respect of work that materially assisted the Committee in 2019 was £29,143, which includes advice for and attendance at all meetings of the Committee including a market and governance update. FIT provided no other services to the Group.

## 2018 remuneration policy summary

A summary of Aggreko's remuneration policy approved by shareholders at the 2018 AGM is set out below. For the full remuneration policy, please refer to the 2017 Directors' Remuneration Report available on the Company's website [www.plc.aggreko.com](http://www.plc.aggreko.com).

### 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 comparator companies; 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.

## 2018 remuneration policy summary continued

**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 in the 2017 Directors' Remuneration Report.

**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 2020 annual bonus are set out in the Annual remuneration statement on page 65.

**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 that 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 in the 2017 Directors' Remuneration Report.

**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, it considers 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 2020 performance measures proposed are set out on page 65.

**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.

## 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.

This Report was approved by the Board on 3 March 2020.

**Barbara Jeremiah**  
Remuneration Committee Chair

## Directors' Report and Strategic Report

The Directors' Report and Strategic Report for the year ended 31 December 2019 comprise pages 46 to 82 and pages 1 to 45 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 45. Specifically these are:

- Future business developments on page 10
- Stakeholder information is included in the Section 172 statement on page 42

Disclosures in relation to Listing Rule LR 9.8.4R, where applicable, are included on page 68 in relation to Long-Term Incentive Plans and on page 80 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.

## Division of responsibilities and matters reserved for the Board

How we divide up our responsibilities at Board level and the schedule of matters reserved for the Board are available on our website at [www.plc.aggreko.com](http://www.plc.aggreko.com).

## 2020 Annual General Meeting

The Company's Annual General Meeting will be held at 11.00am on 23 April 2020 at 200 St Vincent Street, Glasgow G2 5RQ. The Notice of Meeting is set out on pages 139 to 144 of this document and is also available on the shareholder information pages of our website at [www.plc.aggreko.com](http://www.plc.aggreko.com).

## Dividends

The interim dividend of 9.38 pence per Ordinary Share was paid on 1 October 2019. The Directors recommend a final dividend of 18.27 pence per Ordinary Share in respect of the year, making

a total for the year of 27.65 pence per Ordinary Share (2018: 27.12 pence), payable on 21 May 2020 to shareholders on the register at the close of business on 24 April 2020.

## Dividend payments and DRIP

The Dividend Reinvestment Plan (DRIP) allows shareholders to purchase additional shares in Aggreko with their dividend payments. Further information and a mandate can be obtained from our Registrar, Link Asset Services, whose details are set out on page 145 and the shareholder information pages of our website at [www.plc.aggreko.com](http://www.plc.aggreko.com).

## Share capital

On 31 December 2019, the Company had in issue 256,128,201 Ordinary Shares of 43<sup>28</sup>/<sub>395</sub> pence each, 188,251,587 Deferred Shares of 9<sup>6</sup>/<sub>75</sub> pence each, 18,352,057,648 Deferred Shares of 1<sup>75</sup> pence each, 182,700,915 Deferred Shares of 6<sup>18</sup>/<sub>25</sub> pence each and 573,643,383,325 Deferred Shares of 1<sup>30</sup>/<sub>125</sub> pence each comprising 29.43%, 40.77%, 0.56%, 29.20% 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 22 to the Accounts on page 117.

## Material share interests

As at 31 December 2019, 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 of shares voting rights
<b>Capital Group Companies LLP</b>	13,446,515	5.24
<b>Lion Investment Partners LLP</b>	13,307,481	5.20
<b>M&amp;G Plc</b>	9,351,326	3.65

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 them 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 them in respect of that share remain unpaid or if they are a person with a 0.25% interest (as defined in the Articles) and they have 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 monies 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 monies 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 them) 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 them (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
- 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](http://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/she was last elected. However, in line with the 2018 UK Corporate Governance Code, all Directors will stand for annual election at the 2020 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 them attends) for six consecutive months and the Board resolves that their office is vacated; or (vii) they become bankrupt or compound 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 2019 to allot relevant securities up to a nominal amount of £4,126,149. That authority will apply until the earlier of 30 June 2020 or at the conclusion of the Annual General Meeting for 2020. 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 2021).

Special resolutions 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 2019 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 2020 or 30 June 2020.

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/her; 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 Employee Benefit Trust, holds 0.61% of the issued share capital of the Company as at 3 March 2020 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 94 of the financial statements.

The viability statement is included on page 37 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 to disclose 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 themselves 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. 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. In addition, we manage risks in relation to talent management and health and safety within our risk management framework. While all these matters are linked, to a greater or lesser extent, to human rights, we prefer to address them as part of our operations, rather than as a separate issue. We continue to evaluate all potential risks and do not think that human rights present material issues for our business.

## Pensions

The assets of the UK defined-benefit pension fund are controlled by the Directors of Aggreko Pension Scheme Trustee Limited; they are held separately from the assets of the Company and invested by independent fund managers. These segregated funds cannot be invested directly in the Company. Four trustees have been appointed by the Company and, in addition, two member-nominated trustees have been appointed. This fund was closed to new employees joining the Group after 1 April 2002; new UK employees are now offered membership of a Group Personal Pension Plan.

## Greenhouse gas emissions

In line with the 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 emissions factors from recognised public sources including the UK Department for Business, Energy and Industrial Strategy (BEIS), the US Energy Information Administration (EIA), the US Environmental Protection Agency (EPA) and the Intergovernmental Panel on Climate Change (IPCC).

**Scope 1 emissions** are from those activities owned and operated by Aggreko, and include fuel combusted in the Aggreko generator fleet (by far the greatest proportion of emissions); fuel combusted in Aggreko premise's 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 over which the Company has the most control.

**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 (air and rail travel etc); and waste and water supply/treatment.

The tables below present the principal findings from GHG analysis of the previous three years:

### Total GHG emissions by GHG protocol scope

tCO <sub>2</sub> e/year	2019	2018	2017
Scope 1	<b>4,571,080</b>	6,259,024	14,716,676
Scope 2	<b>21,94</b>	17,017	21,414
Scope 3	<b>9,376,572</b>	6,999,628	2,954,104
Total	<b>13,969,616</b>	13,275,669	17,692,195

### Total GHG emissions by fleet/non-fleet

tCO <sub>2</sub> e/year	2019	2018	2017
Fleet	<b>13,829,638</b>	13,149,392	17,556,543
Non-fleet	<b>139,978</b>	126,277	135,652
Total	<b>13,969,616</b>	13,275,669	17,692,195

In 2019, we emitted 13,969,616 tonnes of CO<sub>2</sub>e, an increase of 5.2% over 2018. 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.

As can be seen above, there is a slight increase in fleet emissions of 5.2%. This is due to an increase in calculated running hours which were stated as 61,877,424 in 2019, a 16% increase from the 2018 value of 53,193,209. It is understood that the increase in running hours is due, in part as least, to an improved method of querying the generator meter reading as outlined by the Aggreko ATS team.

In line with best practice, our GHG accounting systems include an estimate of the upstream GHG emissions associated with fuel supply chains; in 2019 this contributed 16% of fleet combustion emissions accounting for 23% of Scope 3 emissions.

In terms of the non-fleet activities, emissions from activities associated with premises use (energy, waste, water and refrigerant gases) and company vehicles have increased, while emissions from business travel and third party freight have decreased compared to 2018. The most significant reduction is observed within freight emissions (-26%) due in part to more accurate freight data collection.

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 to report Revenue Intensity as a suitable metric to measure year-on-year performance.

As can be seen from the chart below relative emissions (expressed in tCO<sub>2</sub>e/k£) have increased slightly (14%) from 2018 due to the aforementioned increase in fleet emissions.

In addition, Aggreko's Northern Europe business has been certified to the Carbon Trust Standard (replacing our CEMARS certification as referenced in previous Annual Reports). The Carbon Trust Standard recognises organisations that follow best practice in measuring, managing and reducing their environmental impact, achieving year-on-year reductions in carbon dioxide emissions. The Northern Europe business also achieved certification to ISO 50001, which validates a best practice approach to energy management, helping us to set a framework to continually improve energy performance. As part of this work, the Northern Europe business changed their electricity supplier for their service centres to a supplier offering 100% renewable electricity.

- Please note the 2017 value has changed from 10.22 due to accounting changes

Whilst normalising emissions by Revenue can be informative we feel that running hours (the number of hours our fleet are operational for) is a more suitable intensity metric to measure year-on-year performance. The chart below shows relative emissions using the running hours intensity metric for reporting years 2014 to 2019.

#### **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 its remuneration will be proposed at the Annual General Meeting.

#### **Important events since 31 December 2019**

There have been no important events affecting the Company or any subsidiary since 31 December 2019.

#### **Political donations**

No political donations were made during the financial year (2018: nil).

#### **Approval of the Strategic Report and Directors' Report**

The Strategic Report set out on pages 1 to 45 and Directors' Report set out on pages 46 to 82 were approved by the Board on 3 March 2020 and have been signed by the Company Secretary on behalf of the Board.



**Peter Kennerley**  
Group Legal Director and  
Company Secretary

3 March 2020

In 2019, we undertook an Energy Saving Opportunities Scheme (ESOS) assessment in line with the UK Environment Agency requirements and can confirm that we remain compliant with the regulations, since our first assessment in 2015. Our next assessment is scheduled for 2023.

## 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 comply 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, 3 March 2020.

**Ken Hanna**  
Chairman

**Chris Weston**  
Chief Executive Officer

## 1 Our opinion is unmodified

We have audited the financial statements of Aggreko Plc ("the Company") for the year ended 31 December 2019 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 28.

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 2019 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 first appointed as auditor by the shareholders on 27 April 2016. The period of total uninterrupted engagement is for the four financial years ended 31 December 2019. 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, 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.

Threat		Our response
Recoverability of Power Solutions Utility overdue receivables and accrued income in certain countries including Yemen, Venezuela, Brazil and parts of Africa.  Refer to page 59 (Audit Committee Report), page 99 (accounting policy) and page 112 (financial disclosures)	Subjective estimate – certain customers of the Power Solutions Utility ("PSU") business operate in territories with volatile regimes and adverse macroeconomic 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' Power Solutions Utility debtors in Yemen, Venezuela, Brazil and parts of Africa, those being the receivables that we consider give rise to our key audit matter. We consider the overall net risk to have remained broadly in line with last year reflecting a decrease in overdue debt from those debtors offset by an increase in the age of certain ongoing overdue receivables.  The effect of these matters is that, as part of our risk assessment, we determined that the recoverability of certain Power Solutions Utility overdue receivables and accrued income in respect of certain countries outlined above has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount.	Our procedures included:  → Our experience: using our experience of geographical issues, 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, considering any non-corroborating evidence 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.
Risk vs 2018:  		Our results  → We found the carrying amount of the trade receivables and accrued income that were the subject of the key audit matter to be acceptable (2018: acceptable).

The risk	Our response
Consolidated and parent company taxation provisions in relation to the ongoing dispute in relation to a tax assessment in Bangladesh  Refer to page 59 (Audit Committee Report), page 100 (accounting policy) and page 107 (financial disclosures)  Risk vs 2018:  	<p>Subjective estimate – Provision for tax contingencies require the Directors to make an estimate in relation to a tax assessment in Bangladesh. This is highly judgemental due to the complexities and uncertainties of Bangladesh tax legislation.</p> <p>The matter is in court proceedings and may take many years to resolve. The risk to the financial statements is that the eventual resolution of the matter with the tax authorities is at an amount materially different to the provision held.</p> <p>The effect of this matter is that, as part of our risk assessment, we determined that the provision in relation to the ongoing dispute in relation to the Bangladesh tax assessment has a high degree of estimation uncertainty, with a potential range of outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount.</p>
	<p><b>Our procedures included:</b></p> <ul style="list-style-type: none"> <li>→ Our tax expertise: Assessing, together with our own international and local tax specialists, the Group's tax position in relation to the ongoing tax assessment in Bangladesh, inspecting relevant correspondence with the tax authority and legal opinions and analysing and challenging the judgement about the likely conclusion used to determine the tax provision based on our knowledge and experience of the application of the international and local legislation by the relevant authority and courts; and</li> <li>→ Assessing transparency: Assessing the adequacy of the Group's disclosures in respect of the Bangladesh tax assessment.</li> </ul> <p><b>Our results</b></p> <p>We found the level of tax provisioning in the Group and Company to be acceptable (2018: acceptable).</p>

### 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 £9.9 million (2018: £9.0 million), determined with reference to a benchmark of group profit before tax, of which it represents 5.0% (2018: 4.9%). Materiality for the parent company financial statements as a whole was set at £5.9 million (2018: £6.5 million) based on component materiality. This is lower than we would otherwise have determined with reference to a benchmark of company net assets, and represents 1.2% (2018: 1.5%) 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 Australia, Brazil and Russia as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group team completed audit work on components in Dubai, the UK and US including the parent company. The Group audit team approved the component materialities, which ranged from £2.0 million to £5.9 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 Australia to participate in the planning meeting and assess the audit risk and strategy. Telephone calls were also held with the component auditors in Australia, 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.

Of the Group's revenue, PBT and net assets we subject the following amounts to full audit and specified risk focussed audit procedures (are revenue, cost of sales and accounts receivable)

	Revenue	Profit before tax	Total assets
Full audit	66% (2018: 77%)	67% (2018: 77%)	71% (2018: 80%)
Specified on revenue, cost of sales and accounts receivable	7% (2018: 0%)	23% (2018: 0%)	3% (2018: 0%)

The remaining 27% of total Group revenue, 10% of Group profit before tax and 26% of total Group assets is represented by a number of reporting components, none of which individually represented more than 7% of any of total Group revenue, Group profit before tax or total group assets. For these components we performed analysis at an aggregated group level to re-examine our assessment that there were no significant risks of material misstatement within these.

### 4 We have nothing to report on going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or the Group or to cease their operations, and as they have concluded that the Company's and the Group's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

Our responsibility is to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group and the Company will continue in operation.

In our evaluation of the Directors' conclusions, we considered the inherent risks to the Group's and Company's business model and analysed how those risks might affect the Group's and Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Group's and Company's available financial resources over this period were:

- Global macroeconomic uncertainty resulting in reduced demand; and
- Market dynamics in the Power Solutions Utility business impacting on returns.

As these were risks that could potentially cast significant doubt on the Company's ability to continue as a going concern, we considered sensitivities over the level of available financial resources indicated by the Company's financial forecasts taking account of reasonably possible (but not unrealistic) adverse effects that could arise from these risks individually and collectively and evaluated the achievability of the actions the Directors consider they would take to improve the position should the risks materialise. We also considered less predictable but realistic second order impacts, such as the impact of Brexit on customs delays impacting on the Group's ability to meet demand in certain areas.

Based on this work, 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 twelve months from the date of approval of the financial statements; or
- the related statement under the Listing Rules set out on page 29 is materially inconsistent with our audit knowledge.

We have nothing to report in these respects, and we did not identify going concern as a key audit matter.

## **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 Directors' remuneration 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 37 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 assessment 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 assessment of prospects and viability statement. We have nothing to report in this respect.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgments that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and Company's longer-term viability.

### **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 Corporate 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 Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

## 7 Respective responsibilities

### Directors' responsibilities

As explained more fully in their statement set out on page 83, 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 or other irregularities (see below), 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.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://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 general commercial and sector experience and through discussion with the Directors and other management (as required by auditing standards), and discussed with the Directors and other management the policies and procedures regarding compliance with laws and regulations. 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.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified anti-bribery as the area most likely to have such an effect, recognising the nature of the group's activities and the Governmental nature of many of the group's customers. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Through these procedures, we became aware of actual or suspected non-compliance and considered the effect as part of our procedures on the related financial statement items. The identified actual or suspected non-compliance was not sufficiently significant to our audit to result in our response being identified as a key audit matter.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

## 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

3 March 2020

## GROUP INCOME STATEMENT

For the year ended 31 December 2019

	Notes	2019 £ million	2018 £ million
Revenue	4	1,613	1,760
Cost of sales		(644)	(824)
<b>Gross profit</b>		969	936
Distribution costs		(482)	(476)
Administrative expenses		(249)	(241)
Impairment loss on trade receivables	16	(7)	(7)
Other income	2	10	7
<b>Operating profit</b>	4	241	219
Net finance costs	8		
- Finance cost		(46)	(41)
- Finance income		4	4
<b>Profit before taxation</b>	5	199	182
Taxation	9	(70)	(57)
<b>Profit for the year</b>		129	125
All profit for the year is attributable to the owners of the Company.			
<b>Basic earnings per share (pence)</b>	11	50.80	49.22
<b>Diluted earnings per share (pence)</b>	11	50.70	49.18

## GROUP STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	2019 £ million	2018 £ million
<b>Profit for the year</b>	129	125
<b>Other comprehensive income/(loss)</b>		
<i>Items that will not be reclassified to profit or loss</i>		
Remeasurement of retirement benefits	(1)	26
Taxation on remeasurement of retirement benefits	-	(5)
<i>Items that may be reclassified subsequently to profit or loss</i>		
Cash flow hedges	1	2
Net exchange losses offset in reserves	(75)	(24)
Other comprehensive loss for the year (net of tax)	(75)	(1)
<b>Total comprehensive income for the year</b>	54	124

**GROUP BALANCE SHEET (COMPANY NUMBER: SC177553)****As at 31 December 2019**

	Notes	2019 £ million	2018 £ million
<b>Non-current assets</b>			
Goodwill	12	177	184
Other intangible assets	27.A2	41	42
Investment		9	9
Property, plant and equipment	13	1,166	1,169
Deferred tax asset	21	44	36
Fulfilment assets	14	54	29
Retirement benefit surplus	27.A5	4	1
		1,495	1,470
<b>Current assets</b>			
Inventories	15	216	229
Trade and other receivables	16	659	781
Fulfilment assets	14	32	15
Cash and cash equivalents	3	87	85
Derivative financial instruments	27.A4	1	1
Current tax assets		21	23
		1,016	1,134
<b>Total assets</b>		<b>2,511</b>	<b>2,604</b>
<b>Current liabilities</b>			
Borrowings	17	(59)	(144)
Lease liability	18	(33)	–
Derivative financial instruments	27.A4	(1)	(1)
Trade and other payables	19	(388)	(371)
Current tax liabilities		(42)	(47)
Demobilisation provision	20	(5)	(6)
Provisions		–	(2)
		(528)	(571)
<b>Non-current liabilities</b>			
Borrowings	17	(511)	(627)
Lease liability	18	(68)	–
Deferred tax liabilities	21	(36)	(34)
Demobilisation provision	20	(9)	(5)
		(624)	(666)
<b>Total liabilities</b>		<b>(1,152)</b>	<b>(1,237)</b>
<b>Net assets</b>		<b>1,359</b>	<b>1,367</b>
<b>Shareholders' equity</b>			
Share capital	22	42	42
Share premium		20	20
Treasury shares	23	(13)	(17)
Capital redemption reserve		13	13
Hedging reserve (net of deferred tax)		2	1
Foreign exchange reserve		(126)	(51)
Retained earnings		1,421	1,359
<b>Total Shareholders' equity</b>		<b>1,359</b>	<b>1,367</b>

The financial statements on pages 88 to 129 were approved by the Board of Directors on 3 March 2020 and signed on its behalf by:

K Hanna  
Chairman

H Drewett  
Chief Financial Officer

**GROUP CASH FLOW STATEMENT**

For the year ended 31 December 2019

	Notes	2019 £ million	2018 £ million
<b>Operating activities</b>			
Profit for the year		<b>129</b>	125
Adjustments for:			
Tax		<b>70</b>	57
Depreciation		<b>315</b>	293
Amortisation of intangibles		<b>8</b>	5
Fulfilment assets	14	<b>21</b>	9
Demobilisation provisions	20	<b>9</b>	4
Finance income		(4)	(4)
Finance cost		<b>46</b>	41
Profit on sale of property, plant and equipment (PPE)	2	(10)	(7)
Share-based payments		<b>11</b>	10
Changes in working capital (excluding the effects of exchange differences on consolidation):			
Decrease in inventories		<b>8</b>	14
Decrease/(increase) in trade and other receivables		<b>78</b>	(10)
Increase/(decrease) in trade and other payables		<b>21</b>	(60)
Cash flows relating to fulfilment assets	14	(66)	(44)
Cash flows relating to demobilisation provisions	20	(6)	(4)
Cash flows relating to 2017 exceptional items		<b>(2)</b>	(6)
Cash generated from operations		<b>628</b>	423
Tax paid		(76)	(61)
Interest received		<b>4</b>	4
Interest paid <sup>(i)</sup>		(46)	(36)
Net cash generated from operating activities		<b>510</b>	330
<b>Cash flows from investing activities</b>			
Acquisitions (net of cash acquired)		–	(24)
Purchases of PPE		(230)	(216)
Purchase of other intangible assets		(8)	(10)
Purchase of investment		–	(9)
Proceeds from sale of PPE	2	<b>21</b>	15
Net cash used in investing activities		<b>(217)</b>	(244)
<b>Cash flows from financing activities</b>			
Increase in long-term loans		<b>393</b>	726
Repayment of long-term loans		(493)	(624)
Increase in short-term loans		<b>2</b>	5
Repayment of short-term loans		(127)	(94)
Payment of lease liabilities		(31)	–
Dividends paid to Shareholders		(69)	(69)
Purchase of treasury shares		(4)	(12)
Net cash used in financing activities		<b>(329)</b>	(68)
<b>Net (decrease)/increase in cash and cash equivalents</b>			
Cash and cash equivalents at beginning of the year		<b>76</b>	59
Exchange loss on cash and cash equivalents		(4)	(1)
<b>Cash and cash equivalents at end of the year</b>	3	<b>36</b>	76

(i) Interest paid of £46 million (2018: £36 million) includes £5 million relating to leases (2018: £nil).

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

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

For the year ended 31 December 2019

### As at 31 December 2019

	At 1 January 2019 £ million	IFRS 16 Transition £ million	Cash flow £ million	Exchange £ million	Other non-cash movements £ million	At 31 December 2019 £ million
<b>Analysis of changes in net debt</b>						
<b>Cash and cash equivalents (Note 3)</b>						
Cash and cash equivalents (Note 3)	76	-	(36)	(4)	-	36
<b>Current borrowings:</b>						
Bank borrowings	(115)	-	105	2	-	(8)
Private placement notes	(20)	-	20	-	-	-
Lease liability	-	(31)	31	-	(33)	(33)
	(135)	(31)	156	2	(33)	(41)
<b>Non-current borrowings:</b>						
Bank borrowings	(134)	-	100	1	-	(33)
Private placement notes	(493)	-	-	15	-	(478)
Lease liability	-	(73)	-	2	3	(68)
	(627)	(73)	100	18	3	(579)
<b>Net debt</b>	(686)	(104)	220	16	(30)	(584)

### Analysis of changes in liabilities from financing activities

Current borrowings	(135)	(31)	156	2	(33)	(41)
Non-current borrowings	(627)	(73)	100	18	3	(579)
<b>Total financing liabilities</b>	(762)	(104)	256	20	(30)	(620)

Other non-cash movements include reclassifications between short term and long term borrowings, with £nil being reclassified from non-current to current borrowings and £24 million from non-current to current lease liabilities. The remaining balance is due to £25 million of new lease liabilities and £5 million of interest.

### As at 31 December 2018

	At 1 January 2018 £ million	Cash flow excluding acquisitions £ million	Cash flow– acquisitions £ million	Exchange £ million	Other non-cash movements £ million	At 31 December 2018 £ million
<b>Analysis of changes in net debt</b>						
<b>Cash and cash equivalents</b>						
Cash and cash equivalents	59	18	-	(1)	-	76
<b>Current borrowings:</b>						
Bank borrowings	(72)	34	-	(2)	(75)	(115)
Private placement notes	(55)	55	-	(2)	(18)	(20)
	(127)	89	-	(4)	(93)	(135)
<b>Non-current borrowings:</b>						
Bank borrowings	(103)	(78)	(24)	(4)	75	(134)
Private placement notes	(481)	-	-	(30)	18	(493)
	(584)	(78)	(24)	(34)	93	(627)
<b>Net debt</b>	(652)	29	(24)	(39)	-	(686)

### Analysis of changes in liabilities from financing activities

Current borrowings	(127)	89	-	(4)	(93)	(135)
Non-current borrowings	(584)	(78)	(24)	(34)	93	(627)
Financing derivatives	(2)	2	-	-	-	-
<b>Total financing liabilities</b>	(713)	13	(24)	(38)	-	(762)

**GROUP STATEMENT OF CHANGES IN EQUITY**

For the year ended 31 December 2019

**As at 31 December 2019**

	Notes	Attributable to equity holders of the Company							<b>Total equity £ million</b>
		<b>Ordinary share capital £ million</b>	<b>Share premium account £ million</b>	<b>Treasury shares £ million</b>	<b>Capital redemption reserve £ million</b>	<b>Hedging reserve £ million</b>	<b>Foreign exchange reserve (translation) £ million</b>	<b>Retained earnings £ million</b>	
Balance at 1 January 2019		42	20	(17)	13	1	(51)	1,359	1,367
Profit for the year	-	-	-	-	-	-	-	129	129
Other comprehensive (loss)/income:									
Transfers from hedging reserve to revenue	-	-	-	-	-	(1)	-	-	(1)
Fair value gains on foreign currency cashflow hedge (net of tax)	-	-	-	-	2	-	-	-	2
Currency translation differences <sup>(i)</sup>	-	-	-	-	-	(75)	-	-	(75)
Remeasurement of retirement benefits (net of tax)	-	-	-	-	-	-	(1)	(1)	
<b>Total comprehensive income/(loss) for the year ended 31 December 2019</b>	-	-	-	-	1	(75)	128	54	
Transactions with owners:									
Purchase of Treasury shares	-	-	(4)	-	-	-	-	-	(4)
Employee share awards	-	-	-	-	-	-	-	11	11
Issue of Ordinary Shares to employees under share option schemes	-	-	8	-	-	-	(8)	-	-
Dividends paid during 2019	10	-	-	-	-	-	(69)	(69)	
	-	-	4	-	-	-	(66)	(62)	
<b>Balance at 31 December 2019</b>		<b>42</b>	<b>20</b>	<b>(13)</b>	<b>13</b>	<b>2</b>	<b>(126)</b>	<b>1,421</b>	<b>1,359</b>

(i) Included in currency translation differences of the Group are exchange gains of £16 million arising on borrowings denominated in foreign currencies designated as hedges of net investments overseas, and exchange losses of £91 million relating to the translation of overseas results and net assets. The currency translation difference is explained in the Financial Review on page 26.

(ii) There is no impact on retained earnings at 1 January 2019 from the adoption of IFRS 16 'Leases'.

**As at 31 December 2018**

	Notes	Attributable to equity holders of the Company							Governance
		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	
Balance at 1 January 2018 as previously reported	42	20	(7)	13	(1)	(27)	1,277	1,317	
Impact of change in accounting policy in 2018	-	-	-	-	-	-	(3)	(3)	
Restated balance at 1 January 2018	42	20	(7)	13	(1)	(27)	1,274	1,314	
Profit for the year	-	-	-	-	-	-	125	125	
Other comprehensive (loss)/income:									
Fair value gains on interest rate swaps (net of tax)	-	-	-	-	2	-	-	2	
Currency translation differences <sup>(i)</sup>	-	-	-	-	-	(24)	-	(24)	
Remeasurement of retirement benefits (net of tax)	-	-	-	-	-	-	21	21	
Total comprehensive income/(loss) for the year ended 31 December 2018	-	-	-	-	2	(24)	146	124	
Transactions with owners:									
Purchase of Treasury shares	-	-	(12)	-	-	-	-	(12)	
Employee share awards	-	-	-	-	-	-	10	10	
Issue of Ordinary Shares to employees under share option schemes	-	-	2	-	-	-	(2)	-	
Dividends paid during 2018	-	-	-	-	-	-	(69)	(69)	
	-	-	(10)	-	-	-	(61)	(71)	
Balance at 31 December 2018	42	20	(17)	13	1	(51)	1,359	1,367	

(i) Included in currency translation differences of the Group are exchange losses of £46 million arising on borrowings denominated in foreign currencies designated as hedges of net investments overseas, and exchange gains of £22 million relating to the translation of overseas results and net assets.

# For the year ended 31 December 2019

## 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 revenue and expense 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 where appropriate. 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 Sri Lanka 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.

The financial covenants attached to our borrowing facilities are that EBITDA should be no less than four times interest and net debt should be no more than three times EBITDA. The covenants exclude the impact of IFRS 16 'Leases' therefore in monitoring performance against these covenants we exclude the impact of IFRS 16. This calculation is included in the definition and calculation of Non GAAP measures on page 138.

### Going concern

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 debt. 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.

The Group maintains sufficient facilities to meet its normal funding requirements over the medium term. At 31 December 2019, these facilities totalled £1,027 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. The covenants exclude the impact of IFRS 16 'Leases' and, on that basis, at 31 December 2019, these rates are 14· times and 0·9 times respectively. The Group does not expect to breach these covenants in the year from the date of approval of this report and the Group expects to continue 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 (including £101 million of a lease creditor on adoption of IFRS 16 from 1 January 2019) amounted to £584 million at 31 December 2019 and, at that date, undrawn committed facilities were £516 million.

The Group balance sheet shows consolidated net assets of £1,359 million (2018: £1,367 million) of which £939 million (2018: £1,057 million) relates to fleet assets. The defined benefit pension surplus is £4 million (2018: surplus of £1 million).

More detail can be found within the Risks section on pages 30 to 36 and in the assessment of prospects and viability section on page 37.

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

### Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

#### IFRS 16 'Leases'

The Group adopted IFRS 16 from 1 January 2019 and, therefore, this is the first set of the Group's annual financial statements where IFRS 16 has been applied.

Prior to the adoption of IFRS 16, leases where substantially all of the risks and rewards of ownership were not transferred to the Group were classified as operating leases. Rentals under operating leases were charged to operating profit on a straight-line basis over the term of the lease. IFRS 16 addresses the accounting for leases and requires lessees to recognise all leases on balance sheet with limited exemptions. This results in the recognition of a right-of-use asset and corresponding liability on the balance sheet, with the associated depreciation and interest expense being recorded in the income statement over the lease period. Limited exemptions apply for short-term leases (leases with a term of 12 months or less) and low-value leases (which have been defined as <\$10,000). The payments for the exempt leases are recognised as an expense in the income statement on a straight-line basis over the lease term.

The Group has adopted IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application (£nil) is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information has not been restated and continues to be reported under IAS 17 'Leases' and IFRIC 4 'Determining Whether an Arrangement contains a Lease'.

#### Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4. Under IFRS 16, a contract is, or contains a lease, if the contract conveys a right to control the use of an identified asset for a period in exchange for consideration.

\* Calculation is on page 138.

## 1 Accounting policies continued

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- to grandfather the assessment of which transactions are leases. The Group applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered or changed on or after 1 January 2019;
- the use of hindsight in determining the lease term if the contract contains options to extend or terminate the lease;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases; and
- to exclude initial direct costs from the measurement of the right-of-use asset at the date of initial application.

### Accounting policy

On initial measurement the right-of-use asset is recognised at cost, which comprises the value of the lease liability adjusted for any lease payments made on or before the commencement date, less any incentives received, any initial

direct costs incurred and an estimate of costs to dismantle and remove the underlying asset. The right-of-use asset is depreciated using the straight-line method from the commencement date to the end of the lease term. The right-of-use asset is periodically adjusted for impairment, if any, and any remeasurements of the lease liability.

The Group leases various properties, vehicles, plant and equipment. Rental contracts are typically for fixed periods from 3 to 7 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

On initial measurement the lease liability is measured at the present value of the future lease payments, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate as the majority of subsidiary debt is funded by Group borrowings and therefore this is the rate at which lessees obtain funding for the asset. In addition, given the types of leases entered and the geographies of the majority of the leasing activity the interest rates implicit in these leases would be expected to gravitate around the Group's incremental rate. If the discount rate increased or decreased by 0.5% then the lease liability would change by circa £1 million.

The lease liability is measured at amortised cost using the effective interest rate method and is remeasured when there is a change in the future lease payments arising from a change in index or a change in the original assessment made. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The Group presents the right-of-use asset and lease liability on the balance sheet.

Lease payments associated with short-term and low-value leases are recognised on a straight-line basis as an expense in the profit or loss.

On transition to IFRS 16 the Group recognised an additional £104 million of right-of-use assets and £104 million of lease liabilities at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019. The Group's weighted average incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 5%. This rate has remained at 5% throughout 2019. On transition the right-of-use assets were measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments, which were not material.

The recognised right-of-use assets relate to the following types of assets:

	1 January 2019 £ million
Freehold property	75
Vehicles, plant & equipment	29
	<b>104</b>

The recognised lease liability at 1 January 2019 is detailed below.

	1 January 2019 £ million
Operating lease commitment at 31 December 2018 as disclosed in the Group's consolidated financial statements	117
<b>Impact of discounting</b>	<b>(21)</b>
Discounted using the incremental borrowing rate at 1 January 2019	96
Recognition exemption for leases with less than 12 months of term at transition	(1)
Extension or termination options reasonably certain to be exercised	9
<b>Lease liabilities recognised at 1 January 2019</b>	<b>104</b>

### Impact for the period

The impact from applying IFRS 16 for the year ended 31 December 2019 was:

#### Income statement

- Improvement in operating profit of £3 million
- Increase in depreciation of £30 million
- Increase in interest costs of £5 million
- Reduction in profit before tax of £2 million

#### Balance sheet/cash flow statement

- Right-of-use asset included within property, plant & equipment of £98 million at 31 December 2019 (1 January 2019: £104 million)
- Lease liabilities of £101 million at 31 December 2019 (1 January 2019: £104 million)
- Net debt at 31 December 2019 is higher by £101 million

#### Ratios

- An increase in EBITDA of £33 million
- An increase in net debt/EBITDA of 0.1 times
- Reduction in Group ROCE of 0.4pp

Note 18 sets out more details on the Group leases.

## 1 Accounting policies continued

### IFRIC 23 'Uncertainty over Income Tax Treatments'

The Group adopted IFRIC 23 from 1 January 2019. There was no material impact arising from the adoption of this standard.

### (b) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2019 and not early adopted

There are no standards, amendments and interpretations that are not yet effective that would be expected to have a material impact on the Group.

### Basis of consolidation

The Group financial statements consolidate the financial statements of Aggreko plc and all of its subsidiaries for the year ended 31 December 2019. 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 is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control over a service to a customer as detailed below.

As explained on page 2, Aggreko has three operating segments as detailed below:

→ Rental Solutions: This business provides power, heating and cooling in developed markets. These customers' requirements tend to revolve around

smaller, short-term projects and key events.

- Power Solutions Industrial: This business comprises medium-term projects for industrial customers, as well as shorter-term rental contracts.
- Power Solutions Utility: This business delivers longer-term projects providing power to national utility customers.

The Group generally has three performance obligations:

- In Rental solutions and shorter-term rental contracts within Power Solutions Industrial the Group provides rental contracts for the supply of temporary power, temperature control, oil-free compressed air and related services (for example, fuel, logistics and technical services).
- In Power Solutions Utility and medium-term projects for industrial customers the Group supplies temporary power, temperature control, oil-free compressed air and related services (for example, fuel, logistics and technical services).
- In some contracts the Group is responsible for the design and project management phase of the project (for example, in some of the major events contracts) and at the end of this phase the Group will hand over the design documentation and project management knowledge/documentation to the customer who can then take this documentation and use someone else for the provision of power if they so wish. This is different from the technical services in the first two performance obligations where the design phase is part of the normal running and not handed over to the customer.

In the first two performance obligations revenue is recognised over time based, on outputs provided to the customer, because this is the most accurate measurement of the satisfaction of the performance obligation. 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.

In the third performance obligation revenue is recognised over the period of the performance obligation which ends when the documentation/knowledge is transferred to the customer.

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.

A receivable is recognised by the Group when the service is provided to the customer. Payment terms vary across the Group and the majority of receivables across the Group are paid within or close to the payment terms. 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. These are explained in more detail on page 99.

### Variable consideration

The Group is liable to penalties on certain contracts if we fail to fulfil the relevant performance obligation. The transaction price is reduced by the amount of any penalties in the contract unless it is highly likely that they will not occur.

### Disaggregation of revenue

In Note 4 to the Accounts revenue from contracts with customers is disaggregated by business unit, geography and sector.

### Contract balances

The following table provides information about receivables, accrued income, fulfilment assets (contract assets) and demobilisation provisions (contract liabilities) from contracts with customers.

	Notes	2019 £ million	2018 £ million
Receivables	16	444	502
Accrued income	16	124	169
Fulfilment assets	14	86	44
Demobilisation provisions	20	14	11

### Mobilisation and demobilisation

Mobilisation costs are classified as fulfilment costs where they are separately identifiable and specific to a 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 they will be reviewed carefully for any indication of impairment if any loss making contracts arise.

## 1 Accounting policies continued

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) are 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 ends. If there is a signed extension, the unamortised amount left in the balance sheet when the extension is signed is then amortised over the remaining period of the initial contract and the extension period. Generally there are no options in contracts to extend at an advantageous price.

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 is generally recognised during the period of provision of power.

During the year £66 million of fulfilment assets were capitalised mainly relating to mobilisation costs for our contracts in Brazil and Burkina Faso, as well as the Japan Olympics.

### 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 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 2. This is reflected by the Group's divisional management and organisational structure and the Group's internal financial reporting systems.

The Global Products and Technology results and assets, as well as 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.

### 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 or over the term of each lease. 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 or over the term of each lease. Assets in the course of construction are not depreciated. 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: 4 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 (including right-of-use-assets) 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.

## 1 Accounting policies continued

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.

### 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 or 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.

Where the amount of tax payable or recoverable is uncertain, in accordance with IFRIC 23, provisions are based on either: the Group's judgement of the most likely amount of the liability or recovery; or, when there is a wide range of possible outcomes, a probability weighted average approach.

#### 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 inventory 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 projected unit 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 and administrative expenses are included in arriving at operating profit. Interest income on scheme assets and interest on pension scheme liabilities are included in net finance costs.

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 payable.

### Trade receivables

Trade receivables are recognised initially at fair value (which is the same as cost).

#### Impairment of financial assets

Receivables (including accrued revenue) are considered immediately for impairment to reflect the possibility of future default or non-collectability.

The Group assesses the Expected Credit Loss (ECL) as explained below:

Ageing	Notes	Current	0-30 days	31-60 days	61-90 days	> 90 days
Risk						
Low risk	1					
Medium risk	1					
High risk	1					
Specific	2					

Notes: 1. Classification based on assessment of customer credit risk 2. Specific provision for customers.

## 1 Accounting policies continued

Each operating unit within the Power Solution Industrial and Rental Solutions businesses has used this provision matrix to calculate the provision and each matrix is specific to the economic and operating conditions of each operating unit. In applying this matrix the operating units will also consider the following: 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. When a trade receivable is uncollectable it is written off against the provision for impairment of trade receivables. More detail is contained below.

**Power Solutions Utility (PSU)**  
Within our PSU business when considering the risk profile of the debtors and the relevant impairment provision the Group considers each debtor and customer individually, within the relevant environment to which it relates, taking into account a number of factors. These factors include advanced payments and guarantees, 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. We then apply the matrix approach detailed above to any debtors that do not have a specific provision.

### Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

### 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.

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.

### 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 and estimations

The Group uses estimates in the preparation of its Accounts. The most sensitive areas affecting the Accounts are discussed below.

### Trade receivables

The trade receivables accounting policy is noted above.

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 as the information disclosed in Note 16, 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 the 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.

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.

In forming its view on the appropriateness of the Group's provision against its receivables balances the Audit Committee noted that Power Solutions Utility cash collections in the year were \$584 million compared with amounts invoiced of \$484 million. The Audit Committee also discussed the 16 most significant debtors in the PSU business, which accounted for 84% (2018: 84%) of the total PSU overdue debtor value at 31 December 2019 (before taking into account provisions or payment security/guarantees). At 31 December 2019, 87% (2018: 86%) of the PSU impairment provision related to these top 16 debtors. Among these debtors, the Group had a net exposure, after taking into account provisions or payment securities/guarantees, of \$30-40 million to one customer (2018: two customers), a net exposure between \$20-\$30 million to one customer (2018: four customers), a net exposure of \$10-20 million to three customers (2018: three customers) and a net exposure of less than \$10 million to each of the others.

While the Committee considered all of the most significant debtors as detailed above, the discussion focused on key customers in Venezuela, Yemen and parts of Africa, where we continued particularly to see delays in payments during the year.

In Venezuela (where the Committee included in its review some outstanding balances within the PSI business), we raised invoices for \$2 million in the year. Given the current political uncertainty we provided for these invoices in full and also recorded a provision for a further \$1.6 million during the year. In line with past practice we also marked to market the value of the PDVSA private placement notes, which resulted in a charge to the income statement of \$3 million. The Group's net exposure at 31 December 2019 of \$12 million (2018: \$17 million) reflects a combination of bad debt provisions and payment security/guarantees representing 82% (2018: 78%) of the gross debt and accrued income together with a 91% (2018: 75%) fair value adjustment against the private placement notes with PDVSA.

## 1 Accounting policies continued

In Yemen, given the ongoing civil war, the Group increased its provision by \$7 million to provide fully for the legacy debt (pre the current conflict). The net exposure at 31 December 2019 is \$9 million (2018: \$10 million) and only relates to our current trading in Yemen. This net exposure position reflects a combination of bad debt provisions and payment security/guarantees representing 71% (2018: 59%) of the gross debt and accrued income.

While we believe that we remain relatively well positioned to recover these net exposure amounts when the current situation in both of these countries stabilises, we also recognise that there is a range of potential outcomes for each, both above and below the net exposure. Net exposure is defined here as the gross debtor value plus accrued revenue, less any payment security/guarantees and bad debt provision.

In addition, we continue to monitor closely the situation with regard to our overdue debtors in Africa as, specifically, the customer with whom we have our largest net exposure (in the range \$30-40 million) is within the Africa region. While there is no dispute over the amount outstanding, we remain in regular dialogue with the customer regarding the likely process and timing of future payments, with one of the customer's primary issues being its access to US dollars to settle the debt. Given the ongoing engagement with the customer and other key stakeholders, the Group does not hold a material provision against this debt and, therefore, the likelihood of receiving more cash than the net exposure is low. Non-payment of this particular debt represents one of the Group's key single risks.

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, 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.

### Taxation

**Ongoing tax dispute in Bangladesh**  
We continue to have an open tax issue in Bangladesh. This was appealed in 2017 and is still waiting to be heard by the courts. We do not anticipate that this matter will progress to conclusion over the course of the coming financial year and believe that it may be many years before the matter is resolved. Our position is supported by a strong legal opinion and so we remain of the opinion that we will be successful in the courts. We therefore believe that there is no likelihood of further financial exposure on this in the coming year.

### Other areas of judgement and consideration

#### Leases

##### Lessor

IFRS 16 'Leases' 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 as the Group swaps in and out the rental fleet required to provide the services to our customers and the assets are not contract specific (i.e. one asset could work across many contracts).

##### Lessee

The Group has applied judgement to determine the lease term for some lease contracts that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which affects the amount of lease liabilities and right-of-use assets recognised. The overall impact of this is not material.

##### 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. The Group operates in Argentina and Zimbabwe which are considered hyperinflationary environments, however the impact is not material.

##### Supplier payment

The Group participates in a supply chain finance programme under which its suppliers may elect to receive early payment of their invoice from a bank by factoring their receivable from the Group. Under the arrangement, a bank agrees to pay amounts to a participating

supplier in respect of invoices owed by the Group and receives settlement from the Group at a later date. The principal purpose of this programme is to facilitate efficient payment processing and enable the willing suppliers to sell their receivables due from the Group to a bank before their due date.

From the Group's perspective, the arrangement does not significantly extend payment terms beyond the normal terms agreed with other suppliers that are not participating. The Group does not incur any additional interest towards the bank on the amounts due to the suppliers.

The Group has not derecognised the original liabilities to which the arrangement applies because neither a legal release was obtained, nor was the original liability substantially modified on entering into the arrangement. The Group discloses the amounts factored by suppliers within trade payables (Note 19) because the nature and function of the financial liability remain the same as those of other trade payables, but discloses disaggregated amounts in the notes.

##### Revenue

##### *Identification of performance obligations*

Judgement is required in determining the number of performance obligations in relation to each revenue stream given a number of services (including mobilisation and demobilisation) that can be provided as part of the contract. In the majority of cases Aggreko will only have two performance obligations. In Rental Solutions and shorter-term rental contracts within Power Solutions Industrial the Group provides rental contracts for the supply of temporary power, temperature control, oil-free compressed air and related services. In Power Solutions Utility and medium-term projects for industrial customers the Group supplies temporary power, temperature control, oil-free compressed air and related services. We believe these are performance obligations as any services to mobilise or demobilise assets are not considered distinct from the provision of power. The Group's services are considered to be a service or series of services that are substantially the same and have the same pattern of transfer to the customer.

In some cases the Group will have an additional performance obligation where the Group is responsible for the design and project management phase of the project (for example, in some of the major events contracts) and at the

## 1 Accounting policies continued

end of this phase the Group will hand over the design documentation and project management knowledge/documentation to the customer who can then take this documentation/knowledge and use someone else for the provision of power if they so wish.

### *Rehire arrangements (Principal vs Agent)*

Aggreko will sometimes hire equipment from a third party to use on a contract. 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. Judgement is required in determining if there is a Principal/Agent relationship in the relevant contracts.

### Taxation

#### Other uncertain tax positions excluding Bangladesh

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. All provisions are calculated in line with IFRIC 23 which came into force on 1 January 2019. There was no material change to any provisions previously held as result of the implementation of the new standard.

For other uncertain direct tax positions, excluding Bangladesh, as at 31 December 2019, we had tax provisions totalling £26 million (2018: £24 million). The provisions are principally held to manage the tax impact of various potential tax exposures, largely in connection with our Power Solutions Utilities business, 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. While a range of outcomes is reasonably possible, based on management's historic experiences of these issues, we believe a likely range of outcomes is additional liabilities of up to £4 million and a reduction in liabilities of around £15 million. The range of sensitivities depends upon quantification of the liability, risk of technical error and difference in approach taken by tax authorities in different jurisdictions. In addition, the recognition of deferred tax assets is dependent upon an estimation of future taxable profits available against which deductible temporary differences can be utilised.

### 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 risks arising from the Group's underlying operations are 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 while 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 31 December of 2019, Net Debt to EBITDA was 1.0\* times (2018: 1.3\* times).

The Group maintains sufficient facilities to meet its normal funding requirements over the medium term. At 31 December 2019, these facilities totalled £1,027 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. The covenants exclude the impact of IFRS 16 'Leases' and, on that basis at 31 December 2019, these ratios were 14\* times and 0.9\* times. 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 (including £101 million of a lease creditor on adoption of IFRS 16 from 1 January 2019) amounted to £584 million at 31 December 2019 and, at that date, undrawn committed facilities were £516 million. The maturity profile of the borrowings is detailed in Note 17 to the 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 2019, £478 million of the gross debt of £570 million (excluding the lease creditor of £101 million) was at fixed rates of interest resulting in a fixed to floating rate net debt ratio of 84:16 (2018: 77:23\*\*).

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 (2018: £1 million). The sensitivity analysis is performed on a monthly basis and is reported to the Board.

\* Calculation is on pages 137 and 138.

\*\* Prior year calculation was based on net debt. This has been changed to gross debt and the comparator has been re-stated from 86:14 to 77:23.

## 1 Accounting policies continued

### 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. 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 impact of currency increased our revenue by £6 million (2018: decreased by £112 million) and decreased operating profit by £9 million (2018: decrease of £24 million) for the year ended 31 December 2019.

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 (2018: £4 million) in operating profit in terms of translation.

Currency translation also gave rise to a £75 million decrease in reserves as a result of year on year movements in the exchange rates (2018: decrease of £24 million). For every 5% movement in the US Dollar, there is an approximate impact in equity of £24 million (2018: £30 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 26.

### 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 99.

### 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:

	2019 £ million	2018 £ million
Net book amount	11	8
Profit on sale of PPE	10	7
<b>Proceeds from sale of PPE</b>	<b>21</b>	<b>15</b>

Profit on sale of PPE is shown within other income in the income statement.

## 3 Cash and cash equivalents

	2019 £ million	2018 £ million
Cash at bank and in hand	87	85
Bank overdrafts (Note 17)	(51)	(9)
<b>Cash and cash equivalents</b>	<b>36</b>	<b>76</b>

## 4 Segmental reporting

### (A) Revenue by segment

	External revenue	
	2019 £ million	2018 £ million
Power Solutions		
Industrial	434	424
Utility	346	514
	<b>780</b>	<b>938</b>
Rental Solutions		
	<b>833</b>	<b>822</b>
<b>Group</b>	<b>1,613</b>	<b>1,760</b>

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

## 4 Segmental reporting continued

### (A) Revenue by segment continued

#### Disaggregation of revenue

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

#### Revenue by geography

	2019 £ million	2018 £ million
North America	506	460
UK	76	106
Continental Europe	176	179
Eurasia	73	77
Middle East	169	148
Africa	206	200
Asia	146	166
Australia Pacific	80	100
Latin America	181	324
	<b>1,613</b>	1,760

#### Revenue by sector

	31 December 2019				31 December 2018			
	PSI £ million	PSU £ million	RS £ million	Group £ million	PSI £ million	PSU £ million	RS £ million	Group £ million
Utilities	19	<b>346</b>	82	447	27	514	99	640
Oil & gas	178	-	148	326	163	-	110	273
Petrochemical & refining	8	-	157	165	9	-	147	156
Building services & construction	43	-	151	194	48	-	151	199
Events	55	-	72	127	53	-	80	133
Manufacturing	31	-	56	87	32	-	56	88
Mining	64	-	48	112	53	-	43	96
Other	36	-	119	155	39	-	136	175
	<b>434</b>	<b>346</b>	<b>833</b>	<b>1,613</b>	424	514	822	1,760

### (B) Profit by segment

	2019 £ million	2018 £ million
Power Solutions		
Industrial	64	71
Utility	44	43
	<b>108</b>	114
Rental Solutions		
Operating profit	241	219
Finance costs – net	(42)	(37)
<b>Profit before taxation</b>	<b>199</b>	182
Taxation	(70)	(57)
<b>Profit for the year</b>	<b>129</b>	125

#### 4 Segmental reporting continued

##### (C) Depreciation and amortisation by segment

	2019 £ million	2018 £ million
Power Solutions		
Industrial	100	90
Utility	100	104
	<b>200</b>	194
Rental Solutions		
	<b>123</b>	104
<b>Group</b>	<b>323</b>	298

##### (D) Capital expenditure on property, plant and equipment and intangible assets by segment

	2019 £ million	2018 £ million
Power Solutions		
Industrial	80	55
Utility	78	76
	<b>158</b>	131
Rental Solutions		
	<b>105</b>	109
<b>Group</b>	<b>263</b>	240

Capital expenditure comprises additions of property, plant and equipment (PPE) of £255 million (including £25 million in relation to leased right-of-use assets) (2018: £216 million), additions of intangible assets of £8 million (2018: £10 million), acquisitions of PPE of £nil (2018: £13 million), and acquisitions of intangible assets of £nil (2018: £1 million).

##### (E) Assets/(liabilities) by segment

	Assets		Liabilities	
	2019 £ million	2018 £ million	2019 £ million	2018 £ million
Power Solutions				
Industrial	768	714	(175)	(94)
Utility	828	996	(187)	(214)
	<b>1,596</b>	1,710	<b>(362)</b>	(308)
Rental Solutions				
	<b>845</b>	833	<b>(82)</b>	(76)
<b>Group</b>	<b>2,441</b>	2,543	<b>(444)</b>	(384)
Tax and finance assets/(liabilities)	65	59	(87)	(90)
Derivative financial instruments	1	1	(1)	(1)
Borrowings	–	–	<b>(519)</b>	(762)
Lease liability	–	–	<b>(101)</b>	–
Retirement benefit surplus	4	1	–	–
<b>Total assets/(liabilities) per balance sheet</b>	<b>2,511</b>	2,604	<b>(1,152)</b>	(1,237)

##### (F) Average number of employees by segment

	2019 Number	2018 Number
Power Solutions		
Industrial	2,071	1,954
Utility	1,227	1,314
	<b>3,298</b>	3,268
Rental Solutions		
	<b>2,906</b>	2,759
<b>Group</b>	<b>6,204</b>	6,027

## 4 Segmental reporting continued

### (G) Geographical information

	Non-current assets	
	2019 £ million	2018 £ million
North America	294	288
UK	177	161
Continental Europe	140	137
Eurasia	69	59
Middle East	181	251
Africa	179	153
Asia	142	151
Australia Pacific	79	70
Latin America	190	164
	1,451	1,434

Non-current assets exclude deferred tax.

### (H) Reconciliation of net operating assets to net assets

	2019 £ million	2018 £ million
Net operating assets	1,997	2,159
Retirement benefit surplus	4	1
Net tax and finance payable	(22)	(31)
	1,979	2,129
Borrowings and derivative financial instruments	(519)	(762)
Lease liability	(101)	-
<b>Net assets</b>	<b>1,359</b>	<b>1,367</b>

## 5 Profit before taxation

The following items have been included in arriving at profit before taxation:

	2019 £ million	2018 £ million
Staff costs (Note 7)	427	422
Depreciation of property, plant and equipment (Note 13)	315	293
Amortisation of intangibles (included in administrative expenses) (Note 27.A2)	8	5
Fulfilment asset amortisation (Note 14)	24	12
Net gain on disposal of property, plant and equipment (Note 2)	(10)	(7)
Research costs	-	1
Net foreign exchange losses/(gains) <sup>(i)</sup>	4	(1)
Operating lease rentals	-	38

(i) The translational impact of currency on the Group's revenue and profit is discussed in the Group Performance Review on page 20.

## **6 Auditor's remuneration**

	2019 £'000	2018 £'000
<b>Audit services</b>		
Fees payable to the Company's auditor for the audit of the Company's annual accounts and consolidated financial statements	363	332
Fees payable to the Company's auditor and its associates for other services:		
– the audit of the Company's subsidiaries	1,079	1,029
– other assurance related services	48	43
– tax compliance	3	3

In addition to the above services, the Group's auditor acted as auditor to the Group's defined benefit pension scheme. The appointment of the auditor 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 acts independently from the management of the Group. The aggregate fees paid to the Group's auditor for audit and non-audit services to the pension scheme during the year were £8k (2018: £8k).

## **7 Employees and Directors**

Staff costs for the Group during the year:

	2019 £ million	2018 £ million
Wages and salaries (including severance costs)	367	363
Social security costs	34	33
Share-based payments	11	10
Pension costs – defined contribution plans	13	14
Pension costs – defined benefit plans (Note 27.A5)	2	2
	<b>427</b>	422

### **Key management personnel compensation**

Full details of the Directors' remuneration are set out in the Remuneration Report on pages 62 to 77. The key management comprises the Executive Committee as well as Non-executive Directors.

Key management compensation comprised the following:

	2019 £ million	2018 £ million
Short-term employee benefits	7	10
Share-based payments	2	2
	<b>9</b>	12

## **8 Net finance charge**

	2019 £ million	2018 £ million
Finance cost on bank loans and overdrafts	(38)	(37)
Finance cost on lease liability (Note 18)	(5)	–
Finance cost on employee benefit scheme liabilities (Note 27.A5)	(3)	(4)
	<b>(46)</b>	(41)
Finance income on bank balances and deposits	1	1
Finance income on employee benefit scheme assets (Note 27.A5)	3	3
	<b>4</b>	4

## 9 Taxation

	2019 £ million	2018 £ million
<b>Analysis of charge in year</b>		
Current tax expense:		
– UK corporation tax	6	6
– Double tax relief	(1)	–
	<u>5</u>	<u>6</u>
– Overseas taxation	<u>70</u>	<u>62</u>
	<u>75</u>	<u>68</u>
Adjustments in respect of prior years:		
– UK	(2)	(2)
– Overseas	5	(17)
	<u>78</u>	<u>49</u>
Deferred taxation (Note 21):		
– Temporary differences arising in current year	(2)	5
– Movements in respect of prior years	(6)	3
	<u>70</u>	<u>57</u>
The tax charge relating to components of other comprehensive income is as follows:		
Deferred tax on retirement benefits	–	(5)
	<u>–</u>	<u>(5)</u>
Variances between the current tax charge and the standard 19% (2018: 19%) UK corporate tax rate when applied to profit on ordinary activities for the year are as follows:		
Profit before taxation	199	182
Tax calculated at 19% standard UK corporate tax rate	38	35
Differences between UK and overseas tax rates	32	32
Expenses not tax effected	3	6
Income not subject to tax	(1)	(1)
Impact of deferred tax rate changes	1	1
Tax on current year profit	73	73
Prior year adjustments – current tax	3	(19)
Prior year adjustments – deferred tax	(6)	3
<b>Total tax on profit</b>	<b>70</b>	<b>57</b>
<b>Effective tax rate</b>	<b>35%</b>	<b>31%</b>

## **10 Dividends**

	2019 £ million	2019 per share (p)	2018 £ million	2018 per share (p)
Final paid	<b>45</b>	<b>17.74</b>	45	17.74
Interim paid	<b>24</b>	<b>9.38</b>	24	9.38
	<b>69</b>	<b>27.12</b>	69	2712

In addition, the Directors are proposing a final dividend in respect of the financial year ended 31 December 2019 of 18.27 pence per share which will utilise an estimated £47 million of Shareholders' funds. It will be paid on 21 May 2020 to shareholders who are on the register of members on 24 April 2020.

## **11 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.

	2019	2018
Profit for the year (£ million)	<b>129.3</b>	125.4
Weighted average number of Ordinary Shares in issue (million)	<b>254.6</b>	254.8
Basic earnings per share (pence)	<b>50.80</b>	49.22

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.

	2019	2018
Profit for the year (£ million)	<b>129.3</b>	125.4
Weighted average number of Ordinary Shares in issue (million)	<b>254.6</b>	254.8
Adjustment for share options	<b>0.4</b>	0.2
Diluted weighted average number of Ordinary Shares in issue (million)	<b>255.0</b>	255.0
Diluted earnings per share (pence)	<b>50.70</b>	49.18

## 12 Goodwill

	2019 £ million	2018 £ million
Cost		
At 1 January	184	184
Acquisitions	-	3
Exchange adjustments	(7)	(3)
<b>At 31 December</b>	<b>177</b>	184
<b>Accumulated impairment losses</b>	<b>-</b>	-
<b>Net book value</b>	<b>177</b>	184

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

	2019 £ million	2018 £ million
Power Solutions		
Industrial	56	59
Utility	20	22
<b>Rental Solutions</b>	<b>76</b>	81
<b>Group</b>	<b>101</b>	103
<b>Group</b>	<b>177</b>	184

Goodwill is tested for impairment annually or whenever there is an indication that the asset may be impaired. Goodwill is monitored by management at an operating segment level. The recoverable amounts of the CGUs are determined from value in use calculations which use cash flow projections based on the five-year strategic plan approved by the Board. The strategic plan approved by the Board is based on past performance, the opportunity pipeline, and management's best estimate of future market developments. 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:

	2019				2018			
	EBITDA £ million	Post-tax discount rate	Pre-tax discount rate	Long-term growth rate	EBITDA £ million	Post-tax discount rate	Pre-tax discount rate	Long-term growth rate
Power Solutions Industrial	164	7.3%	11.2%	3%	161	8.4%	12.2%	3%
Power Solutions Utility	144	7.3%	11.2%	3%	147	8.4%	12.2%	3%
Rental Solutions	256	7.3%	11.2%	3%	209	8.4%	12.2%	3%

Values in use were determined using current year cash flows, a prudent view of the medium-term business strategy. 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 2019, based on internal valuations, management concluded that the values in use of the CGUs exceeded their net asset value with the highest headroom value being £2.5 billion and the lowest £486 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.

### 13 Property, plant and equipment

Year ended 31 December 2019

	Freehold properties £ million	Short leasehold properties £ million	Rental fleet £ million	Vehicles, plant and equipment £ million	Total £ million
<b>Cost</b>					
At 1 January 2019	92	23	3,612	168	3,895
Exchange adjustments	(5)	(2)	(112)	(2)	(121)
Transition to IFRS 16	75	–	–	29	104
Additions (note (ii))	17	1	189	48	255
Disposals (note (iii))	(2)	–	(161)	(10)	(173)
IFRS 16 remeasurements (note (iv))	6	–	–	(2)	4
<b>At 31 December 2019</b>	<b>183</b>	<b>22</b>	<b>3,528</b>	<b>231</b>	<b>3,964</b>
<b>Accumulated depreciation</b>					
At 1 January 2019	40	16	2,555	115	2,726
Exchange adjustments	–	(1)	(79)	(1)	(81)
Charge for the year	21	1	265	28	315
Disposals	(2)	–	(152)	(8)	(162)
<b>At 31 December 2019</b>	<b>59</b>	<b>16</b>	<b>2,589</b>	<b>134</b>	<b>2,798</b>
<b>Net book values:</b>					
<b>At 31 December 2019</b>	<b>124</b>	<b>6</b>	<b>939</b>	<b>97</b>	<b>1,166</b>
At 31 December 2018	52	7	1,057	53	1,169

(i) The net book value of assets capitalised in respect of leased right-of-use assets at 31 December 2019 is £98 million.

(ii) Additions of £255 million include £25 million in relation to leased right-of-use assets.

(iii) Disposals include £1 million of cost and £1 million of depreciation in relation to leased right-of-use assets.

(iv) Remeasurements represent amendments to the terms of existing leases which are prospectively applied.

(v) Assets in the course of construction total £39 million (2018: £49 million).

Note 18 contains more information on leases.

Year ended 31 December 2018

	Freehold properties £ million	Short leasehold properties £ million	Rental fleet £ million	Vehicles, plant and equipment £ million	Total £ million
<b>Cost</b>					
At 1 January 2018	86	20	3,400	152	3,658
Exchange adjustments	4	1	102	2	109
Additions	2	2	196	16	216
Acquisitions	–	–	13	–	13
Disposals	–	–	(99)	(2)	(101)
<b>At 31 December 2018</b>	<b>92</b>	<b>23</b>	<b>3,612</b>	<b>168</b>	<b>3,895</b>
<b>Accumulated depreciation</b>					
At 1 January 2018	35	15	2,296	98	2,444
Exchange adjustments	2	–	77	3	82
Charge for the year	3	1	273	16	293
Disposals	–	–	(91)	(2)	(93)
<b>At 31 December 2018</b>	<b>40</b>	<b>16</b>	<b>2,555</b>	<b>115</b>	<b>2,726</b>
<b>Net book values:</b>					
<b>At 31 December 2018</b>	<b>52</b>	<b>7</b>	<b>1,057</b>	<b>53</b>	<b>1,169</b>
At 31 December 2017	51	5	1,104	54	1,214

## 14 Fulfilment assets

	2019 £ million	2018 £ million
Balance at 1 January	44	8
Capitalised in period	66	44
Provision created for future demobilisation costs	3	3
Amortised to the income statement	(24)	(12)
Exchange	(3)	1
<b>Balance at 31 December</b>	<b>86</b>	<b>44</b>

### Analysis of fulfilment assets

	2019 £ million	2018 £ million
Current	32	15
Non-current	54	29
<b>Total</b>	<b>86</b>	<b>44</b>

## 15 Inventories

	2019 £ million	2018 £ million
Raw materials and consumables	214	226
Work in progress	2	3
<b>Total</b>	<b>216</b>	<b>229</b>

The cost of inventories recognised as an expense within cost of sales amounted to £81 million (2018: £85 million). The write down of inventories to net realisable value amounted to £4 million (2018: £5 million).

## 16 Trade and other receivables

	2019 £ million	2018 £ million
Trade receivables	529	587
Less: provision for impairment of receivables	(85)	(85)
Trade receivables – net	444	502
Prepayments	45	45
Accrued income	124	169
Other receivables (Note (i))	46	65
<b>Total receivables</b>	<b>659</b>	<b>781</b>

(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 calculated to be £1 million (2018: £4 million). This financial instrument is included in other receivables. Other material amounts included in other receivables include indirect taxes receivable (such as sales taxes) of £23 million (2018: £21 million) and deposits of £6 million (2018: £15 million).

(ii) The value of trade and other receivables quoted in the table above also represents the fair value of these items. The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	2019 £ million	2018 £ million
Sterling	20	24
Euro	84	125
US Dollar	347	373
Other currencies	208	259
<b>Total</b>	<b>659</b>	<b>781</b>

Movements on the Group's provision for impairment of trade receivables are as follows:

	2019 £ million	2018 £ million
At 1 January	85	80
Net provision for receivables impairment	7	7
Utilised	(2)	(2)
Receivables written off during the year as uncollectable	(3)	(2)
Exchange	(2)	2
<b>At 31 December</b>	<b>85</b>	<b>85</b>

## 16 Trade and other receivables continued

### Credit quality of trade receivables

The table below analyses the total trade receivables balance per operating segment into fully performing, past due and impaired.

Concentrations of credit risk are limited in the Rental Solutions and Power Solutions Industrial businesses due to the Group's large number of internationally dispersed customers. Disclosures in relation to concentration of credit risk in the Power Solutions Utility business are set out in Note 1 on page 99.

	Fully performing £ million	Past due £ million	Impaired £ million	Total £ million
<b>31 December 2019</b>				
Power Solutions				
Industrial	56	61	12	129
Utility	26	141	61	228
	82	202	73	357
Rental Solutions	92	68	12	172
<b>Group</b>	<b>174</b>	<b>270</b>	<b>85</b>	<b>529</b>

	Fully performing £ million	Past due £ million	Impaired £ million	Total £ million
<b>31 December 2018</b>				
Power Solutions				
Industrial	56	56	11	123
Utility	53	202	64	319
	109	258	75	442
Rental Solutions	71	64	10	145
<b>Group</b>	<b>180</b>	<b>322</b>	<b>85</b>	<b>587</b>

### Ageing of gross trade receivables and the provision for impairment

	Not past due £ million	Less than 30 days £ million	Between 30 and 60 days £ million	Between 60 and 90 days £ million	Greater than 90 days £ million	Total £ million
<b>31 December 2019</b>						
Expected loss rate	0.2%	0.1%	0.1%	0.2%	4.3%	4.9%
Gross trade receivables	175	70	42	23	219	529
Provision for impairment of trade receivables – matrix approach (ECL)	(1)	(1)	(1)	(1)	(20)	(24)
Provision for impairment of trade receivables – specific determination	–	–	–	–	(61)	(61)
<b>Net trade receivables</b>	<b>174</b>	<b>69</b>	<b>41</b>	<b>22</b>	<b>138</b>	<b>444</b>

Of receivables over 90 days £42 million of the gross receivables and £6 million of the total provision are less than 180 days overdue. £35 million of the gross receivables and £9 million of the total provision are older than 180 days but less than one year overdue whilst £142 million of gross receivables and £66 million of the total provision are older than 365 days. Of the specific provision of £61 million £1 million is between 90 and 180 days, £5 million is between 180 days and 365 days and £55 million is over 365 days. Of the ECL provision of £20 million £5 million is between 90 and 180 days, £4 million is between 180 days and 365 days and £11 million is over 365 days. Of net receivables over 90 days overdue £36 million is less than 180 days overdue, £26 million is between 180 and 365 days overdue and £76 million is over 365 days overdue.

	Not past due £ million	Less than 30 days £ million	Between 30 and 60 days £ million	Between 60 and 90 days £ million	Greater than 90 days £ million	Total £ million
<b>31 December 2018</b>						
Expected loss rate	–	–	–	0.1%	3.6%	3.7%
Gross trade receivables	180	72	50	39	246	587
Provision for impairment of trade receivables – matrix approach	–	–	–	(1)	(20)	(21)
Provision for impairment of trade receivables – specific determination	–	–	–	–	(64)	(64)
<b>Net trade receivables</b>	<b>180</b>	<b>72</b>	<b>50</b>	<b>38</b>	<b>162</b>	<b>502</b>

The Group seeks to secure advance payments and guarantees and as at 31 December 2019 these amounted to £52 million (advance payments: £15 million; guarantees: £37 million). In determining the Expected Credit Loss (as explained in the trade receivables accounting policy on page 98) one of the factors taken into account is the level of security obtained as we consider that the security obtained is effective in mitigating credit risk. The Group assesses credit quality as explained below:

## 16 Trade and other receivables continued

### Power Solutions – Industrial

This is a 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 is 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. Receivables written off during the year as uncollectable as a percentage of total gross debtors was 1% (2018: 2%).

### Power Solutions – Utility

This business concentrates on medium to very large contracts. Customers are mainly state owned utilities in emerging markets.

In many instances these 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; including 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.

The total trade receivables balance as at 31 December 2019 for our Power Solutions Utility business was £228 million (2018: £319 million). Within this balance, receivable balances totalling £52 million (2018: £32 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 £176 million (2018: £287 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. Receivables written off during the year as uncollectable as a percentage of total gross debtors was 1% (2018: 1%).

## 17 Borrowings

	2019 £ million	2018 £ million
<b>Non-current</b>		
Bank borrowings	33	134
Private placement notes	478	493
	<b>511</b>	627

### Current

Bank overdrafts	51	9
Bank borrowings	8	115
Private placement notes	–	20
	<b>59</b>	144
<b>Total borrowings</b>	<b>570</b>	771
Cash at bank and in hand	(87)	(85)
Lease liability	101	–
<b>Net borrowings</b>	<b>584</b>	686

Overdrafts and borrowings are unsecured.

### (i) Maturity of financial liabilities

The maturity profile of the borrowings was as follows:

	2019 £ million	2018 £ million
Within 1 year, or on demand	59	144
Between 1 and 2 years	138	104
Between 2 and 3 years	10	157
Between 3 and 4 years	–	11
Between 4 and 5 years	146	–
Greater than 5 years	217	355
	<b>570</b>	771

## 17 Borrowings continued

### (ii) Borrowing facilities

The Group has the following undrawn committed floating rate borrowing facilities available at 31 December 2019 in respect of which all conditions precedent had been met at that date:

	2019 £ million	2018 £ million
Expiring within 1 year	69	—
Expiring between 1 and 2 years	81	276
Expiring between 2 and 3 years	201	100
Expiring between 3 and 4 years	50	89
Expiring between 4 and 5 years	115	—
	<b>516</b>	<b>465</b>

## 18 Leases

### (i) Amounts recognised in the balance sheet

Property, plant and equipment comprise owned and leased assets.

	2019 £ million
Property, plant and equipment owned	1,068
Right-of-use assets	98
	<b>1,166</b>

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

#### Right-of-use assets

	Freehold properties £ million	Vehicles, plant & equipment £ million	Total £ million
Net book value at 1 January 2019	75	29	104
Additions for the year	16	9	25
Remeasurements	6	(2)	4
Depreciation charge for year	(18)	(12)	(30)
Exchange adjustments	(4)	(1)	(5)
<b>Net book value at 31 December 2019</b>	<b>75</b>	<b>23</b>	<b>98</b>

#### Lease liabilities

	2019 £ million
<b>Maturity analysis – contractual undiscounted cash flows</b>	
Less than one year	35
One to five years	63
More than five years	23
<b>Total undiscounted lease liabilities at 31 December</b>	<b>121</b>
Impact of discounting	(20)
<b>Lease liabilities included in the balance sheet</b>	<b>101</b>
<b>Current</b>	<b>33</b>
<b>Non-current</b>	<b>68</b>

### (ii) Amounts recognised in the income statement

	2019 £ million
<b>Depreciation charge of right-of-use assets</b>	
Freehold property	18
Vehicles, plant & equipment	12
	<b>30</b>
Interest on lease liabilities	5
Expenses relating to short-term leases	4

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

## 18 Leases continued

### (iii) Amounts recognised in the statement of cash flows

	2019 £ million	2018 £ million
<b>Total cash outflow for leases</b>	<b>36</b>	36

This £36 million is included in the cash flow statement with £31 million included within cash flows from financing activities and £5 million included in interest paid within net cash generated from operating activities.

## 19 Trade and other payables

	2019 £ million	2018 £ million
Trade payables	106	134
Trade payables – supplier factoring facility	3	–
Other taxation and social security payable	17	15
Other payables	106	99
Accruals	96	115
Deferred income	60	8
<b>388</b>	<b>371</b>	

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

The Group participates in a supply chain finance programme under which its suppliers may elect to receive early payment of their invoice from a bank by factoring their receivable from the Group. Under the arrangement, a bank agrees to pay amounts to a participating supplier in respect of invoices owed by the Group and receives settlement from the Group at a later date. The principal purpose of this programme is to facilitate efficient payment processing and enable the willing suppliers to sell their receivables due from the Group to a bank before their due date. From the Group's perspective, the arrangement does not significantly extend payment terms beyond the normal terms agreed with other suppliers that are not participating. The Group does not incur any additional interest towards the bank on the amounts due to the suppliers.

The Group has not derecognised the original liabilities to which the arrangement applies because neither a legal release was obtained, nor the original liability was substantially modified on entering into the arrangement. The Group discloses the amounts factored by suppliers within trade payables because the nature and function of the financial liability remain the same as those of other trade payables, but discloses disaggregated amounts in the notes.

The payments to the bank are included within operating cash flows because they continue to be part of the normal operating cycle of the Group and their principal nature remains operating, i.e. payments for the purchase of goods and services. The payments to a supplier by the bank are considered non-cash transactions and amounted to £4 million (2018: £nil).

We have undrawn bank facilities to cover a withdrawal of the supply chain finance programme.

## 20 Demobilisation provision

	2019 £ million	2018 £ million
Balance at 1 January	11	10
New provisions	9	4
Utilised	(6)	(4)
Exchange	–	1
<b>Balance at 31 December</b>	<b>14</b>	11

### Analysis of demobilisation provision

Current	5	6
Non-current	9	5
<b>Total</b>	<b>14</b>	11

## 21 Deferred tax

31 December 2019

	At 1 January 2019 £ million	Credit/(debit) to income statement 2019 £ million	Exchange differences 2019 £ million	At 31 December 2019 £ million
Fixed asset temporary differences	(44)	–	(2)	(46)
Retirement benefit obligations	–	(1)	–	(1)
Overseas tax on unremitted earnings	(1)	–	–	(1)
Tax losses	30	(5)	–	25
Other temporary differences	17	14	–	31
	2	8	(2)	8

31 December 2018

	At 1 January 2018 £ million	Debit to income statement 2018 £ million	Debit to other comprehensive income 2018 £ million	Exchange differences 2018 £ million	At 31 December 2018 £ million
Fixed asset temporary differences	(40)	–	–	(4)	(44)
Retirement benefit obligations	4	–	(5)	1	–
Overseas tax on unremitted earnings	–	(1)	–	–	(1)
Tax losses	32	(2)	–	–	30
Other temporary differences	24	(5)	–	(2)	17
	20	(8)	(5)	(5)	2

A deferred tax liability of £1 million (2018: £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 £17 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 based on current forecasts. The Group did not recognise deferred tax assets of £39 million (2018: £31 million) of which £38 million (2018: £27 million) relates to carried forward tax losses and £1 million (2018: £4 million) relates to fixed asset timing differences as our forecasts indicate that these assets will not reverse in the near future.

Deferred tax assets of £13 million (2018: £23 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 based on current forecasts and secured long term contracts. The majority of these assets can be carried forward indefinitely.

### Deferred tax assets and liabilities

	31 December 2019			31 December 2018		
	Assets £ million	Liabilities £ million	Net £ million	Assets £ million	Liabilities £ million	Net £ million
Fixed asset temporary differences	21	(67)	(46)	15	(59)	(44)
Retirement benefit obligations	–	(1)	(1)	–	–	–
Overseas tax on unremitted earnings	–	(1)	(1)	–	(1)	(1)
Tax losses	25	–	25	30	–	30
Other temporary differences	32	(1)	31	23	(6)	17
Total	78	(70)	8	68	(66)	2
Offset of deferred tax positions	(34)	34	–	(32)	32	–
Net deferred tax	44	(36)	8	36	(34)	2

The net deferred tax asset due after more than one year is £8 million (2018: £2 million).

## 22 Share capital

	2019 Number of shares	2019 £000	2018 Number of shares	2018 £000
<b>(i) Ordinary Shares of 4<sup>329/395</sup> pence (2018: 4<sup>329/395</sup> pence)</b>				
At 1 January and 31 December	<b>256,128,201</b>	<b>12,378</b>	256,128,201	12,378
<b>(ii) Deferred Ordinary Shares of 6<sup>18/25</sup> pence (2018: 6<sup>18/25</sup> pence)</b>				
At 1 January and 31 December	<b>182,700,915</b>	<b>12,278</b>	182,700,915	12,278
<b>(iii) Deferred Ordinary Shares of 1<sup>7/75</sup> pence (2018: 1<sup>7/75</sup> pence)</b>				
At 1 January and 31 December	<b>18,352,057,648</b>	<b>237</b>	18,352,057,648	237
<b>(iv) Deferred Ordinary Shares of 9<sup>84/775</sup> pence (2018: 9<sup>84/775</sup> pence)</b>				
At 1 January and 31 December	<b>188,251,587</b>	<b>17,147</b>	188,251,587	17,147
<b>(v) Deferred Ordinary Shares of 1<sup>30/6125</sup> pence (2018: 1<sup>30/6125</sup> pence)</b>				
At 1 January and 31 December	<b>573,643,383,325</b>	<b>19</b>	573,643,383,325	19
<b>Total</b>	<b>42,059</b>		42,059	

The rights and obligations attached to shares is described on pages 78 to 79.

## 23 Treasury shares

	2019 £ million	2018 £ million
Treasury shares	<b>(13)</b>	(17)
Interests in own shares represents the cost of 1,611,875 of the Company's Ordinary Shares (nominal value 4 <sup>329/395</sup> pence). Movement during the year was as follows:		
	2019 Number of shares	2018 Number of shares
1 January	<b>1,949,676</b>	527,373
Purchase of shares	<b>510,082</b>	1,601,295
Deferred shares and restricted stock	<b>(835,050)</b>	(178,992)
Sharesave maturity expenses	<b>(12,833)</b>	—
<b>31 December</b>	<b>1,611,875</b>	1,949,676

These shares represent 0.6% of issued share capital as at 31 December 2019 (2018: 0.8%).

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 Plan 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 2019 was £13 million (2018: £14 million).

## 24 Capital commitments

	2019 £ million	2018 £ million
Contracted but not provided for (property, plant and equipment)	<b>39</b>	19

## 25 Operating lease commitments – minimum lease payments

	2019 £ million	2018 £ million
Commitments under non-cancellable operating leases expiring:		
Within one year	—	29
Later than one year and less than five years	—	67
After five years	—	21
<b>Total</b>	<b>—</b>	117

(I) The Group adopted IFRS 16 'Leases' from January 2019 and as a result this disclosure is not applicable for 2019.

## **26 Investments in subsidiaries**

The subsidiary undertakings of Aggreko plc at 31 December 2019, and the main countries in which they operate, are shown below. All companies are wholly owned and, unless otherwise stated, incorporated in the 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, Quintalao 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 Aruba VBA	Aruba	Weststraat 13, Aruba
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 Bangladesh Energy 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 – 6º Andar – Barra da Tijuca, Rio de Janeiro, 22640-102, Brazil
Aggreko Cameroon LTD	Cameroon	Centre des Affaires Flatters, Rue Flatters, BP 4999, Bonanjo, Doula, Cameroon
Aggreko Canada Inc	Canada	199, Bay Street, Suite 2800, Commerce Court West, Toronto, ON, M5L1A9, Canada
Aggreko Financial Holdings Limited +	Cayman Islands	89, Nexus Way, Camana Bay, PO Box 31106, Grand Cayman, KY1-1205, Cayman Islands
Aggreko Chile Limitada	Chile	Galvarino 9450, Parque Industrial Buenaventura, Quilicura, Region Metropolitana, Santiago, Chile
Aggreko (Shanghai) Energy Equipment Rental Company Limited	China	Building 16, No 99 Huajia Road, Songjiang District, Shanghai, 201611, China
Shanghai Yude Aggreko Energy Equipments Rental Co., Ltd**	China	301 Rongle East Road, Songjiang District, Shanghai, 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 Zipaquirá Lote 67, Tocancipa – Cundinamarca, Colombia
Aggreko Costa Rica S.A.	Costa Rica	Centro Corporativo Forum I, Torre C, Piso 1, Santa Ana, San José, Costa Rica
Aggreko DRC S.A.R.L.	Congo	50, Avenue Goma- Commune de la Gombe, Kinshasa
Aggreko Cote d'Ivoire SARL	Cote d'Ivoire	Vridi Canal – Base Centrale thermique à gaz, Abidjan, Cote d'Ivoire
Aggreko Curacao B.V.	Curacao	Hoogstraat 30, PO Box 3961, Curacao
Aggreko (Middle East) Limited**	Cyprus	3 Themistokli Dervi, Julia House, P.C. 1066, Nicosia, Cyprus
Aggreko Denark ApS	Denmark	Rådhuspladsen 4, 4. 1550 København V
Aggreko Dominican Republic SRL	Dominican Republic	Paseo de los Locutores No. 53, Santo Domingo, Dominican Republic
Aggreko Energy Ecuador CIA.LTDA	Ecuador	E 2324, Rumipamba y Av. Amazonas, Quito, NA, Ecuador
Aggreko Finland Oy	Finland	Hatanpään 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
Yunicos 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, 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	Talavera Tower Lantai 5 Talavera Office Park, Jl. Letjend TB Simatupang Kav 22 – 26, Cilandak Barat Cilandak, Jakarta Selatan, DKI Jakarta 12430
PT Kertabumi Teknindo	Indonesia	Talavera Tower Lantai 5 Talavera Office Park, Jl. Letjend TB Simatupang Kav 22 – 26, Cilandak Barat Cilandak, Jakarta Selatan, DKI Jakarta 12430

## 26 Investments in subsidiaries continued

Company	Country of incorporation	Registered address
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 Events Services Japan Ltd	Japan	4F, Ace Kunda Building, 2-2-1 Kudan-Minami, Chiyoda-ku, Tokyo, Japan
Aggreko Kazakhstan LLC	Kazakhstan	Building 14/2, Oteshkaly Atambayev street, Atyrau city, Atyrau region, Republic of Kazakhstan
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, Immeuble Samassa, 1 Etage, porte 02
Aggreko Mauritania SARL	Mauritania	Tevragh Zeina, Lot ZRB, Villa No 225, Avenue Moctar Daddah, Nouakchott
Aggreko Africa Limited	Mauritius	c/o Abax Corporate Services Ltd, 6th Floor, Tower A, I CyberCity, Mauritius
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 (Proprietary) Limited	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 A/S	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 Latin America Inc	Panama	Street 50, PH 909, 14° floor, Panama City, 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, Picadilly Star Building, 4th Avenue, 27th Street Bonifacio Global City, Taguig City, 1634, Philippines
Aggreko Polska Sp. z o.o.	Poland	Fort Ordona 6 street, Czosnow, 05-152, Poland
Graciolica Lda	Portugal	Estrada Velha Do Quidadouro, Ilha da Graciosa, 9880 315 Santa Cruz da Graciosa, Portugal
Aggreko South East Europe SRL	Romania	Soseaua de Centura 7A, Tunari, Ilfov, 077180, Romania
Aggreko Eurasia LLC	Russia	Building 1, House 8, 2nd km Staryi Tobolsky Trakt, Tyumen, 625000, Russian Federation
Aggreko Senegal SARL	Senegal	Route De Ngor 29912, Dakar, Senegal
Aggreko Singapore PTE Ltd	Singapore	8B Buroh Street, Singapore, 627532
Milman International PTE LTD	Singapore	8B Buroh Street, Singapore, 627532
Aggreko Energy Rental South Africa Proprietary Ltd	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

**26 Investments in subsidiaries continued**

Company	Country of incorporation	Registered address
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 Trinidad Limited	Republic of Trinidad & Tobago	S/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, İstanbul, Turkey
Aggreko Middle East Limited FZE	UAE	E-LOB Office No E2-112F-40, PO Box 52462, Hamriyah Free Zone, Sharjah, United Arab Emirates
Aggreko Fujairah FZE	UAE	PO Box 50283, Fujairah, United Arab Emirates
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 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
Origami Energy Limited#	UK	Ashcombe Court, Woolsack Way, Godalming, Surrey, GU7 1LQ, United Kingdom
Aggreko Global Solutions Limited	UK	8th Floor, 120 Bothwell Street, Glasgow, G2 7JS, Scotland
Aggreko Indonesia Finance Limited ++	UK	8th Floor, 120 Bothwell Street, Glasgow, G2 7JS, Scotland
Aggreko Ukraine LLC	Ukraine	77, 709, Sichovyh Strilistiv St, Kyiv, Ukraine, 04053
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

\* Aggreko ownership is 49%

\*\* Registered in Cyprus

+ 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

# Aggreko ownership is 14.47%

## Aggreko ownership is 21.5%

## 27 Notes to the Group Accounts – appendices

### 27.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.

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.

**27 Notes to the Group Accounts – appendices continued**

**27.A2 Other intangible assets**

Year ended 31 December 2019

	Customer relationships and non- compete agreements £ million	Development expenditure £ million	Technology £ million	Total £ million
<b>Cost</b>				
At 1 January 2019	58	24	3	85
Additions	–	8	–	8
Exchange adjustments	–	–	(1)	(1)
<b>At 31 December 2019</b>	<b>58</b>	<b>32</b>	<b>2</b>	<b>92</b>
<b>Accumulated amortisation</b>				
At 1 January 2019	42	–	1	43
Charge for the year	4	3	1	8
<b>At 31 December 2019</b>	<b>46</b>	<b>3</b>	<b>2</b>	<b>51</b>
<b>Net book values</b>				
<b>At 31 December 2019</b>	<b>12</b>	<b>29</b>	<b>–</b>	<b>41</b>
At 31 December 2018	16	24	2	42

Amortisation charges in the year have been recorded in administrative expenses.

Year ended 31 December 2018

	Customer relationships and non- compete agreements £ million	Development expenditure £ million	Technology £ million	Total £ million
<b>Cost</b>				
At 1 January 2018	56	10	3	69
Acquisitions	1	–	–	1
Additions	–	10	–	10
Exchange adjustments	1	4	–	5
<b>At 31 December 2018</b>	<b>58</b>	<b>24</b>	<b>3</b>	<b>85</b>
<b>Accumulated amortisation</b>				
At 1 January 2018	38	–	–	38
Charge for the year	4	–	1	5
Exchange adjustments	–	–	–	–
<b>At 31 December 2018</b>	<b>42</b>	<b>–</b>	<b>1</b>	<b>43</b>
<b>Net book values</b>				
<b>At 31 December 2018</b>	<b>16</b>	<b>24</b>	<b>2</b>	<b>42</b>
At 31 December 2017	18	10	3	31

Amortisation charges in the year have been recorded in administrative expenses.

## 27 Notes to the Group Accounts – appendices continued

### 27.A3 Borrowings

#### (i) Interest rate risk profile of financial liabilities

The interest rate profile of the Group's financial liabilities at 31 December 2019, after taking account of the interest rate swaps used to manage the interest profile, was:

	Floating rate £ million	Fixed rate £ million	Total £ million	Fixed rate debt	
				Weighted average interest rate %	Weighted average period for which rate is fixed Years
<b>Currency:</b>					
US Dollar	–	478	478	3.8	5.5
Euro	9	–	9	–	–
Mexican Pesos	21	–	21	–	–
Brazilian Reals	22	–	22	–	–
Great British Pounds	15	–	15	–	–
Indian Rupees	8	–	8	–	–
Other currencies	17	–	17	–	–
<b>As at 31 December 2019</b>	<b>92</b>	<b>478</b>	<b>570</b>		

	Floating rate £ million	Fixed rate £ million	Total £ million	Fixed rate debt	
				Weighted average interest rate %	Weighted average period for which rate is fixed Years
<b>Currency:</b>					
US Dollar	13	591	604	4.0	5.4
Euro	61	–	61	–	–
Canadian Dollar	23	–	23	–	–
Mexican Pesos	18	–	18	–	–
Indonesian Rupiah	23	–	23	–	–
Other currencies	42	–	42	–	–
<b>As at 31 December 2018</b>	<b>180</b>	<b>591</b>	<b>771</b>		

The floating rate financial liabilities principally comprise debt which carries interest based on different benchmark rates depending on the currency of the balance and is normally fixed in advance for periods between one and three months.

The weighted average interest rate on fixed debt is derived from the fixed leg of each interest rate swap and coupons applying to fixed rate private placement notes.

The effect of the Group's interest rate swaps is to classify £nil (2018: £79 million) of borrowings in the above table as fixed rate. The notional principal amount of the outstanding interest rate swap contracts at 31 December 2019 was £nil (2018: £79 million).

#### (ii) Interest rate risk profile of financial assets

	Cash at bank and in hand £ million
<b>Currency:</b>	
US Dollar	19
Euro	10
Brazilian Reals	8
Other currencies	50
<b>As at 31 December 2019</b>	<b>87</b>

## 27 Notes to the Group Accounts – appendices continued

### 27.A3 Borrowings continued

	Cash at bank and in hand £ million
Currency:	
US Dollar	22
Russian Roubles	9
Other currencies	54
As at 31 December 2018	85

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.

### 27.A4 Financial instruments

As stated in our accounting policies Note 27.A1 on page 121 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.

#### Net investment hedges

The sterling value of the Group's net investments in overseas subsidiaries is exposed to changes in foreign currency exchange rates. The Group uses foreign currency denominated debt to hedge part of that exposure. The carrying value of debt in a net investment hedge was £478 million (2018: £665 million). A foreign exchange gain of £16 million (2018: loss of £46 million) relating to the net investment hedges has been netted off within currency translation differences as presented in the group statement of comprehensive income. We assess whether each of these hedges is effective by comparing (on a prospective and retrospective basis) the changes in the sterling equivalent values of the net investment in the overseas subsidiary and the relevant foreign currency denominated debt.

#### Foreign currency cashflow hedges

The Group manages its currency flows to minimise foreign exchange risk arising on transactions denominated in foreign currencies and uses foreign currency forward contracts, where appropriate, to hedge net currency flows. A net foreign currency gain of £1 million (2018: £nil), relating to those foreign currency forward contracts, has been recognised in the hedging reserve. We assess whether each of these hedges is effective by comparing (on a prospective and retrospective basis) the changes in the functional currency equivalent values of the foreign currency denominated transaction and the relevant foreign currency forward contract.

#### (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 2019. 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.

	2019		2018	
	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	(59)	(59)	(144)	(144)
Non-current borrowings	(511)	(511)	(627)	(627)
Lease liabilities	(101)	(101)	–	–
Cash at bank and in hand	87	87	85	85
Trade receivables	444	444	502	502
PDVSA private placement notes	1	1	4	4
Trade payables	(109)	(109)	(134)	(134)
Derivative financial assets	1	1	1	1
Derivative financial liabilities	(1)	(1)	(1)	(1)

All financial instruments are measured at amortised cost other than the PDVSA private placement notes and derivatives which are measured at fair value with changes recorded in the income statement.

#### (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 as the present value of estimated future cash flows using market interest rates. Forward foreign currency contracts and currency options 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.

## 27 Notes to the Group Accounts – appendices continued

### 27.A4 Financial instruments continued

#### (iii) Derivative financial instruments

##### 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.

	2019 £ million	2018 £ million
US Dollar	<b>478</b>	604
Euro	–	61

A foreign exchange gain of £16 million (2018: loss of £46 million) on translation of the borrowings into Sterling has been recognised in exchange reserves.

#### (iv) The exposure of the Group to interest rate changes when borrowings reprice is as follows:

As at 31 December 2019

	<1 year £ million	1-5 years £ million	>5 years £ million	Total £ million
Total borrowings	<b>59</b>	<b>294</b>	<b>217</b>	<b>570</b>
Effect of interest rate swaps and other fixed rate debt	–	(261)	(217)	(478)
	<b>59</b>	<b>33</b>	–	<b>92</b>

As at 31 December 2018

	<1 year £ million	1-5 years £ million	>5 years £ million	Total £ million
Total borrowings	144	272	355	771
Effect of interest rate swaps and other fixed rate debt	(99)	(137)	(355)	(591)
	45	135	–	180

As at 31 December 2019 and 31 December 2018, 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 the Group policy as described on page 101.

The effective interest rates at the balance sheet date were as follows:

	2019	2018
Bank overdrafts	5.4%	9.4%
Bank borrowings	7.6%	3.8%
Private placement	3.8%	3.9%

#### 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 2019

	<1 year £ million	1-2 years £ million	2-5 years £ million	>5 years £ million
Borrowings	<b>59</b>	<b>145</b>	<b>178</b>	<b>284</b>
Derivative financial instruments	1	–	–	–
Trade and other payables	<b>109</b>	–	–	–
	<b>169</b>	<b>145</b>	<b>178</b>	<b>284</b>

As at 31 December 2018

	<1 year £ million	1-2 years £ million	2-5 years £ million	>5 years £ million
Borrowings	145	104	179	454
Trade and other payables	134	–	–	–
	279	104	179	454

No trade payable balances have a contractual maturity greater than 90 days.

## **27 Notes to the Group Accounts – appendices continued**

### **27.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 2019

	<1 year £ million
Forward foreign exchange contracts – cash flow hedges	
Outflow	(250)
Inflow	250
	–

As at 31 December 2018

	<1 year £ million
Forward foreign exchange contracts – cash flow hedges	
Outflow	(114)
Inflow	114
	–

All of the Group's forward foreign currency exchange contracts are due to be settled within one year of the balance sheet date.

### **27.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 2019 was £11 million (2018: £12 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 an independent actuary.

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 2017 using the Attained Age method to determine the level of contributions to be made by the Group. The actuary 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 pre-retirement	3.2%
Return on investments post-retirement	1.9%
Growth in average pay levels	3.4%
Increase in pensions	3.1%

At the valuation date, the market value of the Scheme's assets (excluding AVCs) was £109 million which was sufficient to cover 93% of the benefits that had accrued to members, after making allowances for future increases in earnings.

As part of the valuation at 31 December 2017, the Company and the Trustee agreed upon a Schedule of Contributions and a Recovery Plan. Company contributions for benefits building up in the future increased from 41.0% to 50.4% on 1 April 2019. To address the Scheme deficit the Company has already made additional contributions of £1.25 million in 2018 and £3.75 million in 2019 (£1.25 million catch up for 2018 and £2.5 million for 2019) and plans to make further additional contributions of £2.5 million each year until 2023. 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 (2018: £2 million). There are no outstanding or prepaid balances at 31 December 2019.

## 27 Notes to the Group Accounts – appendices continued

### 27.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 2019	31 Dec 2018
Rate of increase in salaries	<b>3.3%</b>	3.7%
Rate of increase in pensions in payment	<b>2.9%</b>	3.2%
Rate of increase in deferred pensions	<b>3.0%</b>	3.4%
Discount rate	<b>2.1%</b>	3.0%
Inflation assumption	<b>3.0%</b>	3.4%
Longevity at age 65 for current pensioners (years)		
Men	<b>22.3</b>	22.4
Women	<b>24.9</b>	24.5
Longevity at age 65 for future pensioners (years)		
Men	<b>23.8</b>	24.0
Women	<b>26.9</b>	26.6

The assets in the Scheme were:

	Value at 31 Dec 2019 £ million	Value at 31 Dec 2018 £ million
<b>Equities</b>		
- UK equities	-	9
- Overseas equities	<b>15</b>	12
- Diversified growth	<b>20</b>	8
- Absolute return	-	1
<b>Bonds</b>		
- Index - linked gilts	-	43
- Corporate bonds	<b>33</b>	19
- Liability driven investments	<b>44</b>	-
Cash	<b>2</b>	5
<b>Total</b>	<b>114</b>	97

The amounts included in the balance sheet arising from the Group's obligations in respect of the Scheme are as follows:

	2019 £ million	2018 £ million
Fair value of assets	<b>114</b>	97
Present value of funded obligations	<b>(110)</b>	(96)
<b>Asset recognised in the balance sheet</b>	<b>4</b>	1

## 27 Notes to the Group Accounts – appendices continued

### 27.A5 Pensions continued

Movement in defined benefit surplus/(liability) during the year:

	Defined benefit obligation		Fair value of Scheme assets		Net defined benefit surplus/(liability)	
	2019 £ million	2018 £ million	2019 £ million	2018 £ million	2019 £ million	2018 £ million
Balance at 1 January	(96)	(134)	97	109	1	(25)
<b>Included in the income statement</b>						
Service cost	(2)	(2)	–	–	(2)	(2)
Interest cost	(3)	(4)	–	–	(3)	(4)
Interest income	–	–	3	3	3	3
	(5)	(6)	3	3	(2)	(3)
<b>Included in the statement of comprehensive income</b>						
Remeasurements						
– Effect of changes in demographic assumptions	–	15	–	–	–	15
– Effect of changes in financial assumptions	(15)	13	–	–	(15)	13
– Effect of experience adjustments	–	5	–	–	–	5
– Return on plan assets (excluding interest income)	–	–	14	(7)	14	(7)
	(15)	33	14	(7)	(1)	26
Other						
Employer contributions	–	–	6	3	6	3
Benefits paid	6	11	(6)	(11)	–	–
	6	11	–	(8)	6	3
Balance at 31 December	(110)	(96)	114	97	4	1

The Projected Unit method has been used for the valuation of the liabilities. Under this method each participant's benefits under the Scheme are attributed to years of service, taking into consideration future salary increases and the Scheme's benefit allocation formula. Thus, the estimated total pension to which each participant is expected to become entitled at retirement is broken down into units, each associated with a year of past or future credited service. The benefit obligation is the total present value (assessed using appropriate assumptions) of the individual's attributed benefits for valuation purposes at the measurement date. The discount rate was derived from the AA corporate bond yield curve and based on Scheme specific cash flow data from the last 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 2019 with a suitable insurer. This amount represents the amount that would be required to settle the Scheme liabilities at 31 December 2019 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 2019 is around £137 million which gives a Scheme shortfall on a buyout basis of approximately £23 million.

## 27 Notes to the Group Accounts – appendices continued

### 27.A5 Pensions continued

Cumulative actuarial gains and losses recognised in equity

	2019 £ million	2018 £ million
At 1 January	32	58
Actuarial losses/(gains) recognised in the year	1	(26)
<b>At 31 December</b>	<b>33</b>	<b>32</b>

The actual return on Scheme assets was a gain of £14 million (2018: loss of £7 million).

#### Risks to which the Scheme exposes the Group

There is a risk of asset volatility leading to a deficit in the Scheme. Working with the Company, the Trustee has agreed investment derisking triggers which, when certain criteria are met, will decrease corporate bond holding and increase the holding of index linked bonds. Over time, this will result in an investment portfolio which better matches the liabilities of the Scheme thereby reducing the risk of asset volatility. However there remains a significant level of investment mismatch in the Scheme. This is deliberate and is aimed at maximising the Scheme's long term investment return while retaining control of the funding risks.

Through the Scheme, the Group is exposed to a number of other risks:

- Changes in bond yields – a decrease in corporate bond yields will increase Scheme liabilities.
  - Inflation risk – pension obligations are linked to inflation and higher inflation will lead to higher liabilities.
  - Life expectancy – an increase in life expectancy will result in an increase in the Scheme liabilities.
- The measurement of the defined benefit obligation is particularly sensitive to changes in key assumptions as described below:
- The discount rate has been selected following actuarial advice and taking into account the duration of the liabilities. A decrease in the discount rate of 0.5% per annum would result in a £14 million increase in the present value of the defined benefit obligation. The weighted average duration of the defined benefit obligation liabilities is around 25 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 £10 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 £4 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.

<b>Defined benefit obligation by participant status</b>	2019 £ million	2018 £ million
Actives	39	31
Deferreds	36	34
Pensioners	35	31
<b>Total</b>	<b>100</b>	<b>96</b>

The duration of the liabilities is approximately 25 years.

#### Expected cash flows in future years

Expected employer contributions for the year ending 31 December 2020 are £4 million. Expected total benefit payments: approximately £2 million per year for the next 10 years.

As at 31 December 2019

	Notes	2019 £ million	2018 £ million
<b>Fixed assets</b>			
Property, plant and equipment	32	<b>38</b>	29
Investments	33	<b>804</b>	752
Retirement benefit surplus	27 A.5	<b>4</b>	1
		<b>846</b>	782
<b>Current assets</b>			
Other receivables	34	<b>660</b>	706
Cash and cash equivalents		<b>10</b>	7
Deferred tax asset		<b>1</b>	–
Current tax asset		<b>13</b>	13
		<b>684</b>	726
<b>Creditors: amounts falling due within one year</b>			
Borrowings	35	<b>(22)</b>	(101)
Lease liability	36	<b>(1)</b>	–
Other payables	37	<b>(514)</b>	(347)
Derivative financial instruments		<b>(1)</b>	(1)
<b>Net current assets</b>		<b>146</b>	277
<b>Total assets less current liabilities</b>		<b>992</b>	1,059
<b>Creditors: amounts falling due after one year</b>			
Borrowings	35	<b>(511)</b>	(627)
Lease liability	36	<b>(3)</b>	–
<b>Net assets</b>		<b>478</b>	432
<b>Shareholders' equity</b>			
Share capital	22	<b>42</b>	42
Share premium		<b>20</b>	20
Treasury shares		<b>(13)</b>	(17)
Capital redemption reserve		<b>13</b>	13
Retained earnings		<b>416</b>	374
<b>Total Shareholders' equity</b>		<b>478</b>	432

The financial statements on pages 130 to 136 were approved by the Board of Directors on 3 March 2020 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 2019

	2019 £ million	2018 £ million
<b>Profit/(loss) for the year</b>	<b>109</b>	<b>(14)</b>
<b>Other comprehensive (loss)/income</b>		
<i>Items that will not be reclassified to profit or loss</i>		
- Remeasurement of retirement benefits	(1)	26
- Taxation on remeasurement of retirement benefits	-	(5)
<i>Items that may be reclassified subsequently to profit or loss</i>		
- Cash flow hedges	-	2
<b>Other comprehensive (loss)/income for the year (net of tax)</b>	<b>(1)</b>	<b>23</b>
<b>Total comprehensive income for the year</b>	<b>108</b>	<b>9</b>

**COMPANY STATEMENT OF CHANGES IN EQUITY**

For the year ended 31 December 2019

As at 31 December 2019

	Attributable to equity holders of the Company					
	Ordinary Share capital £ million	Share premium account £ million	Treasury shares £ million	Capital redemption reserve £ million	Retained earnings £ million	Total equity £ million
Balance at 1 January 2019	42	20	(17)	13	374	432
Profit for the year	–	–	–	–	109	109
Other comprehensive loss	–	–	–	–	(1)	(1)
Remeasurement of retirement benefits (net of tax)	–	–	–	–	–	–
<b>Total comprehensive income for the year ended 31 December 2019</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>108</b>	<b>108</b>
Transactions with owners:						
Purchase of Treasury shares	–	–	(4)	–	–	(4)
Employee share awards	–	–	–	–	11	11
Issue of Ordinary Shares to employees under share option schemes	–	–	8	–	(8)	–
Dividends paid during 2019	–	–	–	–	(69)	(69)
	–	–	4	–	(66)	(62)
<b>Balance at 31 December 2019</b>	<b>42</b>	<b>20</b>	<b>(13)</b>	<b>13</b>	<b>416</b>	<b>478</b>

As at 31 December 2018

	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 2018	42	20	(7)	13	(2)	428	494
Loss for the year	–	–	–	–	–	(14)	(14)
Other comprehensive income	–	–	–	–	–	–	–
Fair value gains on interest rate swaps (net of tax)	–	–	–	–	2	–	2
Remeasurement of retirement benefits (net of tax)	–	–	–	–	–	21	21
<b>Total comprehensive income for the year ended 31 December 2018</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>2</b>	<b>7</b>	<b>9</b>
Transactions with owners:							
Purchase of Treasury shares	–	–	(12)	–	–	–	(12)
Employee share awards	–	–	–	–	–	10	10
Issue of Ordinary Shares to employees under share option schemes	–	–	2	–	–	(2)	–
Dividends paid during 2018	–	–	–	–	–	(69)	(69)
	–	–	(10)	–	–	(61)	(71)
<b>Balance at 31 December 2018</b>	<b>42</b>	<b>20</b>	<b>(17)</b>	<b>13</b>	<b>–</b>	<b>374</b>	<b>432</b>

# For the year ended 31 December 2019

## 28 Company accounting policies

### 28.1 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.

→ Paragraph 52, the second sentence of paragraph 89 and paragraphs 90, 91 and 93 of IFRS 16.

### 28.1.1 Going concern

Given the going concern disclosures in the Group Accounts on page 94, the Directors consider it appropriate to adopt the going concern basis of accounting in preparing these financial statements.

### 28.1.2 Changes in accounting policy and disclosures

New and amended standards adopted by the Company

#### IFRS 16 'Leases'

The Company adopted IFRS 16 from 1 January 2019 and, therefore, this is the first set of the Company's annual financial statements where IFRS 16 has been applied. Changes to significant accounting policies are the same as the Group changes and are detailed out on pages 94 to 95.

On transition to IFRS 16 the Company recognised an additional £5 million of right-of-use assets and £5 million of lease liabilities at the present value of the remaining lease payments discounted at the Group's incremental borrowing rate of 5% as at 1 January 2019. This rate has remained at 5% throughout 2019. Note 36 gives more detail on the company leases.

### IFRIC 23 'Uncertainty over income tax treatments'

The Company adopted IFRIC 23 from 1 January 2019. There was no material impact arising from the adoption of this standard.

### 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.

### Share-based payments

The accounting policy is identical to that applied by the consolidated Group as set out on page 121 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.

**The following accounting policies are identical to that applied by the Group**  
Property, plant and equipment – refer to page 97

Impairment of property, plant and equipment – refer to page 97

Foreign currencies – refer to page 98

Derivative financial instruments – refer to page 121

Borrowings – refer to page 99

Taxation – refer to page 98

Employee benefits – refer to page 98

## **29 Critical accounting estimates and assumptions**

### **Taxation**

This is explained in Note 1 to the Group Accounts on pages 100 to 101.

## **30 Dividends**

Refer to Note 10 of the Group Accounts.

## **31 Auditor's remuneration**

	<b>2019 £000</b>	<b>2018 £000</b>
Fees payable to the Company's auditor for the audit of the Company's annual accounts	<b>363</b>	332
Fees payable to the Company's auditor and its associates for other services:		
– other assurance related services	<b>34</b>	32

## **32 Property, plant and equipment**

	Freehold properties £ million	Vehicles, plant & equipment £ million	Total £ million
<b>Cost</b>			
At 1 January 2019	–	46	46
Transition to IFRS 16	5	–	5
Additions	–	11	11
<b>At 31 December 2019</b>	<b>5</b>	<b>57</b>	<b>62</b>
<b>Accumulated depreciation</b>			
At 1 January 2019	–	17	17
Charge for the year	1	6	7
<b>At 31 December 2019</b>	<b>1</b>	<b>23</b>	<b>24</b>
<b>Net book values</b>			
<b>At 31 December 2019</b>	<b>4</b>	<b>34</b>	<b>38</b>
At 31 December 2018	–	29	29

(i) The net book value of assets capitalised in respect of leased right-of-use-assets at 31 December 2019 is £4 million.

## **33 Investments**

	<b>£ million</b>
Cost of investments in subsidiary undertakings:	
At 1 January 2019	752
Additions	50
Net impact of share-based payments	2
<b>At 31 December 2019</b>	<b>804</b>

Details of the Company's subsidiary undertakings are set out in Note 26 to the Group Accounts. The Directors believe that the carrying value of the investments is supported by their underlying net assets.

Of the additional investments, £29 million was in Aggreko Holdings Limited to allow it to invest in Aggreko Luxembourg Holdings, which then invested in Aggreko Energia Locacao de Geradores Ltda; £21 million was invested in Aggreko Holdings Limited to allow it to invest in Aggreko Indonesia Finance Limited.

### 34 Other receivables

	2019 £ million	2018 £ million
Amounts due from subsidiary undertakings	654	699
Other receivables	6	7
<b>Total</b>	<b>660</b>	<b>706</b>

### 35 Borrowings

	2019 £ million	2018 £ million
<b>Non-current</b>		
Bank borrowings	33	134
Private placement notes	478	493
<b>Total</b>	<b>511</b>	<b>627</b>
<b>Current</b>		
Bank overdrafts	22	2
Bank borrowings	-	79
Private placement notes	-	20
<b>Total</b>	<b>22</b>	<b>101</b>
<b>Total borrowings before lease liability</b>	<b>533</b>	<b>728</b>
Lease liability	4	-
<b>Total borrowings</b>	<b>537</b>	<b>728</b>

The bank overdrafts and borrowings are all unsecured.

#### (i) Maturity of financial liabilities

The maturity profile of the borrowings was as follows:

	2019 £ million	2018 £ million
Within 1 year, or on demand	22	101
Between 1 and 2 years	138	104
Between 2 and 3 years	10	157
Between 3 and 4 years	-	11
Between 4 and 5 years	146	-
Greater than 5 years	217	355
<b>Total</b>	<b>533</b>	<b>728</b>

#### (ii) Borrowing facilities

The Company has the following undrawn committed floating rate borrowing facilities available at 31 December 2019 in respect of which all conditions precedent had been met at that date:

	2019 £ million	2018 £ million
Expiring within 1 year	69	-
Expiring between 1 and 2 years	81	276
Expiring between 2 and 3 years	201	100
Expiring between 3 and 4 years	50	89
Expiring between 4 and 5 years	115	-
<b>Total</b>	<b>516</b>	<b>465</b>

### 36. Leases

#### (a) Amounts recognised in the balance sheet

Property, plant and equipment' comprise owned and leased assets.

	2019 £ million
Property, plant and equipment owned	34
Right-of-use assets	4
	<b>38</b>

The Company leases office space.

Information about leases for which the Company is a lessee is presented below:

#### Right-of-use assets

	Freehold properties £ million
Net book value at 1 January 2019	5
Depreciation charge for year	(1)
Net book value at 31 December 2019	<b>4</b>

#### Lease liabilities

	2019 £ million
<b>Maturity analysis – contractual undiscounted cash flows</b>	
Less than one year	1
One to five years	3
<b>Total undiscounted lease liabilities at 31 December</b>	<b>4</b>
Impact of discounting	–
<b>Lease liabilities included in the balance sheet</b>	<b>4</b>
Current	1
Non-current	3

#### (b) Amounts recognised in the income statement

	2019 £ million
<b>Depreciation charge of right-of-use assets</b>	
Freehold property	1

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

#### (c) Amounts recognised in the statement of cash flows

	2019 £ million
<b>Total cash outflow for leases</b>	<b>1</b>

### 37 Other payables

	2019 £ million	2018 £ million
Amounts owed to subsidiary undertakings	493	324
Accruals and other income	21	23
	<b>514</b>	<b>347</b>

### 38 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 £109 million (2018: loss of £14 million).

## DEFINITION AND CALCULATION OF NON GAAP MEASURES

### Return on average capital employed (ROCE)

#### Definition:

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

#### Calculation:

	Accounts reference	2019 £ million	2018 £ million
<b>Operating profit</b>	Income statement	<b>241</b>	219
<b>Average net operating assets</b>			
1 January	(Note (a)) below	<b>2,263</b>	2,074
30 June	(Note (b)) below	<b>2,190</b>	2,123
31 December	Note 4 of 2019 and 2018 Accounts	<b>1,997</b>	2,159
Average (i.e. total of 1 Jan, 30 June and 31 Dec divided by 3)		<b>2,150</b>	2,119
<b>ROCE (operating profit divided by net average operating assets)</b>		<b>11.2%</b>	10.3%
Note (a) – Net operating assets as at 1 January 2019 for ROCE calculation			
As reported at 31 December 2018			2,159
IFRS 16 'Right-of-use' asset at 1 January 2019			104
Adjusted net operating assets at 1 January 2019			2,263

#### Note (b):

Per June 2019 Interim Accounts

#### Note 4 (E)

	2019 £ million	2018 £ million
Assets	<b>2,575</b>	2,491
Liabilities	<b>(385)</b>	(368)
Net operating assets	<b>2,190</b>	2,123

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

#### Calculation:

	Accounts reference	2019 £ million	2018 £ million
Operating profit (Earnings Before Interest and Taxation)	Income statement	<b>241</b>	219
Depreciation	Note 5	<b>315</b>	293
Amortisation	Note 5	<b>8</b>	5
<b>EBITDA</b>		<b>564</b>	517

### Interest cover: EBITDA divided by net finance costs

#### Calculation:

	Accounts reference	2019 £ million	2018 £ million
EBITDA (£ million)	Per above	<b>564</b>	517
Net finance cost (£ million)	Income statement	<b>42</b>	37
<b>Interest cover (times)</b>		<b>13</b>	14

## **DEFINITION AND CALCULATION OF NON GAAP MEASURES CONTINUED**

### **Interest cover excluding the impact of IFRS 16 'Leases'**

	Accounts Reference	2019
EBITDA (£ million)	Per above	<b>564</b>
Impact of IFRS 16 (£ million)		(33)
Adjusted EBITDA (£ million)		<b>531</b>
Net finance cost (£ million)	Income statement	<b>42</b>
Impact of IFRS 16 (£ million)		(5)
Adjusted net finance cost		<b>37</b>
<b>Adjusted interest cover (times)</b>		<b>14</b>

### **Net debt to EBITDA**

#### **Calculation:**

	Accounts reference	2019	2018
Net debt (£ million)	Cash flow statement	<b>584</b>	686
EBITDA (£ million)	Per above	<b>564</b>	517
<b>Net debt/EBITDA (times)</b>		<b>1.0</b>	1.3

### **Net debt to EBITDA excluding the impact of IFRS 16 'Leases'**

#### **Calculation:**

	Accounts Reference	2019
Net debt (£ million)	Cash flow statement	<b>584</b>
Impact of IFRS 16 (£ million)		(101)
Adjusted net debt (£ million)		<b>483</b>
Adjusted EBITDA (£ million)	Per above	<b>531</b>
<b>Adjusted net debt/EBITDA (times)</b>		<b>0.9</b>

### **Dividend cover**

#### **Definition:**

Basic earnings per share (EPS) divided by full year declared dividend.

#### **Calculation:**

	Accounts reference	2019	2018
Basic EPS (pence)	Note 11	<b>50.80</b>	49.22
Full year declared dividend			
Interim dividend (pence)	Note 10	<b>9.38</b>	9.38
Final dividend (pence)	Note 10	<b>18.27</b>	17.74
		<b>27.65</b>	27.12
<b>Dividend cover (times)</b>		<b>1.8</b>	1.8

### **Free cash flow**

#### **Definition:**

Net cash generated from operating activities less net cash used in investing activities less payment of lease liabilities.

	Accounts Reference	2019 £ million	2018 £ million
Net cash generated from operating activities	Cash flow statement	<b>510</b>	330
Net cash used in investing activities	Cash flow statement	(217)	(244)
Payment of lease liabilities	Cash flow statement	(31)	-
<b>Free cash flow</b>		<b>262</b>	86

## THE FOLLOWING INFORMATION IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to any matter referred to in this report or as to the action you should take, you should seek your own personal financial advice from: (a) a stockbroker, bank manager, solicitor, accountant or other independent professional adviser authorised under the Financial Services and Markets Act 2000 if you are resident in the United Kingdom; or (b) another appropriately authorised independent financial adviser if you are not resident in the United Kingdom.

If you have sold or otherwise transferred all of your shares in Aggreko plc please pass this report, together with the accompanying documents (except the accompanying personalised form of proxy), as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other person who arranged the sale or transfer so they can pass these documents to the person who now holds the shares.

Notice is hereby given that the Annual General Meeting of Aggreko plc (the "Company") will be held at 200 SVS, 200 St Vincent Street, Glasgow G2 5RQ on Thursday 23 April 2020 at 11.00am to consider and, if thought fit, pass the resolutions set out below. Resolutions 17 to 20 (inclusive) will be proposed as special resolutions. All other resolutions will be proposed as ordinary resolutions.

### Ordinary resolutions

#### **Resolution 1**

To receive the reports of the Directors and Auditors and to adopt the Company's accounts for the year ended 31 December 2019.

#### **Resolution 2**

To approve the Annual Statement by the Remuneration Committee Chair as set out on pages 62 to 66 and the Annual Report on Remuneration (excluding the Directors' Remuneration Policy) as set out on pages 67 to 74 of the Annual Report and Accounts for the year ended 31 December 2019.

#### **Resolution 3**

To declare a final dividend on the Company's Ordinary Shares of 18.27 pence per share.

#### **Resolution 4**

To elect Sarah Kuijlaars as a Director of the Company.

#### **Resolution 5**

To re-elect Ken Hanna as a Director of the Company.

#### **Resolution 6**

To re-elect Chris Weston as a Director of the Company.

#### **Resolution 7**

To re-elect Heath Drewett as a Director of the Company.

#### **Resolution 8**

To re-elect Dame Nicola Brewer as a Director of the Company.

#### **Resolution 9**

To re-elect Barbara Jeremiah as a Director of the Company.

#### **Resolution 10**

To re-elect Uwe Krueger as a Director of the Company.

#### **Resolution 11**

To re-elect Diana Layfield as a Director of the Company.

#### **Resolution 12**

To re-elect Ian Marchant as a Director of the Company.

#### **Resolution 13**

To re-elect Miles Roberts as a Director of the Company.

#### **Resolution 14**

To re-appoint KPMG LLP as auditor of the Company to hold office from the conclusion of the meeting until the conclusion of the next general meeting at which accounts are laid before the Company.

#### **Resolution 15**

To authorise the Audit Committee of the Board of Directors of the Company to determine the remuneration of the Company's auditor.

#### **Resolution 16**

That the Board of Directors of the Company (the "Board") be and is hereby generally and unconditionally authorised pursuant to and in accordance with section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot shares in the capital of the Company and to grant rights to subscribe for or to convert any security into shares in the Company up to an aggregate nominal amount of £4,126,149, such authority to expire on the earlier of 30 June 2021 or at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution, save that the Company may before such expiry make an offer or enter into an agreement which would or might require equity securities to be allotted after such expiry and the Board may allot equity securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

### Special resolutions

#### **Resolution 17**

That, if resolution 16 is passed, the Board of Directors of the Company (the "Board") be and is hereby generally empowered, pursuant to sections 570 and 573 of the Companies Act 2006 (the "Act"), to allot equity securities (within the meaning of section 560 of the Act) (including the grant of rights to subscribe for, or to convert any securities into, ordinary shares in the capital of the Company ("Ordinary Shares")) wholly for cash pursuant to any authority for the time being in force under section 551 of the Act and/or by way of a sale of treasury shares (within the meaning of section 560(3) of the Act), as if section 561(1) of the Act did not apply to any such allotment or sale, provided that this power shall be limited to the allotment of equity securities and the sale of treasury shares for cash:

(a) in connection with or pursuant to a rights issue, open offer or other pre-emptive offer in favour of holders of Ordinary Shares ("Ordinary Shareholders") on the register of members on a date fixed by the Board where the equity securities respectively attributable to the interests of all such Ordinary Shareholders are proportionate (as nearly as may be practicable) to the respective numbers of Ordinary Shares held by them on that date (subject to such exclusions or other arrangements as the Board may deem necessary or expedient to deal with Treasury shares, fractional entitlements or legal or practical problems arising under the laws of any overseas territory or the requirements of any regulatory body or stock exchange or by virtue of shares being represented by depositary receipts or any other matter whatsoever); and

(b) otherwise than pursuant to subparagraph (a) above, up to an aggregate nominal amount of £618,922

provided that this power shall (unless previously renewed or revoked) expire on the earlier of 30 June 2021 or at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution, save that the Company may before such expiry make an offer or enter into an agreement which would or might require equity securities to be allotted after such expiry and the Board may allot equity securities in pursuance of such an offer or agreement as if the power conferred hereby had not expired.

**Resolution 18**

That, if resolution 16 is passed, in addition to any authority granted pursuant to resolution 17 proposed at the Annual General Meeting, the Directors of the Company (the "Board") be and are hereby generally empowered pursuant to sections 570 and 573 of the Companies Act 2006 (the "Act") to allot equity securities (within the meaning of section 560 of the Act) (including the grant of rights to subscribe for, or to convert any securities into, ordinary shares in the capital of the Company ("Ordinary Shares") for cash pursuant to any authority for the time being in force under section 551 of the Act and/or by way of a sale of treasury shares (within the meaning of section 560(3) of the Act), as if section 561(l) of the Act did not apply to any such allotment or sale, provided that this power shall:

- (a) be limited to the allotment of equity securities and the sale of treasury shares for cash up to an aggregate nominal amount of £618,922; and
- (b) be used only for the purposes of financing (or refinancing, if the authority is to be used within six months after the original transaction) a transaction which the Directors of the Company determine to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapply Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this notice

and shall expire on the earlier of 30 June 2021 or at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution, save that the Company may before such expiry make an offer or enter into an agreement which would or might require equity securities to be allotted after such expiry and the Board may allot equity securities in pursuance of such an offer or agreement as if the power conferred hereby had not expired.

**Resolution 19**

That the Company be and is hereby generally and unconditionally authorised for the purposes of section 701 of the Companies Act 2006 (the "Act") to make one or more market purchases (within the meaning of section 693(4) of the Act) of ordinary shares in the capital of the Company ("Ordinary Shares") on such terms and in such manner as the Directors of the Company may determine, provided that:

- (a) the maximum aggregate number of Ordinary Shares hereby authorised to be purchased is 25,612,820;
- (b) the maximum price which may be paid for any Ordinary Share is an amount equal to the higher of (i) 105% of the average of the middle market quotations for an Ordinary Share as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the share is contracted to be purchased; and (ii) the higher of the price of the last independent trade and the highest current independent bid on the trading venue where the purchase is carried out, and the minimum price which may be paid for any Ordinary Share is its nominal value (in each case exclusive of associated expenses).

provided that the authority hereby conferred shall expire on the earlier of 30 June 2021 or at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution, save that a contract of purchase may be made before such expiry which will or may be completed wholly or partly thereafter, and a purchase of Ordinary Shares may be made in pursuance of any such contract.

**Resolution 20**

That a general meeting of the Company (other than an Annual General Meeting) may be called on not less than 14 clear days' notice, provided that this authority shall expire at the conclusion of the next Annual General Meeting of the Company.

By order of the Board

**Peter Kennerley**  
Company Secretary

19 March 2020

**Registered office:**

Aggreko plc  
8th Floor  
120 Bothwell Street  
Glasgow G2 7JS  
Scotland  
United Kingdom

Registered in Scotland  
Number: SC177553

**Notes to the Notice of Annual General Meeting**

**1 Attending the Annual General Meeting in person**

If you wish to attend the Annual General Meeting in person, you should arrive at the venue for the Annual General Meeting in good time to allow your attendance to be registered. It is advisable to have some form of identification with you as you may be asked to provide evidence of your identity to the Company's Registrar prior to being admitted to the Annual General Meeting.

**2 Appointment of proxies**

Members are entitled to appoint one or more proxies to exercise all or any of their rights to attend, speak and vote at the Annual General Meeting. A proxy need not be a member of the Company but must attend the Annual General Meeting to represent a member. To be validly appointed a proxy must be appointed using the procedures set out in these Notes and in the notes to the accompanying form of proxy.

If members wish their proxy to speak on their behalf at the meeting, members will need to appoint their own choice of proxy (not the Chairman of the Annual General Meeting) and give their instructions directly to them.

Members can only appoint more than one proxy where each proxy is appointed to exercise rights attached to different shares. Members cannot appoint more than one proxy to exercise the rights attached to the same share(s). If a member wishes to appoint more than one proxy, they should contact the Company's Registrar, Link Asset Services, on Tel: 0371 664 0300. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the UK are charged at the applicable international rate. Lines are open between 9.00am and 5.30pm, Monday to Friday excluding public holidays in England and Wales.

A member may instruct their proxy to abstain from voting on any of the resolutions to be considered at the meeting by marking the "Withheld" option when appointing their proxy. It should be noted that an abstention is not a vote in law and will not be counted in the calculation of the proportion of votes "For" or "Against" the relevant resolution.

The appointment of a proxy will not prevent a member from attending the Annual General Meeting and voting in person if he or she wishes.

A person who is not a member of the Company but who has been nominated by a member to enjoy information rights does not have a right to appoint any proxies under the procedures set out in these Notes and should read Note 9 below.

### **3 Appointment of a proxy online**

As an alternative to appointing a proxy using the form of proxy or CREST, members can appoint a proxy online at <http://shares.aggreko.com>. In order to appoint a proxy using this website, members will need their personal identification Investor Code. If for any reason a member does not have this information, they should contact the Registrar on Tel: 0371 664 0300. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the UK are charged at the applicable international rate. Lines are open between 9.00am and 5.30pm, Monday to Friday excluding public holidays in England and Wales.

Members may appoint a proxy using the website no later than 48 hours (excluding non-working days) before the time of the Annual General Meeting or any adjournment of that meeting.

### **4 Appointment of a proxy using a form of proxy**

A form of proxy for use in connection with the Annual General Meeting is enclosed. To be valid, any form of proxy or other instrument appointing a proxy, together with any power of attorney or other authority under which it is signed or a certified copy thereof, must be received by post or (during normal business hours only) by hand to Link Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU by no later than 48 hours (excluding non-working days) before the time of the Annual General Meeting or any adjournment of that meeting.

If you do not have a form of proxy and believe that you should have one, or you require additional forms of proxy, please contact the Registrar on Tel: 0371 664 0300. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the UK are charged at the applicable international rate. Lines are open between 9.00am and 5.30pm, Monday to Friday excluding public holidays in England and Wales.

### **5 Appointment of a proxy through CREST**

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual and by logging on to the following website:

[www.euroclear.com/CREST](http://www.euroclear.com/CREST). CREST personal members or other CREST sponsored members, and those CREST members who have appointed (a) voting service provider(s), should refer to their CREST sponsor or voting service provider(s) who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual (available via [www.euroclear.com/CREST](http://www.euroclear.com/CREST)). The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the Registrar (CREST ID RA10) no later than 48 hours (excluding non-working days) before the time of the Annual General Meeting or any adjournment of that meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the Registrar is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed (a) voting service provider(s), to procure that his/her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

### **6 Appointment of a proxy through Proxymity**

If you are an institutional investor you may be able to appoint a proxy electronically via the Proxymity platform, a process which has been agreed by the Company and approved by the Registrar. For further information regarding Proxymity, please go to [www.proxymity.io](http://www.proxymity.io). Your proxy must be lodged no later than 48 hours before the time of the Annual General Meeting, in order to be considered valid. Before you can appoint a proxy via this process you will need to have agreed to Proxymity's associated terms and conditions. It is important that you read these carefully as you will be bound by them and they will govern the electronic appointment of your proxy.

Proxymity will then contract with your underlying institutional account holder directly to accept their vote instructions through the platform.

### **7 Appointment of a proxy by joint holders**

In the case of joint holders, where more than one of the joint holders purports to appoint one or more proxies, only the purported appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first named being the most senior).

### **8 Corporate representatives**

Any corporation which is a member can appoint one or more corporate representatives. Members can only appoint more than one corporate representative where each corporate representative is appointed to exercise rights attached to different shares. Members cannot appoint more than one corporate representative to exercise the rights attached to the same share(s).

### **9 Entitlement to attend and vote**

To be entitled to attend and vote at the Annual General Meeting (and for the purpose of determining the votes they may cast), members must be registered in the Company's register of members at 5.00pm on Tuesday 21 April 2020 (or, if the Annual General Meeting is adjourned, at 5.00pm on the day, two days prior to the adjourned meeting). Changes to the register of members after the relevant deadline will be disregarded in determining the rights of any person to attend and vote at the Annual General Meeting.

**10 Nominated persons**

Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 (the "Act") to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the member by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the member as to the exercise of voting rights.

**11 Website giving information regarding the Annual General Meeting**

Information regarding the Annual General Meeting, including information required by section 311A of the Act, and a copy of this notice of Annual General Meeting is available at [www.plc.aggreko.com](http://www.plc.aggreko.com).

**12 Audit concerns**

Members should note that it is possible that, pursuant to requests made by members of the Company under section 527 of the Act, the Company may be required to publish on a website a statement setting out any matter relating to: (a) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the Annual General Meeting; or (b) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Act. The Company may not require the members requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Act. Where the Company is required to place a statement on a website under section 527 of the Act, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the Annual General Meeting includes any statement that the Company has been required under section 527 of the Act to publish on a website.

**13 Members resolution**

Under section 338 and section 338A of the Act, members meeting the threshold requirements in those sections have the right to require the Company (a) to give to members of the Company entitled to receive notice of meeting, notice of any resolution which may properly be moved and is intended to be moved at the meeting and/or (b) to include in the business to be dealt with at the meeting any matter (other than a proposed resolution) which may be properly included in the business. A resolution may properly be moved or a matter may properly be included in the business unless (a) (in the case of a resolution only) it would, if passed, be ineffective (whether by reason of inconsistency with any enactment or the Company's constitution or otherwise), (b) it is defamatory of any person, or (c) it is frivolous or vexatious. Such a request may be in hard copy form or in electronic form, must identify the resolution of which notice is to be given or the matter to be included in the business, must be authorised by the person or person making it, must be received by the Company not later than 12 March 2020, being the date six weeks before the meeting, and (in the case of a matter to be included in the business only) must be accompanied by a statement setting out the grounds for the request.

**14 Voting rights**

As at 3 March 2020 (being the latest practicable date prior to the publication of this notice), the Company's issued share capital consisted of 256,128,201 Ordinary Shares of 4<sup>32</sup>/<sub>395</sub> pence each, carrying one vote each; 188,251,587 Deferred Shares of 9<sup>4</sup>/<sub>775</sub> pence each, 18,352,057.648 Deferred Shares of 1<sup>7</sup>/<sub>75</sub> pence each, 182,700,915 Deferred Shares of 6<sup>18</sup>/<sub>25</sub> pence each and 573,643,383,325 Deferred Shares of 1<sup>30</sup>/<sub>625</sub> pence each. The deferred share classes do not carry voting rights in any circumstances. In addition, the Company did not hold any shares in treasury. Therefore, the total voting rights in the Company as at 3 March 2020 were 256,128,201 votes.

**15 Notification of shareholdings**

Any person holding 3% or more of the total voting rights of the Company who appoints a person other than the Chairman of the Annual General Meeting as their proxy will need to ensure that both they, and their proxy, comply with their respective disclosure obligations under the UK Disclosure Guidance and Transparency Rules.

**16 Further questions and communication**

Under section 319A of the Act, the Company must cause to be answered any question relating to the business being dealt with at the Annual General Meeting put by a member attending the meeting unless answering the question would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, or the answer has already been given on a website in the form of an answer to a question, or it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

Members who have any queries about the Annual General Meeting should contact the Company Secretary by writing to Aggreko plc, 120 Bothwell Street, Glasgow G2 7JS.

Members may not use any electronic address provided in this notice or in any related documents (including the accompanying form of proxy) to communicate with the Company for any purpose other than those expressly stated.

**17 Documents available for inspection**

The following documents will be available for inspection at the registered office of the Company during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the date of this notice until the conclusion of the Annual General Meeting and on the date of the Annual General Meeting at the venue of the Annual General Meeting at 200 SVS, 200 St Vincent Street, Glasgow G2 5RQ:

- (a) copies of the service contracts of the Company's Executive Directors; and
- (b) copies of the letters of appointment of the Company's Non-executive Directors.

## **EXPLANATORY NOTES**

The following provide an explanation of the resolutions to be considered at the Annual General Meeting.

Resolutions 1 to 16 will be proposed as ordinary resolutions. This means that for each of those resolutions to be passed, more than half of the votes cast must be in favour of the resolution. Resolutions 17 to 20 will be proposed as special resolutions. This means that for each of those resolutions to be passed, at least three-quarters of the votes cast must be in favour of the resolution.

### **Annual Report and Accounts (Resolution 1)**

This resolution deals with the receipt and adoption of the accounts for the financial year ended 31 December 2019 and the associated reports of the Directors and Auditors.

### **Annual Statement and Annual Report on Remuneration (Resolution 2)**

Resolution 2 seeks approval of the Annual Statement by the Remuneration Committee Chair set out on pages 62 to 66 and the Annual Report on Remuneration set out on pages 67 to 74 of this document.

We are required by law to seek shareholders' approval for the Annual Statement and Annual Report on Remuneration on an annual basis. The current Directors' Remuneration Policy was approved by shareholders at the 2018 Annual General Meeting, and the Annual Report on Remuneration sets out the Company's policy applied to Directors' remuneration in 2019. The full Directors' Remuneration Policy is available on [www.plc.aggreko.com](http://www.plc.aggreko.com).

This vote is advisory in respect of the overall remuneration package and the Directors' entitlements to remuneration are not conditional upon this resolution being passed.

### **Final dividend (Resolution 3)**

Shareholders are being asked to approve a final dividend of 18.27 pence per Ordinary Share for the year ended 31 December 2019. If shareholders approve the recommended final dividend, it will be paid on 21 May 2020 to all Ordinary Shareholders who are on the register of members on 24 April 2020.

### **Election and re-election of Directors (Resolutions 4 to 13)**

Resolution 4 refers to the newly appointed Director standing for election and resolutions 5 to 13 refer to the Directors standing for re-election in line with the UK Corporate Governance Code, which states that all directors of FTSE 350 companies should be subject to annual election by shareholders.

Biographical details for each of the Directors seeking election and re-election are set out on pages 48 and 49 of this document and are also available to view online at [www.plc.aggreko.com](http://www.plc.aggreko.com). Following the announcement made by Arcadis NV on 4 March 2020, Sarah Kuijlaars has resigned from her position as CFO and Member of the Executive Board at Arcadis. With the exception of this information, all other biographical details set out on pages 48 and 49 of this document remain unchanged as at the date of the publication of the notice of Annual General Meeting. The Board confirms that, following a formal performance evaluation, each of the Directors standing for election or re-election continues to perform effectively, demonstrates commitment to their role, and has the capacity to discharge their responsibilities fully, given their existing time commitments to other organisations. Therefore, the Board unanimously recommends the election and re-election of the Directors proposed.

### **External auditor (Resolutions 14 and 15)**

These resolutions deal with the re-appointment of KPMG LLP as auditor of the Company and the authorisation of the Audit Committee to determine their remuneration.

### **Authority to allot shares (Resolution 16)**

In line with last year, this resolution will authorise the Directors to allot Ordinary Shares up to an aggregate nominal value of £4,126,149 (representing 85,376,067 Ordinary Shares of 4<sup>329</sup>/<sub>395</sub> pence each). This amount represents approximately one third of the issued Ordinary Share capital of the Company as at 3 March 2020, being the latest practicable date prior to the publication of this circular. As at 3 March 2020, the Company held no Treasury shares and there were no warrants over Ordinary Shares.

The authority sought under this resolution will expire on the earlier of 30 June 2021 (the latest date by which the Company must hold an Annual General Meeting in 2021) or the conclusion of the Annual General Meeting of the Company to be held in 2021.

The Directors have no present intention to issue new shares other than in relation to the issue of shares under the Company's executive and employee share schemes in circumstances where they do not consider it appropriate to satisfy awards vesting using market purchase.

### **Disapplication of statutory pre-emption rights (Resolutions 17 and 18)**

Resolution 17 will be proposed as a special resolution and will authorise the Directors to disapply the statutory pre-emption rights of shareholders on allotment of equity securities for cash up to an aggregate nominal value of £618,922 (representing 12,806,410 Ordinary Shares of 4<sup>329</sup>/<sub>395</sub> pence each), being approximately 5% of the issued Ordinary Share capital of the Company as at 3 March 2020, being the latest practicable date prior to the publication of this document. This resolution also disapplies statutory pre-emption rights to the extent necessary to facilitate rights issues.

Resolution 18 will also be proposed as a special resolution and will authorise the Directors to allot a further 5% of the issued Ordinary Share capital of the Company otherwise than in connection with a pre-emptive offer to existing shareholders for the purpose of financing a transaction (or refinancing within six months of the transaction) which the Directors determine to be an acquisition or other capital investment contemplated by the Pre-Emption Group's revised Statement of Principles, published on 12 March 2015 (the "PEG Principles"), being the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this notice.

This additional disapplication authority is in line with the PEG Principles, and provides the Company with greater flexibility by allowing the Company to allot shares with a nominal value of £618,922 (representing 5% of the issued Ordinary Share capital of the Company as at 3 March 2020) for cash pursuant to this authority where that allotment is in connection with an acquisition or specified capital investment (as described in the PEG Principles) which is announced at the same time as the allotment, or which has taken place in the preceding six-month period and is disclosed in the announcement of that allotment.

The Board does not intend to allot shares for cash on a non-pre-emptive basis above 7.5% of the total issued Ordinary Share capital of the Company over a rolling three-year period without consulting shareholders first. This complies with the PEG Principles.

The authority under these resolutions will expire at the conclusion of the Annual General Meeting to be held in 2021 or on 30 June 2021, whichever is the earlier. The Directors intend to seek renewal of this power at subsequent Annual General Meetings.

**Purchase of own shares (Resolution 19)**

The Directors recommend that shareholders renew the authority of the Company to purchase its own Ordinary Shares. Accordingly, this resolution will be proposed as a special resolution seeking authority to make such purchases in the market. The Directors will only use this authority when they consider it to be in the best interests of shareholders generally and an improvement in earnings per share would result. Any Ordinary Shares purchased under this authority will either be cancelled (and the number of Ordinary Shares in issue reduced) or be held in treasury.

This resolution specifies the maximum number of Ordinary Shares which may be purchased (representing approximately 10% of the Company's issued Ordinary Share capital as at 3 March 2020, being the latest practicable date prior to the publication of this document) and the minimum and maximum prices at which they may be bought.

The Directors intend to seek renewal of this power at subsequent Annual General Meetings.

As at 3 March 2020, there were options over 8,548,213 Ordinary Shares in the capital of the Company which represented 3.34% of the Company's issued Ordinary Share capital at that date. If the authority to purchase the Company's Ordinary Shares were exercised in full, these options would represent 3.71% of the Company's issued Ordinary Share capital.

**Notice of general meetings**

**(Resolution 20)**

Under the Act, all general meetings of the Company must be held on 21 clear days' notice unless shareholders agree to a shorter notice period on an annual basis and certain other conditions are met. The Company is currently able to call general meetings (other than Annual General Meetings) on 14 clear days' notice. The Board is proposing this resolution as a special resolution at the Annual General Meeting so that the Company can continue to be able to convene general meetings on 14 clear days' notice.

The Board intends that this shorter notice period would not be used as a matter of routine, but would only be used where the flexibility was justified by the business of the meeting and it would be to the advantage of shareholders as a whole.

If this resolution is passed, the authority to convene general meetings on 14 clear days' notice will remain effective until the Company's next Annual General Meeting, when it is intended that a similar resolution will be proposed. The notice period for Annual General Meetings will remain 21 clear days.

**Recommendation**

The Board considers that all the resolutions to be considered at the Annual General Meeting are in the best interests of the Company and its shareholders as a whole. Your Board will be voting in favour of them and unanimously recommends that you do so as well.

**Financial calendar**

23 April 2020: Annual General Meeting  
23 April 2020: Ex-dividend date – Final dividend  
24 April 2020: Record date to be eligible for the final dividend  
21 May 2020: Final dividend payment for the year to 31 December 2019  
6 August 2020: Half year results announcement for the year to 31 December 2020  
Early September 2020: Ex-dividend date – Interim dividend  
Early September 2020: Record date to be eligible for the interim dividend  
Early October 2020: Interim dividend payment for the year to 31 December 2020

**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](http://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 be able to have the dividend converted to local currency before payment to their 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 Registrar, 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.

**Change 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](http://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](http://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](http://www.fca.org.uk/consumers/scams/investment-scams/share-fraud-and-boiler-room-scams)

**Our Registrar**

Link Asset Services  
The Registry  
34 Beckenham Road  
Beckenham  
Kent BR3 4TU  
United Kingdom

Share portal: <https://shares.aggreko.com>

Website: [www.linkassetservices.com](http://www.linkassetservices.com)

Email: [enquiries@linkgroup.co.uk](mailto:enquiries@linkgroup.co.uk)

Telephone: 0371 664 0300\*

\* Calls are charged at the standard geographic rate and will vary by provider. Calls outside the UK are charged at the applicable international rate. Lines are open 9.00am - 5.30pm, Monday to Friday excluding public holidays in England and Wales.

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This report is printed on Revive 100 Silk paper. Revive 100 Silk is made from 100 per cent de-linked post consumer waste and produced in mills which hold ISO 9001 and ISO 14001 accreditation.

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Through protecting standing forests, under threat of clearance, carbon is locked in that would otherwise be released. These protected forests are then able to continue absorbing carbon from the atmosphere, referred to as REDD (Reduced Emissions from Deforestation and forest Degradation). This is now recognised as one of the most cost-effective and swiftest ways to arrest the rise in atmospheric CO<sub>2</sub> and global warming effects. Additional to the carbon benefits is the flora and fauna this land preserves, including a number of species identified at risk of extinction on the IUCN Red List of Threatened Species.

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