aggreko

Company number: SC177553

A strengthened base for improving returns

Aggreko plc Annual Report and Accounts 2018

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Aggreko is well placed to benefit from profound shifts in the energy market. The need for power continues to grow, only with added complexity from decarbonisation, decentralisation, digitalisation and demographic change – the four Ds.

We are focused on the needs of our customers, tailoring solutions to improve their experience; we are investing in technology to reduce the cost of energy through innovation; we seek to optimise the deployment of our resources to deliver operational and capital efficiency and we are cultivating a high-performance organisation focused on realising the full potential of our expert people.

OUR STRATEGIC APPROACH

The core strategic priorities remain unchanged since 2015, but we have evolved them and will continue to ensure that our objectives remain relevant as our markets change.

Read more on **page 10**

Customer focus

- Being particular about the sectors we target
- Offering specialist solutions
- Being simple to do business with

Technology investment

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

Capital efficiency

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

Expert people

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

OUR INVESTMENT CASE

With our leading positions in diversified markets, we believe we are well placed to return to growth and deliver improved ROCE (return on capital employed) while continuing to return value to shareholders through dividend payments.

Read more on **page 06**

Market leadership: Maintaining our leading position in our global markets

Diversified markets: Focusing on key sectors where our specialism differentiates us

Strategy for the change in energy markets: At the forefront of renewables integration

Potential for growth: Group well positioned to return to sustainable growth

Improving returns: Targeting Group ROCE in the mid-teens in 2020

Cash returns to shareholders: An attractive, sustainable dividend

We have worked hard since 2015 to strengthen the foundations of this business while dealing with the very significant challenges and changes in our markets. We believe we are now better structured and positioned to begin to reap the rewards of this work and improve our returns.

Chris Weston
Chief Executive Officer

Learn more about us at
www.plc.aggreko.com

PERFORMANCE HIGHLIGHTS

Revenue
£1,760m
2017: £1,698m[1]

Profit before tax
£182m
2017: £190m[1,2]

Diluted EPS
49.2p
2017: 52.4p[1]

Operating profit
£219m
2017: £224m[1,2]

Return on capital employed[3]
10.3%
2017: 10.7%[1]

Dividend per share
27.12p
2017: 27.12p

Read more on **page 20**

1 2017 numbers are shown on a pre-exceptional basis and have been restated for the implementation of IFRS 15. Refer to Note 1 of the Accounts on page 96.

2 2017 operating profit and profit before tax post-exceptional items were £183 million and £149 million respectively.

3 ROCE calculation is detailed on page 141.

CONTENTS

Strategic report

01 Performance highlights
02 Aggreko at a glance
04 Chairman's statement
05 Interview with our CEO & CFO
06 Our business model
08 The opportunities in our markets
10 Our strategic priorities
20 Group performance review
27 Financial review
34 Stakeholders
36 Sustainability
38 Risk

Governance

46 Introduction to governance
48 Leadership
51 Leadership and effectiveness
54 Accountability
62 Remuneration
80 Statutory disclosures
85 Statement of Directors' responsibilities

Financial statements

86 Independent auditor's report
90 Group income statement
90 Group statement of comprehensive income
91 Group balance sheet
92 Group cash flow statement
93 Reconciliation of net cash flow to movement in net debt
94 Group statement of changes in equity
96 Notes to the Group accounts
135 Company balance sheet
136 Company statement of comprehensive income
137 Company statement of changes in equity
138 Notes to the Company accounts
141 Definition and calculation of non-GAAP measures

Shareholder information

143 Notice of Annual General Meeting and notes
ibc Shareholder information

Aggreko is a 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

Read more on **page 06**

- Rental Solutions
- Power Solutions
- Sales and service centres
- Notable events managed in 2018

80
Countries

195
Sales and service centres

6,000+
Permanent employees

6,659MW
Average MW on hire excluding hybrids

Ryder Cup
Paris, France

Super Bowl
Minnesota, USA

Winter Olympics 2018
Pyeongchang, South Korea

Commonwealth Games 2018
Gold Coast, Australia

Rental Solutions

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

● **Revenue**

£822m

52% of Group revenue

● **Operating profit**

£105m

48% of Group operating profit

Key sectors % of revenus

1. Building services and construction	**18%**
2. Petrochemical & refining	**18%**
3. Oil & gas	**13%**
4. Utilities	**12%**
5. Events	**10%**
6. Manufacturing	**7%**
7. Quarrying & mining	**5%**
8. Other	**17%**

Read more on **page 24**

Power Solutions

We provide power, heating and cooling to emerging markets for customers with longer-term power needs.

Industrial (PSI)

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

● **Revenue**

£424m

27% of Group revenue

● **Operating profit**

£71m

32% of Group operating profit

Key sectors % of revenue

1. Oil & gas	**39%**
2. Mining	**13%**
3. Events	**13%**
4. Building services and construction	**11%**
5. Manufacturing	**8%**
6. Utilities	**6%**
7. Petrochemical & refining	**2%**
8. Other	**8%**

Read more on **page 25**

Utility (PSU)

Longer-term projects providing power to national utility customers.

● **Revenue**

£342m

21% of Group revenue

● **Operating profit**

£43m

20% of Group operating profit

* PSU revenue excludes pass-through fuel.

100% of revenue is derived from national utility customers.

The longer-term opportunity for Aggreko: an energy market in transition

We are anticipating and responding to the megatrends of Decarbonisation, Decentralisation, Digitalisation and Demographic change in our markets.

We have identified the opportunities these trends present, playing to our established strength in providing modular, temporary power and to the new skills we are developing. We offer maximum fuel flexibility, using gas, diesel, renewable fuel sources and microgrid and storage solutions.

We have developed specific applications and tools to help our customers adapt to the energy transition.

Our strategic priorities are designed to ensure that we make the most of these changes, and we are investing in our capabilities accordingly.

Read more about our strategy on **page 10** and our marketplace on **page 08**

Introduction from Ken Hanna

> A critical year for the Group in which we have begun to see a return on the very significant work that has been done to strengthen Aggreko's foundations and respond to its changing markets, with an additional focus on the operational disciplines and cultural changes needed to compete.
>
> **Ken Hanna**
> Chairman

2018 has been a critical year for the Group in which we have begun to see a return on the very significant work that has been done to strengthen Aggreko's foundations and respond to its changing markets. Over the past three years we have undertaken a wide-ranging agenda of improvements across the business.

We have seen increased competition enter our markets, in particular in the utility market, which significantly impacted our contract rates and returns. The dramatic fall in the oil price also took its toll on the business as a result of our previous high concentration in the oil and gas market, which we have taken steps to address over the past three years. Finally, the liquidity constraints of some of our key customers in the emerging markets resulted in a significant increase in the level of working capital across our project portfolio.

Our strategic priorities since 2015 have sought to address these challenges by focusing on operating efficiency improvements and increased investment in new technology to develop a more cost-efficient fleet, a more diversified sales strategy, and an increase in our focus on working capital management across the Group. As a result of these changes, with an additional focus on the operational disciplines and cultural changes needed to compete, I believe that Aggreko is now a much stronger business.

With the appointment of a new CFO in January 2018, we took the opportunity to review our strategy with a particular focus on financial returns. The original Return on Capital Employed (ROCE) target of around 20% that was set in 2015, before the full impact of the changes our markets were undergoing could be understood, proved to be over-optimistic. And while the comprehensive review this year confirmed that our strategy is right, we have reduced our ROCE expectations to a more realistic level of mid-teens in 2020.

I would like to thank everyone in Aggreko who has embraced our values and helped to improve the business and, by delivering their local objectives, has contributed to a good financial performance this year. I know that this does not happen without commitment and discipline, and I am very grateful for their support.

As you read through this year's Annual Report, I believe that you will see how much stronger Aggreko is and where its ambition lies, as well as the challenges we still face and the many self-help measures we have in place to deal with them.

Ken Hanna
Chairman

Our markets are changing, and so are we

> We are confident that we have a stronger base upon which our plans can take hold. At the same time, we are excited about the opportunities for Aggreko both in our existing markets as well as in new opportunities created by the transition in the energy market.
>
> **Chris Weston**
> Chief Executive Officer

Here is a selection of investors' questions which go to the heart of the issues we are addressing.

Q.
When you changed your ROCE target, you gave yourselves just two and a half years to get to the mid-teens target. Is it the right target and what makes you so confident that you can achieve it?

A.
Chris Weston Given the detailed plans we have in place to improve the Group's ROCE, we are confident that we can meet the mid-teens target in 2020 and felt it was important to give shareholders a shorter-term target than previously. As we set out at the time of our Interim Results in August 2018, delivery of the target will require both growth in operating profit and a reduction in the Group's capital employed. We have spent considerable time explaining to all our people the importance of ROCE and how their actions can influence it.

A.
Heath Drewett Improving our operating profit will be achieved through a combination of top-line growth and cost efficiency. We will take various self-help measures to manage down our capital employed, including a continued focus on the utilisation of our fleet, a disciplined approach to capital expenditure, tighter management of our inventory levels and working closely with our customers to ensure that, over time, we reduce the level of outstanding debt on our balance sheet.

Q.
With Power Solutions Utility now only 21% of Group revenue, are you comfortable with your scale in this market?

A.
Chris Weston As the Chairman notes, this market has changed considerably as competition has increased and we have had to absorb the substantial decline in the profitability of various legacy contracts as they have re-priced or off-hired. We believe our actions, in particular sales discipline focused on margin improvement and cost management, will drive improvement in this business.

We are encouraged by the growth we have seen elsewhere, within both Rental Solutions and Power Solutions Industrial, and are comfortable with the changing balance of the overall Group.

Q.
Are you over-exposed to oil & gas and is a potential downturn in the US market a threat?

A.
Chris Weston We have very deliberately diversified our business in North America, where oil and gas now accounts for only around 20% of our revenue. That said, it remains an important sector for us. With the introduction of the sector-specific dedication of our sales force and processes, we are doing more to ensure we benefit from the growth available in all the sectors in which we specialise.

Q.
You are heavily weighted to diesel – does this mean there is a risk of ending up with a lot of stranded diesel assets with regulatory change?

A.
Chris Weston Our current fleet is about 78% diesel, reflecting the fact that the vast majority of our customers do not have access to gas or simply want the immediacy and reliability that diesel brings. Emissions regulations have been tightening for a number of years and we work with our suppliers on an ongoing basis to ensure we continue to comply with the changes. We do not see stranded diesel assets as a significant risk to the business.

Q.
Do you really believe you have reached the low point and are now at a point of inflection?

A.
Heath Drewett The bottom-up projections we have for the Group indicate that 2018 was indeed a point of inflection in our financial performance. That said, we know we have hard work ahead to drive operating profit growth and a more efficient capital base. However, I believe that the platform we have built and the detail with which we are addressing our challenges at every level in the business should enable us to begin to improve returns this year and beyond.

Aggreko creates value by providing mobile and modular temporary power and temperature control

Our value proposition

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 more efficient power and temperature control solutions.

Along with our mobile, 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 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, and we also have tools to help our customers adapt to the energy transition the world is experiencing.

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 sustainable competitive advantages that set us apart

1.
Brand strength and reputation
Our customers value our flexibility, reliability, ethics and innovation in offering options for lower cost and emissions.

2.
Extensive global network of sales and service centres
We are truly global. The map on page 2 shows the geographies we cover and the location of our 195 sales and service centres.

3.
Investment in solutions to build our digital capability
Our Market Intelligence Platform, CRM, e-commerce portal and data analytics capability give us the edge in the digital field.

4.
Highly trained team of specialists
Our sector specialisation, which is now well embedded in our sales teams, differentiates us from our competitors.

5.
High-quality innovation and execution
Without our competent engineering, data analytics and agility we could not deliver the reliability, flexibility or innovation our customers value.

6.
Delivery of bespoke solutions for customers
We excel in the most challenging conditions where Group-wide expertise is brought to bear to deliver specific solutions to the most complex of situations.

Our customers and how we reach them

While we focus on seven key sectors in which we have proven specialist knowledge and experience, this is not exclusive, and we are constantly looking to expand our relevance and broaden our customer base. Our key sectors are shown on page 12 with a discussion on our approach to customers.

→ We engage with our customers via our specialist, sector-specific sales team, backed up by a global network of 195 sales and service centres.

→ We leverage our experience for the benefit of all customers through formal and informal sharing of knowledge across the Group. Our digital channels are playing an increasingly important role in the specification, monitoring and analysing of operational performance. For our more immediate, transactional sales, we are developing an e-commerce platform.

→ Our customers can range from a hospital in urgent need of backup power, to a country with an unreliable grid; from the organising committee of a big event like the Olympics, to a mining company setting up in a new location. Case studies on our website and on pages 12 to 17 describe what we are capable of delivering, the sophistication of our bespoke solutions and of our provision of power in the most challenging of conditions.

Our three inter-related but distinct businesses

Rental Solutions

Key revenue streams

Focusing on high-value sectors in developed markets, we use our specialist expertise to deliver our customers' requirements, which are:

- → Immediate availability for short-term contracts
- → Delivery of secure power supply and temperature control
- → Ability to work in remote locations
- → Flexibility in our solutions
- → Environmentally friendly options for large corporate customers

Driving our returns

- → Growing revenue and improving operating margins
- → Improving profitability from higher-value, higher-margin work through specialist sales resources and processes
- → New systems to support the customer journey, improve efficiency and enable real-time pricing with improved governance
- → E-commerce platform and telesales for the more transactional market
- → Deploying assets more efficiently to reduce capital employed

Power Solutions Industrial

Key revenue streams

Focusing on natural resource and industrial sectors, we use our specialist expertise, gained from similar industries to Rental Solutions, but in different geographies in the developing markets, to deliver our customers' requirements, which are:

- → Delivery of secure power supply and temperature control
- → Ability to work in remote locations
- → Flexibility in our solutions
- → Environmentally friendly options for large corporate customers

Driving our returns

- → Growing revenue and lowering the cost of our operating model to increase operating profit
- → Improving profitability from higher-value, higher-margin work through specialist sales resources and processes
- → New systems to support the customer journey, improve efficiency, and enable real-time pricing with improved governance
- → Offering hybrid solutions to provide new growth opportunities
- → Optimising fleet allocation and achieving a more efficient hub and spoke depot network to reduce capital employed

Power Solutions Utility

Key revenue streams

Focusing on utilities in emerging markets, overlapping with those in which Power Solutions Industrial operates, our customers' requirements are driven by a lack of reliable power supply from the grid or seasonal fluctuations in demand/supply and are:

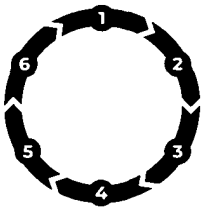
- → Temporary power provision, across one to three years generally
- → Ability to work in remote locations
- → Flexibility in our solutions

Driving our returns

- → Reducing our cost base to improve operating profit
- → Cost reduction programme described in more detail on page 16
- → Reducing capital employed
- → Focusing new diesel product build programme on fleet upgrades
- → Optimising fleet allocation and transfers to improve utilisation

● Our approach to improving our returns is discussed in more detail on **page 11**.

How we create value for our customers and shareholders



❶ Differentiation to attract customers

Our reputation and brand are backed up by our technical capability, experience and understanding of our industry based on:

- → Flexibility through our mobile, modular approach with multiple fuel types
- → Scale and global reach with pooled experience
- → Reliability
- → Innovation and ability to deliver unique or bespoke solutions
- → Capability to deal with constraints and requirements on emissions, noise and cost

❷ Understanding and identifying customers' needs

We are particularly well positioned to help customers with the following needs:

- → Low-cost energy
- → Reliable energy
- → Immediate or rapid response
- → Access to remote, less accessible locations
- → Cleaner energy
- → Temperature control

❸ Refining the specification and problem solving

Our problem solving ability, technical capability and knowledge-sharing enable us to develop more sophisticated solutions and applications, particularly for highly complex or valuable installations, or where environmental concerns are paramount. These capabilities include:

- → Our constant focus on improving efficiency without compromising reliability
- → Transparent pricing through our cost of energy calculator and other initiatives
- → Additions to our product portfolio over recent years, including hybrid, storage, system optimisation and HFO

❹ Deployment and operational support

By deploying the appropriate equipment for each project, we ensure customer satisfaction and improved utilisation. We focus on:

- → Deploying the right equipment and fuel type whether new, refurbished or bespoke
- → Digital applications covering data monitoring of our equipment so we deliver higher service levels
- → CRM to track customers' needs and our own performance, feeding back experience and improving our knowledge

❺ Demobilisation

At the end of a contract, we move equipment to new projects to keep costs down for customers and improve our utilisation based on:

- → Increased longevity of our equipment supported by more sophisticated remote data monitoring and condition-based maintenance programmes
- → Optimisation of fleet logistics and project manning to manage transfers of equipment more efficiently

❻ Preparing for the next customer

Both our customers' and our own operational feedback from each contract are built into our data analytics so that lessons can be learned and applied Group-wide with:

- → Digitalisation and data analytics supporting decisions on best allocation of resources

We are helping our customers in their transition to the new realities of global energy markets

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

The challenges of the energy transition

Demographic change

means that grid investment is not keeping up with the growth in the world's urban population.

15%

growth in urban population by 2025 and 25% by 2030

- Global population is expected to increase by one billion during the next decade with 94% of this in urban populations of less developed regions.
- In these regions, power supply is often unreliable. The World Bank reports that electricity supply in 26 such countries has deteriorated since 2016 and there are currently 1.1 billion people, mainly in Africa, without access to power.
- There are also vast geographic areas where the population density does not, and may never, support grid investment.

Decentralisation

leads to demand for flexible power solutions addressing more complex power systems.

1GW

of microgrids in the past few years; we believe a further 6GW of capacity is planned

- 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. The 6GW of new microgrid projects planned affect all segments of the energy market – business, residential and communities.
- In emerging markets, off-grid or 'behind the meter' power systems are an increasingly important self-supply solution and distributed energy could represent between 40% and 60% of all the remaining investment required to provide universal access to electricity.
- With $55 billion invested in distributed energy hardware (rooftop solar, smart metering, behind the meter storage, etc.) in 2017, decentralisation represents a rapidly growing and sizeable market opportunity.

Decarbonisation

drives investment towards renewables and lower emission fuels.

By the late

2020s

renewable technologies are expected to be cheaper than conventional thermal technology

- Decarbonisation imperative is causing pressure to improve the efficiency of existing installations and to limit emissions. This comes at a time when population and economic growth are pushing up both energy demand and CO_2 emissions. Decarbonisation represents both risks and opportunities for our activities in these key markets.
- Higher energy efficiency and investment in renewables are expected to be the main enablers of CO_2 emissions reductions. The falling cost of renewable technologies will drive investment in wind, solar and storage capacity as these sources are expected to be cheaper than running existing grid-scale coal and gas plants on a levelised basis by the late 2020s.
- Increasing renewable capacity will require flexible power units, including batteries and small peaking gas plants, and demand management to effectively balance the system.
- Hybrid systems, which include thermal generation, provide a pathway to integrate more renewable energy while reducing CO_2 emissions.

Digitalisation

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

- Digitalisation improves electricity systems by increasing connectivity, visibility and performance of devices through digital communications, analytics and insight. 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.
- Digitalisation may have its biggest impact in renewable energy where there is a growing need to integrate a diverse mix of energy systems, including distributed generation and energy storage. As the main renewable energies are intermittent and power systems more complex, digitalisation will help to balance the system in the most efficient way.

The marketplace in which we operate

Increasing demand for power

Our markets have historically grown as a country's economy grows, particularly in industrial sectors where finance is more available. Projected global GDP growth of 3.5% for 2019 (IMF) is expected to drive this demand.

Globally there is a move for greater integration of networks with cross-border transmission infrastructure development.

In the power sector, there is an estimated 2,390GW of capacity currently under construction or planned in the next few years with almost half of this in Asia (Platts).

Investment in power supply is expected to focus mainly on solar and wind (with around 43% from fossil fuels) driven by declining costs, batteries and flexible power solutions such as peaking gas.

An increase in distributed energy resources will tend to decrease the average size of power plants and increase the number of power producers. Construction of those plants should be faster than large utility-scale projects, but the development, duration and funding processes remain challenging.

The high potential for gas technology along with batteries over the mid and long term will drive the shift towards decentralised and decarbonised energy systems. Gas is expected to remain at around 20% of the global power mix.

Increasing demand for power, construction of new power plants, the move towards renewables and storage, and increased focus on decentralised, decarbonised energy systems will provide opportunities for Aggreko.

3.5%

Projected global growth driving demand for power in 2019 (IMF)

2,390GW

Power sector capacity currently under construction or planned (Platts)

Commodities

Improved commodity prices in 2018 resulted in a rise in industrial activity in many of our markets.

The cost of energy is a key concern for customers in these sectors and our sector specific applications, such as the solar-diesel hybrid on mining sites and flare gas-to-power solutions, will be an important revenue driver for us.

Oil & gas

→ Oil demand is supported by global GDP growth, particularly in emerging markets.

→ Positive oil and gas price forecasts underpin infrastructure projects and support significant capital expenditure in production.

→ The oilfield services sector has seen recovery, particularly in the US, and current trends remain favourable.

→ Liquid petroleum gas (LPG) is available in over 130 countries, compared to around 40 for natural gas, and is a very attractive solution in countries looking for cheaper, cleaner power.

→ Liquefied natural gas (LNG) development, coupled with investment in pipeline and infrastructure, will make gas available more widely.

Petrochemicals and refining

→ The global market for petrochemicals is expected to grow at an annual average rate of 9% by 2023 (Energias Market Research). The Asia-Pacific region has been the main contributor in the past and is expected to continue leading the sector, with the Middle East remaining the most competitive place for production.

Mining

→ Positive developments in commodity prices have meant that this sector has had access to more funding for new projects.

→ Gold production levels are expected to grow, particularly in Australia and Canada.

→ Demand for commodities of the future, such as copper, nickel, aluminium, lithium and cobalt, is being driven by growth in electric vehicles and battery storage arising from pressure to decarbonise.

9% CAGR

Growth rate of global petrochemicals market by 2023 (Energias Market Research)

Competition

To maintain our competitive position in this changing environment we have, in line with our strategic priorities, improved our technology offering, customer focus and efficiency.

All markets

We compete with regional, national and local businesses, many of which are privately-owned specialist rental businesses, divisions of large plant hire companies, or OEM (Original Equipment Manufacturer) dealerships. Very few provide our sector-specific solutions or engineering expertise.

Developed markets

The larger general rental companies do operate in specialist sectors, including power, heating and cooling, with a focus on transactional equipment hiring. Our strategic priorities and individual country and sector strategies address the competition in these markets.

Emerging markets

Several competitors cover wide geographical areas across emerging markets. However, we believe we are the only company with a truly global footprint, capable of high standards of innovation for bespoke solutions. In the utility market, demand has mainly been towards longer-term contracts while our modular, mobile and temporary equipment favours contracts of one to three years in length, in which we believe we have maintained a market share above 50% of the addressable market.

5.5%

Investment growth over the next five years in emerging and developing economies (IMF)

Our strategic priorities will enable us to succeed in a changing world

Since we first set out our strategy in 2015, it is clear that our markets have changed, and will continue to do so, and we have evolved our strategy in response to this. This year we reviewed our strategy, the markets in which we operate and the returns we can expect to make. We have confirmed that our evolved 2015 strategy remains relevant, although we have reduced our medium term ROCE target.

Our four priorities to drive growth

Customer focus

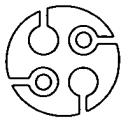
Tailoring solutions to improve customer experience

Continued focus on key sectors
→ Focus on key sectors, using our technical capability to enable us to tackle higher value, more complex challenges
→ Hybrid solutions using solar power and battery storage to regulate and integrate power

Sales and marketing discipline and process enhancements
→ Segmentation and channel development, including telesales and e-commerce
→ Real-time pricing governance

System investment to improve customer experience
→ Deployment of end-to-end customer journey systems

Remote monitoring and data analytics
→ Improved customer service and product development



Technology investment

Reduce the total cost of energy through innovation

Continued focus on reducing the total cost of energy
→ Fuel efficiency, hybrid solutions and emissions

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

Remote monitoring platform and data analytics capability

Hybrid solutions and storage integration
→ Integrating renewables, storage and thermal assets
→ Deploy to existing sites to improve efficiency and reliability

Capital efficiency

Optimise deployment of resources

More centralised fleet management to drive utilisation

Remote monitoring and data analytics
→ Reduce maintenance costs
→ Improve utilisation

Deploy Rental Solutions systems into Power Solutions Industrial
→ Back-office and process efficiencies

Cost reduction programme to deliver £50m of savings

Reduction in working capital

Expert people

Cultivate 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

Plans to improve our returns

Improvements to ROCE will be driven in each of the three business segments

As part of our 2018 strategy and markets review, we built detailed plans to enable us to meet our revised Group target for mid-teens ROCE in 2020. While there is considerable overlap, particularly between Rental Solutions and Power Solutions Industrial, which are subject to many of the same drivers, the detailed plans for improved ROCE are specific to each division, as set out below:

		Rental Solutions	**Power Solutions** Industrial	**Power Solutions** Utility
Operating profit	→ Sector focus and specialisation	✓	✓	
	→ Higher value, complex solutions	✓	✓	
	→ New real-time pricing governance systems	✓	✓	
	→ Remote asset monitoring to reduce unplanned downtime	✓	✓	✓
	→ Data analytics to reduce servicing costs	✓	✓	✓
	→ New customer journey systems	✓	✓	
	→ Introduction of e-commerce	✓		
	→ Sales disciplines driving revenue growth and margin improvement	✓	✓	✓
	→ Cost disciplines to improve margins	✓	✓	✓
	→ Cost reduction programme			✓
Capital employed	→ Global fleet and inventory management	✓	✓	✓
	→ Capital expenditure discipline	✓	✓	✓
	→ Utilisation improvements	✓	✓	✓
	→ Billing and collections under spotlight and part of the sales process	✓	✓	✓

Customer focus

Tailoring our solutions to improve our customer experience

Being particular about the sectors we target

Offering specialist solutions

Being simple to do business with

Strongly diversified but focused on seven key sectors

What our customers have in common is the critical need for power and temperature control to solve complex problems and provide reliable operational delivery.

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

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

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

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

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

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.

Our approach

→ By being **particular about the sectors** we serve, we can develop our expertise, create specific applications, and offer relevant experience and advice to ensure that customers get a tailored solution.

→ We are also **widely geographically diversified**. Rental Solutions operates in North America, Northern Europe, Continental Europe and Australia Pacific. Power Solutions, both Industrial and Utility, operate in less well developed markets in Latin America, the Middle East, Asia, Africa and Eurasia.

→ Our **customers' requirements** range from short-term, simpler, transactional rental of equipment, to providing temporary 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 anything up to three years, or even beyond.

→ The majority of our revenue is derived through our ability to manage and deliver **increasingly complex, higher-value solutions**. This may include the provision of off-grid, low cost or green power, a high level of reliability whatever the operating conditions, immediate response during emergencies or sector-specific problem solving, while the balance of revenue comprises shorter, more transactional rental contracts.

Customer-focused disciplines and systems, making us simpler to do business with

→ We enhance our sales capability through a **bespoke training programme**, supported by a new online tool which provides detailed knowledge of our products, our sectors, delivery and logistics, as well as ethics and safety.

→ Our **Market Intelligence Platform** gives us an accessible, in-depth understanding of the market dynamics affecting customers in each of our geographic markets, helping us to focus on the greatest opportunities for our business. It uses 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.

→ Our **enhanced CRM (customer relationship management)** has been rolled out and gives us a better understanding of customer requirements by analysing our operating history and service provision and is increasing internal collaboration and the speed of our service delivery.

→ For more transactional sales, we are evolving our **e-commerce platform**, providing a **more agile, cost-effective telesales channel** and a better service proposition. Alongside this, our new system enables **real-time pricing**, building in much more disciplined pricing governance, which should improve rates.

Powering the Winter Olympic and Paralympic Games

Challenge
The Winter Olympic and Paralympic Games captivate millions of people around the world, and the 2018 event in South Korea was the biggest ever. An event of this scale demands a significant amount of power. Given the environment and conditions, we knew deploying equipment on site would be very difficult for all involved and that it would be challenging to guarantee the reliable service Aggreko is renowned for.

Solution
Our experts devised a turnkey solution that consisted of 140MW; 232 of our containerised generators and 985km of cabling. We stationed 95 of our engineers on site; both before, and throughout the Games to ensure that power levels were optimised and constant and the equipment continued to operate in the face of extreme temperatures.

Impact
With the successful implementation of our power solution to supply the Games, we delivered on our customer's requirements. This meant that thousands of competitors could entertain the worldwide audience watching the action unfold.

985km
length of cabling

95
experts on site

-4°C
average temperature

20
venues powered

→ Remote monitoring and data analytics are benefiting customer service by improving our management of downtime, servicing and the efficient running of our equipment. This also enhances our understanding of our equipment and the sharing of knowledge across the Group, which feeds back into the development of our products and bespoke solutions.

→ A Voice of Customer programme is transforming how we measure our performance through the eyes of our customer. This programme demonstrates that 'Aggreko listens' by delivering greater transparency and clarity on what to tackle and improve across our business at both a local and global level by tracking the customer experience throughout the contract lifecycle rather than just measuring the customer experience at the end of the project.

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 exceed our customers' expectations. The statistical insight we now collect is driving our customer-focused change agenda to enable us to be simple to do business with.

Target
Sustainable improvements in the NPS over time.

Performance
With the introduction of multiple touch-point surveys this year, through the Voice of Customer programme, our pure NPS performance is not comparable with the NPS scores previously reported which only measured performance post-transaction. We know that our performance is in the top 5% of B2B service organisations on a global basis, and we strive to improve the customer experience further.

Net Promoter Score

59%

* Reflects a change in how we measure.

Customer activity

Measure
Group average power megawatts on hire.

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

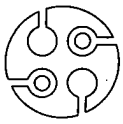
Target
We will not increase average megawatts on hire at the expense of price and this KPI should always be considered alongside our financial metrics.

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

Group average power on hire (MW)*

6,659MW

* Excludes hybrids.



Technology investment

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

An innovative approach to reducing costs and/or emissions

→ We use our in-house technical expertise, understanding of local emissions requirements on a country by country basis, and ability to innovate to achieve savings and/or reduced emissions for our customers. Our knowledge of the regulatory requirements and the environments in which the fleet operates has significantly strengthened our capability to adapt to the changing market conditions.

→ We have implemented a process to capture and manage our intellectual property resulting from our design and operations. 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 and are shared globally across Aggreko.

→ We are encouraged by the opportunity to provide solutions into the developing market for renewables that require complex control systems to integrate existing power sources with battery storage to effectively manage security of supply.

→ We continue to integrate Younicos, which we acquired in July 2017. As part of this integration, we have merged our Manufacturing & Technology and Global Solutions teams, to create Global Products & Technology. This will drive innovation with sales and delivery managed by our existing divisions, Rental Solutions and Power Solutions.

Flexibility and reliability of our fleet driving utilisation

→ Increasing utilisation is a key focus for improving our returns. Our fleet is modular and mobile, so it can be 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 20-foot shipping containers which facilitate transport logistics and lower costs.

→ We are increasing the longevity of our fleet with the support of our remote data monitoring capability and data analytics. 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 a condition-based maintenance regime.

Upgrading our existing fleet to improve efficiency and offer greater choice

	Diesel	Gas	Hybrid/Renewables	HFO
Average MW on hire	5,296MW on hire	1,332MW on hire	8MW on hire	31MW on hire
Integration of new technology	Refurbished 31% of our 1MW fleet to G3+	Addition of 323MW of Next Generation Gas since 2016	Contract in Eritrea (solar and diesel)	Addition of 181MW of HFO to our fleet since 2016
Benefits	· 5% improvement in fuel efficiency · 15% improvement in power output	· 11% improvement in fuel efficiency · 33% improvement in power output at lower capital cost	· Emissions reduced by 10-13% · Provides a reduction in the overall total cost of energy	· 8% improvement in efficiency vs. G3 · Modular and mobile HFO offering using proven engine

Providing clean, uninterrupted power to an island community

Challenge
St Croix, part of the Virgin Islands, has a long-term energy plan, which includes revamping its current ageing and inefficient power generation infrastructure. In 2017 one of its power generators suffered mechanical failure and a new power plant was required to avoid power shortfalls. The Virgin Island's Water and Power Authority required a solution for the many businesses, homes and critical infrastructure that keep the island running. It also needed cleaner energy, to cut costs and to comply with Environmental Protection Agency (EPA) regulations.

Solution
Aggreko is delivering 20MW of power to replace the defective plant from March 2019, using Liquefied Petroleum Gas (LPG) powered Next Generation Gas (NGG) generators. Our new power package comprises 1.2MW power modules to maximise flexibility, so the island's unique night and day demands can be met.

Impact
This solution will not only bring reliable power to the people of St Croix, but it also lowers emissions, providing cleaner power for this idyllic island and, most importantly, at a lower total cost of energy to both our customer and its end users. The island itself will benefit from savings of around $6 million in the first two years.

20MW
power

$6m
saving in the first two years

Mitigating our environmental impact

→ In 2018, 99% of our greenhouse gas emissions came from the operation of our fleet and we see it as our responsibility to **mitigate the carbon footprint of our products** where we can. Three main factors which drive our emissions are the fuel type our customers use; the pattern of their usage; and the fuel efficiency of our fleet.

→ Our equipment and processes are designed to **comply with applicable laws, regulations and industry standards** wherever we operate in the world. In addition, we constantly explore new ways of **reducing emissions from our fleet and increasing fuel efficiency**, and we regularly review product technologies that we can adopt into our product portfolio including bio-fuels, fuel cells and waste heat recovery.

→ We also work to **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.

● Read more about our greenhouse gas emissions on **page 83**

Measuring our performance

Fleet size and composition

Measure
Total power fleet size (in MW), split between generation type (diesel, diesel G3+, 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 we have refurbished more diesel engines to the G3+ and introduced more NGG engines. We have also begun to introduce solar, although this remains immaterial in the context of the overall fleet at this stage.

Power fleet composition

10,009MW

	2018	2017
1. Diesel	**62%**	(64%)
2. Diesel G3+	**16%**	(14%)
3. Gas	**17%**	(18%)
4. NGG	**3%**	(2%)
5. HFO	**2%**	(2%)

2017 total: 9.9GW

Capital efficiency

Optimise deployment of resources

Being mobile and modular

Getting the very maximum 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 return on capital employed as a key metric for ensuring we deliver long-term value.

Our approach to allocating our capital is disciplined both in terms of capex and working capital, and we have a ROCE hurdle rate for all new projects. A key objective is to improve our performance in working capital management.

Our capital allocation is focused on organic investment and we do not expect to make acquisitions unless the rationale for scale or capability is compelling.

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 of 17.74 pence (2017: 17.74 pence), combined with the interim dividend of 9.38 pence (2017: 9.38 pence), will result in a full year dividend of 27.12 pence (2017: 27.12 pence) per Ordinary Share.

Our aim is to **maintain a balance sheet structure that safeguards our financial position** through economic cycles. Given the proven ability of the business to fund organic growth from operating cash flows, together with the nature of our business model, we believe it is appropriate to run the business with a modest amount of debt. However, given our high operational gearing we 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 2018, net debt to EBITDA* was 1.3 times (2017: 1.2 times). During the year, cash flows from operations were £423 million (2017: £450 million).

Optimising the deployment of our assets to improve utilisation

Our scale brings operational efficiencies and minimises our capital costs, but we have further **opportunity to improve the utilisation of our assets.** Measures are in place to improve utilisation including more centralised fleet management, making it easier to deploy fleet across the world, particularly from Utility projects to the faster growing businesses – Rental Solutions and Power Solutions Industrial.

Capital expenditure is allocated where it can deliver the best returns over the long term. We reduced our investment in new fleet by £50 million, comparing 2018 with 2017, and we expect to maintain fleet capex at a similar level in 2019. While there is the opportunity to improve the utilisation of our existing fleet, particularly in Power Solutions Utility, we expect capital expenditure to remain below depreciation this year.

Asset monitoring and condition-based servicing reduce fleet redundancies, helping to **extend the working life of the assets.**

Improved operational efficiency

We have, over the past few years, removed duplication by streamlining back office processes through significant savings in procurement disciplines and improved productivity in HR policies to align performance and remuneration. However, **there is more to be done yet to improve operational efficiency.**

We are **targeting improved operating efficiency in Rental Solutions and Power Solutions Industrial** through the sharing of best practice. This includes extending effective customer-journey and remote asset monitoring systems from Rental Solutions to Power Solutions Industrial and introducing data analytics to reduce costs of regular servicing and maintenance in both business units.

Our **planned cost reduction programme, which is focused on Power Solutions Utility, is expected to achieve net savings of £50 million in 2021.** The programme includes condition-based maintenance to reduce servicing costs; procurement savings through the extension of our spare parts supplier base; optimisation of fleet logistics and project manning; a review of regional office and support function locations and the improvement of sales productivity through training and development.

*Net debt to EBITA calculation is on page 142

32 remote Amazonian communities needed power

Challenge
The State of Amazonas is the largest in Brazil, it is isolated and predominantly rain forest. While most of the area is connected by the river Amazon, including the 60 municipalities overseen by the area's capital city, Manaus, this is not an area that is easy to access. Therefore the national grid struggles to provide the power all the communities needs.

Solution
While the grid could not get there, we could – by floating 65 generators up the Amazon on eight barges that covered about 20,000km of river network. 65MW of power is being delivered to 32 remote locations under a 15-year contract. This was one of the more challenging projects we have undertaken over the years, but it was also one of the most rewarding, clearly demonstrating our can-do attitude.

Impact
32 isolated communities received the long-term security of supply they need to thrive. Among the communities that will be supported over the 15-year contract is Parintins, Amazonas' second city; Maraã, a settlement located within a Sustainable Development Reserve; and Coari, which needs to power its gas industry.

20,000km
of river network used to carry the generators

8 barges
commissioned

65MW
of power provided

Focus on reducing working capital

Our Group-wide programme to improve our working capital management has seen some positive signs.

Receivables remain a key focus, we still have some customers in Africa, Venezuela and Yemen in particular who are taking longer to pay owing to issues of liquidity and access to foreign currency. We believe that with the introduction of clear targets, increased frequency and levels of review, together with the addition of further resources to focus on this area, we are beginning to make progress.

We have begun to adopt best practice principles in our supply chain management and our efforts on payables have delivered improvements.

In 2018, we increased our focus on inventory management with actions including the systematisation and automation of inventory buying across the Group and the centralisation of inventory management to ensure we are utilising stock more efficiently across all our geographies. We are also working closely with suppliers to establish consignment stock arrangements where we can and proactively working on stock sales and buy-backs.

Measuring our performance

Capital efficiency

Measure
Fleet utilisation by business unit.

Relevance
We are a capital intensive business and in order to generate strong returns on our capital investment our fleet needs to be well utilised. Across our businesses we use 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 2018 we saw utilisation in our Rental Solutions and Power Solutions Industrial businesses improve as our business priority initiatives helped grow our businesses. We need to see further improvements to meet our targets, but the progress is encouraging. Lower order intake and a higher level of off-hires in 2018 resulted in a fall in the utilisation of our Power Solutions Utility fleet.

Power Solutions:
Industrial utilisation

71%

Power Solutions:
Utility utilisation

66%

Rental Solutions:
Rental Solutions utilisation

62%

Expert people

Cultivating a high-performance organisation

Living Always Orange

Nurturing our full potential

Staying safe and professional at all times

At Aggreko we believe our culture is a strategic lever for growth and Always Orange was implemented in April 2017 to define the culture we need. 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 social interaction across our markets and ultimately allow us to deliver our business objectives.

Creating a high-performance culture – Living Always Orange

- Our people have a good understanding of our **Always Orange** culture and the important part it plays in helping us to grow. 83% of our people stated they agreed with this statement in our 2018 employee survey (Be Heard), up 3% on 2017.
- We expect all our people to act like owners and have **increased our commercial acumen** through the virtual ROCE learning and interactive quiz 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.

Operating safely and responsibly at all times

- We continue to promote **Standard Zero**, setting the foundation for how we manage risks to ensure we stay safe and professional at all times across the world. Thirteen specific HSE risk aspects directly related to our people and our business are being embedded to ensure we are staying safe and responsible.
- We have created a **Security Incident Reporting app** for our people, wherever they are, to effectively report a security incident at any time.
- In our Be Heard employee survey, 97% of our people 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 introduced a **'Being Expert with our Data'** policy to ensure we comply with the new data protection regulation and that our people do the right thing when they handle personal data.

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 Always Orange culture is supported by our values and their respective behaviours

Nurturing our full potential

- The 2018 Be Heard Employee Engagement Survey achieved a very high engagement score of 76% (up 1% on last year) with 88% of staff (similar to last year) declaring an overall pride in working at Aggreko. Lower scoring areas were on the topics of remuneration and work-life balance. The feedback helps us focus our efforts to make Aggreko an even better place to work and we are committed to improving our scores across all areas.
- With the establishment of our Value Difference team, we are continuing our **focus on diversity and inclusion**. We are launching a new mobile intranet which will include a translation feature ensuring that our people can access information and discussions in their local language. We also analyse the results of our employee engagement survey from the perspective of gender to ensure we are dealing with underlying gender-based perceptions. Our latest Gender Pay Gap Report is available on our corporate website.
- Through a globally consistent approach to performance and development ('Be Your Best') we are encouraging the strongest performance from our people by providing **training and development** and through personal objectives and performance-based remuneration. We are now aligning any potential bonus payments to individual, as well as Company and strategic business unit, performance.

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 KPI 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
Safety continues to be a key area of focus in 2018. At the beginning of the year we introduced 'stop work authority', designed to empower people to act on risks they witness and to ensure that they don't put themselves or others at risk. We also introduced our 'Leading Safety' programme for our frontline leaders, which focuses on engagement and how to have meaningful and positive safety conversations.

Lost time injury frequency rate

0.20

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

Performance
This year employee turnover was in line with last year as the measures taken to improve engagement take effect. Our employee engagement score continues to rise with a score of 76% in 2018, up 1% compared with the prior year.

Employee turnover

8%

A strong performance with good revenue and earnings growth

> We are pleased to report results which continue the positive momentum demonstrated at the interims. We have delivered results in line with market expectations and ahead of our guidance at the start of the year, with 10% growth in the Group's underlying profits. The overall result was supported by a strong performance in Rental Solutions, which represents 52% of the Group's revenue. With the wide-ranging initiatives we are implementing to improve our operational and capital efficiency, we are confident we can meet our mid-teens ROCE target in 2020.
>
> **Chris Weston**
> Chief Executive Officer

- Good underlying[1] Group revenue growth of 8%
  - Rental Solutions underlying[1] revenue up 22% (52% of Group revenue)
  - Power Solutions Industrial underlying[1] revenue up 7% (27% of Group revenue)
  - Power Solutions Utility underlying[1] revenue down 14% (21% of Group revenue), reflecting known off-hires
- Profit before tax of £182 million, up 10% on an underlying[1] basis and in line with market expectations despite currency headwinds
- ROCE[2] of 10.3% (2017: 10.7%), up 0.5 percentage points on an underlying[1] basis
- Operating cash flow of £423 million (2017: £450 million), impacted by cash outflows relating to mobilisation activities on a number of new contracts
- Working capital outflow of £56 million (2017: £53 million), including £60 million outflow on payables
- Fleet capex of £196 million (2017: £246 million), reflecting increased discipline and focus on utilisation
- Full year dividend maintained at 27.1 pence
- Awarded the supply contract for temporary electricity generation for the Olympic and Paralympic Games in Tokyo, worth an expected $200 million revenue in 2020
- Plans to improve ROCE are well under way, including the launch of our £50 million cost reduction programme

Measuring our performance

Underlying revenue growth

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

Relevance
As a business that is exposed to different cycles, we look at revenue growth over time 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 pages 21 and 22.

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

Performance
Rental Solutions was up 22% driven by strong growth across most sectors in North America. We also achieved good growth in Europe and Australia Pacific. Power Solutions Industrial increased 7%, supported by strong growth in Latin America and the South Korea Winter Olympics. Power Solutions Utility was down 14% primarily due to known off-hires, and lower volumes and pricing in Argentina.

Underlying revenue growth

8%

Pre-exceptional operating profit margin

Measure
Pre-exceptional operating profit margin.

Relevance
Our business has a large fixed cost base, therefore strong operating profit margins demonstrate 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 down 0.7pp however after adjusting for currency and pass-through fuel operating margin increased 0.2pp with improvements in Rental Solutions and Power Solutions Industrial partially offset by a reduction in Power Solutions Utility.

Pre-exceptional operating profit margin

12.5%

1 Underlying excludes pass-through fuel, currency and 2017 exceptional items (no exceptional items reported in 2018). A reconciliation between reported and underlying performance is detailed on page 28.

2 ROCE calculation is on page 141.

* 2017 numbers are shown on a pre-exceptional basis and have been restated for the implementation of IFRS 15. Refer to Note 1 of the Accounts page 96.

Group trading performance

£m	2018	2017[2]	Change	Underlying change[1]	Post exceptional items 2017	Post exceptional items Change
Group revenue	**1,760**	1,698	4%	8%	1,698	4%
Operating profit	**219**	224	(2)%	10%	183	20%
Operating profit margin (%)	**12.5**	13.2	(0.7)pp	0.2pp	10.7	1.8pp
Profit before tax	**182**	190	(4)%	10%	149	23%
Diluted EPS (p)	**49.2**	52.4	(6)%	7%	40.0	23%
Operating cash inflow	**423**	450				
Dividend per share (p)	**27.1**	27.1	–			
ROCE (%)[3]	**10.3**	10.7	(0.4)pp	0.5pp		

The Group has adopted IFRS 15 'Revenue from Contracts with Customers' with effect from 1 January 2018. Note 1 to the Accounts explains these changes in detail. Comparative figures for 2017 have been restated to reflect this change.

1 Underlying excludes pass-through fuel, currency and 2017 exceptional items (no exceptional items reported in 2018). A reconciliation between reported and underlying performance is detailed on page 28.
2 Pre-exceptional items in 2017.
3 ROCE calculation is on page 141.

Pre-exceptional diluted earnings per share

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 down 6% however after adjusting for currency and pass-through fuel EPS was up 7% driven by the growth in operating profit.

Pre-exceptional diluted EPS

49.18p

Pre-exceptional return on capital employed

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

Relevance
In a business as capital intensive as Aggreko's, profitability alone is not an adequate measure of performance: it is perfectly possible to be generating good margins, but poor value for Shareholders, if assets (and in particular, fleet) are 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 decreased 0.4pp mainly owning to the impact of currency. Excluding currency and pass-through fuel ROCE rose 0.5pp reflecting the increase in underlying profit.

Pre-exceptional return on capital employed

10.3%**

Group trading performance
Underlying[1] Group revenue rose 8%, driven primarily by a strong performance in Rental Solutions, offset by a decline in Power Solutions Utility, which now represents only 21% of Group revenue. Underlying[1] profit before tax was up 10% at £182 million. The operating margin was 12.5% (2017: 13.2%), up 0.2 percentage points on an underlying[1] basis, with improvements in Rental Solutions and Power Solutions Industrial partially offset by a reduction in Power Solutions Utility. Diluted earnings per share (DEPS) were 49.2 pence (2017: 52.4 pence, excluding exceptional items), up 7% on an underlying[1] basis.

The Group's return on capital employed (ROCE) decreased to 10.3% (2017: 10.7%) primarily due to the impact of currency. On an underlying[1] basis ROCE rose 0.5 percentage points.

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 decreasing revenue by £112 million and operating profit by £24 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 volumes of fuel consumed, which can be volatile and may distort the view of the performance of the underlying business. In 2018, fuel revenue from these contracts was £172 million (2017: £139 million).

* 2017 numbers are shown on a pre-exceptional basis and have been restated for the implementation of IFRS 15. Refer to Note 1 of the Accounts page 96.

** ROCE calculation is on page 141.

Divisional headlines

Revenue £m	2018	2017	Change	Underlying change[1]
Rental Solutions	**822**	690	19%	22%
Power Solutions				
Industrial	**424**	429	(1)%	7%
Utility excl. pass-through fuel	**342**	440	(22)%	(14)%
Pass-through fuel	**172**	139	24%	47%
Group	**1,760**	1,698	4%	8%

Operating profit £m	2018	2017[2]	Change	Underlying change[1]	Post exceptional items 2017	Post exceptional items Change
Rental Solutions	**105**	81	30%	34%	68	55%
Power Solutions						
Industrial	**71**	73	(3)%	10%	62	15%
Utility excl. pass-through fuel	**46**	73	(37)%	(23)%	56	(17)%
Pass-through fuel	**(3)**	(3)	n/m	n/m	(3)	n/m
Group	**219**	224	(2)%	10%	183	20%

1 Underlying excludes pass-through fuel, currency and 2017 exceptional items (no exceptional items reported in 2018). A reconciliation between reported and underlying performance is detailed on page 28.

2 Pre-exceptional items in 2017.

Reported financial measures (continued)
Reported Group revenue was up 4% on the prior year, with Rental Solutions up 19%, Power Solutions Industrial down 1% and Utility (excluding pass-through fuel) down 22%.

There were no exceptional items reported in 2018. During 2017 the Group incurred exceptional costs of £41 million relating to the implementation of our Business Priorities programme, split as follows: Rental Solutions £13 million, Power Solutions Industrial £11 million and Power Solutions Utility £17 million.

Divisional headlines
As previously announced, as a result of the Group's increased sector focus, we have refined our segmental reporting and reassigned all non-utility sector customer contracts from within our Power Solutions Utility business into Power Solutions Industrial. The details of the impact of this change are contained in Note 4(a) to the Accounts. Comparative figures for 2017 have been restated to reflect this change.

Rental Solutions underlying[1] revenue was up 22% and represented 52% of Group revenue. North America had a strong year with revenue up 25%, including £27 million (2017: £22 million) earned from hurricane related work (net of base business lost due to hurricanes) and a strong performance across several key sectors including oil & gas, petrochemical & refining, utilities and building services & construction. We also achieved good revenue growth of 17% and 16% in Europe and Australia Pacific respectively. Operating margin on an underlying[1] basis rose 1.2 percentage points to 12.9%, driven by improved rates and operational efficiency.

Proms in the park

Powering the Winter Olympics

Power Solutions Industrial underlying[1] revenue (27% of Group revenue) increased 7%, supported by particularly strong growth in Latin America of 31%, Asia up 11% and the Winter Olympics in South Korea. Underlying[1] revenue was up 4% excluding the Winter Olympics. Operating margin rose by 0.4 percentage points to 16.6% on an underlying[1] basis representing good performance across key sectors in Latin America partially offset by the Middle East with the impact of the ongoing Qatar blockade.

Power Solutions Utility underlying[1] revenue (21% of Group revenue) was down 14% primarily due to known off-hires in Zimbabwe, Bangladesh and Japan, and lower volumes and pricing in Argentina. As a result, the Power Solutions Utility margin was down 1.4 percentage points on an underlying[1] basis to 13.4%.

Cash flow and balance sheet
During the year cash generated from operations was £423 million (2017: £450 million). The decrease in operating cash flow is mainly driven by cash outflows relating to mobilisation (fulfilments assets) and demobilisation activities, with an outflow of £48 million in 2018 compared to £22 million in 2017. The higher outflows in 2018 relate primarily to mobilisation costs for new contracts in Bangladesh, Brazil and St Croix.

In 2018 we had a working capital outflow of £56 million compared to a £53 million outflow in 2017. This year's outflow consisted of a £10 million outflow from trade and other receivables, and a £60 million outflow from trade and other payables, partially offset by a £14 million inflow from inventory.

Additional performance metrics	2018	2017	Change
Average megawatts on hire (MW)	**6,659**	6,613	n/m
Rental Solutions average megawatts on hire	**1,531**	1,271	20%
Power Solutions Industrial average megawatts on hire	**2,445**	2,244	9%
Power Solutions Utility average megawatts on hire	**2,683**	3,098	(13)%
Total Power Solutions order intake (MW)	**1,002**	1,132	(11)%
Power Solutions Industrial (ex. Eurasia)	**271**	137	98%
Power Solutions Industrial (Eurasia only)	**333**	333	Flat
Power Solutions Utility	**398**	662	(40)%
Utilisation			
Rental Solutions	**62%**	56%	6.0pp
Power Solutions Industrial	**71%**	69%	2.0pp
Power Solutions Utility	**66%**	73%	(7.0)pp
Financial			
Effective tax rate	**31%**	29%*	2.0pp
Fleet capex (£m)	**196**	246	(20)%
Fleet depreciation (£m)	**273**	275	(1)%
Average net operating assets (£m)	**2,119**	2,090	1%
Net debt (£m)	**(686)**	(652)	5%

* Pre-exceptional items

The £14 million decrease in inventory was driven by the initiatives we put in place during the year to improve our performance in this area, including reduced levels of manufacturing activity aligned with our more disciplined approach to capital expenditure.

The decrease in trade and other payables balances was primarily as a result of the reduced manufacturing, together with the release of deferred revenue associated with the Winter Olympics in South Korea, and the timing of some contract payments in our Power Solutions Utility business.

The increase in trade and other receivables of £10 million comprised a £9 million increase in Rental Solutions (2017: £47 million increase), a £2 million increase in Power Solutions Industrial (2017: £30 million increase), and a decrease of £1 million in Power Solutions Utility (2017: £86 million increase). The increase in Rental Solutions is driven by revenue growth, principally in North America. In Power Solutions Utility, the level of our bad debt provision is broadly unchanged at $83 million and we remain focused on managing the trade receivables which have risen over recent years, primarily as a result of our customers' liquidity and limited access to foreign currency rather than any dispute or otherwise over the amounts due.

Fleet capital expenditure was £196 million (2017: £246 million), representing 0.7 times fleet depreciation (2017: 0.9 times). Within this overall fleet spend, £79 million was invested in our Rental Solutions business, primarily on new temperature control equipment and the renewal of our oil free air (OFA) fleet, and £117 million in Power Solutions, including £27 million upgrading our G3 diesel engine to the market leading G3+. As we continue to drive increased utilisation, fleet capital expenditure is expected to remain below £200 million in 2019.

Net debt was £686 million at 31 December 2018, £34 million higher than the prior year. This resulted in net debt to EBITDA on a rolling 12-month basis of 1.3* times compared to 1.2 times at December 2017. We remain committed to reducing our leverage over time, despite the adverse impact of IFRS 16.

Dividends

The Group is proposing to maintain the final dividend at 17.7 pence per share. Subject to shareholder approval, this will result in a full year dividend of 27.1 pence (2017: 27.1 pence) per Ordinary Share; this equates to dividend cover of 1.8* times (2017: 1.9 times, pre-exceptional items). Dividend cover is calculated as basic earnings per share for the period divided by the full year dividend per share. We remain committed to a sustainable dividend.

Outlook

We will continue to build on the work we have done over the past three years to drive efficiency and strengthen the foundations of the business and the improvements we have seen in 2018.

Our outlook for the Group in 2019 is in line with the market's expectations, despite currency headwinds and the impact of IFRS 16, although with a greater weighting to the second half than in 2018. In addition, the performance initiatives we announced in August, to drive operational and capital efficiency, are beginning to take effect and we expect to make progress this year towards our mid-teens ROCE target in 2020.

* Refer to pages 141 and 142 for calculations.

Our experts and equipment

Rental Solutions

I am pleased with the financial performance of all the regions across **Rental Solutions**. We have shown good revenue growth as a result of increased focus on key sectors where customers value our specialist knowledge and experience. We are also beginning to achieve benefits from the hard work of implementing new systems and ways of working which make us easy to do business with, while enabling us to better leverage our cost base.

Bruce Pool
President, Rental Solutions

Rental Solutions

- → 52% of Group revenue excluding pass-through fuel
- → Operates in North America, Northern Europe, Continental Europe and Australia Pacific
- → Average length of contract 3 to 6 months
- → Utilisation 62%
- → Key sectors: oil & gas, petrochemical & refining, utilities and building services & construction

Revenue £m	2018	2017	Change	Underlying change[1]
Rental Solutions	**822**	690	19%	22%

Operating profit £m	2018	2017	Change	Underlying change[1]	Post 2017 exceptional items 2017	Post 2017 exceptional items Change
Rental Solutions	**105**	81	30%	34%	68	55%
Operating margin %	**12.9%**	11.8%	1.1pp	1.2pp	9.9%	3.0pp
ROCE	**14.7%**	12.2%	2.5pp	2.7pp		

1 Underlying excludes pass-through fuel, currency and 2017 exceptional items (no exceptional items reported in 2018). A reconciliation between reported and underlying performance is detailed on page 28.

Remote monitoring of equipment

Rental Solutions

Average MW on hire

1,531MW

2017: 1,271MW

Utilisation

62%

2017: 56%

- → Our Rental Solutions business had a very good year, with improvements across all key metrics
- → Underlying[1] revenue and operating profit up 22% and 34% respectively
- → Improved operating margin of 12.9%, up 1.2 percentage points on an underlying[1] basis
- → ROCE of 14.7% reflects an underlying[1] increase of 2.7 percentage points driven by profit growth in North America
- → Strong performance in key sectors, notably oil & gas (representing 13% of Rental Solutions revenue), Petrochemicals & Refining and Utilities
- → Successful execution of the Commonwealth Games in Australia, with revenue of £7 million

North American underlying[1] revenue rose 25% on the prior year. Our sector focus continued to drive growth, and we saw good performance in most of our key sectors, in particular oil and gas, petrochemical & refining, building services & construction and utilities.

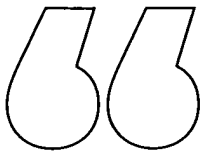
In our Australia Pacific business, underlying[1] revenue increased 16% excluding the Commonwealth Games, supported by good growth in the mining sector and a 100MW contract delivering emergency power to Melbourne over the summer months.

Our Continental European business grew underlying[1] revenue 24%, with good growth in most countries, in particular the Netherlands and Belgium, as well as benefiting from the Ryder Cup in France in September. Key sectors included petrochemical & refining, where we have leveraged our experience and expertise in North America to expand our market footprint, and in the utilities sector, where we have supported renewable energy build out as well as responding to the power shortages in Belgium.

The Northern European business also delivered good growth with underlying[1] revenue increasing 8%, driven by our Next Generation Gas contracts in Ireland and an increase in activity in the oil & gas sector.

Operating profit rose significantly, driven by higher rates and our measures to improve operational efficiency. This is reflected in the 1.2 percentage point underlying[1] increase in operating margin to 12.9%.

Power Solutions



The 7% increase in **Power Solutions Industrial** underlying[1] revenue and the strong operating margin reinforces our market approach. We focus on sector specialisation and the delivery of more complex, higher value solutions to drive revenue and improve our margin. At the same time we are implementing cost disciplines to further improve our profitability.

Power Solutions Utility underlying[1] revenue was down 14%, primarily due to known off-hires. Our approach in this market is to leverage our ability to deliver flexible, innovative solutions while reducing our cost base and improving utilisation.

Stephen Beynon
Managing Director, Power Solutions

Power Solutions Industrial

- → 27% of Group revenue excluding pass-through fuel
- → Operates in Latin America, Asia & Middle East, Eurasia and Africa
- → Average length of contract ~1 year
- → Utilisation 71%
- → Key sectors: oil & gas, mining, building services & construction

Power Solutions Utility

- → 21% of Group revenue excluding pass-through fuel
- → Operates in Latin America, Asia & Middle East, Eurasia and Africa
- → Average length of contract ~3 years
- → Utilisation 66%
- → Utility sector only

Revenue £m	2018	2017	Change	Underlying change[1]
Industrial	**424**	429	(1)%	7%
Utility excl. pass-through fuel	**342**	440	(22)%	(14)%
Pass-through fuel	**172**	139	24%	47%

					Post 2017 exceptionals	
Operating profit £m	**2018**	2017	Change	Underlying change[1]	2017	Change
Industrial	**71**	73	(3)%	10%	62	15%
Utility excl. pass-through fuel	**46**	73	(37)%	(23)%	56	(17)%
Pass-through fuel	**(3)**	(3)	n/m	n/m	(3)	n/m
Operating margin %						
Industrial	**16.6**	16.9	(0.3)pp	0.4pp	14.2	2.4pp
Utility excl. pass-through fuel	**13.4**	16.4	(3.0)pp	(1.4)pp	12.6	0.8pp

ROCE				
Industrial	**10.7**	11.3	(0.6)pp	0.1pp
Utility excl. pass-through fuel	**6.2**	9.2	(3.0)pp	(1.6)pp

1 Underlying excludes pass-through fuel, currency and 2017 exceptional items (no exceptional items reported in 2018). A reconciliation between reported and underlying performance is detailed on page 28.

Power Solutions Industrial

- → Underlying[1] revenue and profit increased 7% and 10% respectively, supported by the Winter Olympics in South Korea and good growth in Latin America and Asia
- → Underlying[1] revenue excluding the Winter Olympics rose 4%
- → Operating margin at 16.6% is up slightly on the prior year on an underlying[1] basis
- → ROCE of 10.7% is broadly flat

Power Solutions Utility

- → Underlying[1] revenue was down 14% and operating profit down 23%
- → Overall performance reflects the impact of known off-hires in Zimbabwe, Bangladesh and Japan and lower volumes and pricing in Argentina
- → ROCE down 1.6 percentage points to 6.2% on an underlying[1] basis, reflecting our reduced profitability

Our solutions for customers comprise our modular equipment and our expert people

Power Solutions continued

Power Solutions Industrial
Underlying[1] revenue increased by 7%. In Eurasia revenue grew 7%, with good growth in its key sector of oil & gas. Revenue in Latin America increased 31%, supported by an emergency contract in Argentina for a local utility distribution company. In the Middle East revenue decreased 8% with weakness in most areas, notably in Qatar and the UAE, largely as a result of the ongoing Qatar blockade. Revenue in Africa decreased 4%, driven by East Africa and off-hire of certain mining projects, while revenue in Asia excluding the Winter Olympics increased 11% with good performances from Japan and Singapore.

Operating margin on an underlying[1] basis was up slightly on the prior year at 16.6%, with a good performance in Latin America partially offset by the impact of the continued Qatar blockade in the Middle East on competition and pricing in that region, particularly in the first half.

Power Solutions Industrial order intake (excluding Eurasia) for the year was 271 MW (2017: 137 MW). Eurasia order intake was in line with the prior year at 333 MW (2017: 333 MW). While revenue in Eurasia showed good growth in 2018, we are experiencing increased competition in this market and expect to see a reduced level of growth in 2019.

Reported revenue and operating profit decreased by 1% and 3% respectively, while underlying revenue and operating profit increased 7% and 10% respectively with the difference due to exchange rate movements.

Average MW on hire
2,445MW
2017: 2,244MW

Order intake
604MW
2017: 470MW

Utilisation
71%
2017: 69%

Power Solutions Utility
Underlying[1] revenue decreased 14%, due primarily to lower rates and volume in Argentina and off-hires in Zimbabwe, Bangladesh and Japan. Consequently, the operating margin on an underlying[1] basis was down 1.4 percentage points to 13.4%. During the year we initiated a cost reduction programme to deliver savings of £50 million in 2021, the majority of which will be in our Power Solutions Utility business.

Average megawatts on hire was 2,683 (2017: 3,098), with the reduction reflecting an increased off-hire rate of 42% (2017: 34%), driven by known off-hires in Japan, Zimbabwe and Bangladesh. Order intake in the year was 398MW (2017: 662MW), including most notably a 50MW HFO contract in Burkina Faso and a 70MW diesel contract in the Philippines. In addition, we have agreed contract extensions on a number of key contracts, including our 117MW contract in Yemen and our 100MW contract in Benin.

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. The primary reason for delay in receiving payments remains our customers' liquidity position and their limited access to foreign currency, with the situation in parts of Africa, Venezuela and Yemen being the most difficult. Resolving these situations remains a key part of our strategy to improve returns in this business.

Average MW on hire
2,683MW
2017: 3,098MW

Order intake
398MW
2017: 662MW

Utilisation
66%
2017: 73%

Reliable solutions that deliver what our customers need

Now and in the future, our people help make a difference

Results which demonstrate Aggreko is returning to growth

> There is much in these results to demonstrate that Aggreko is now arresting the decline of the recent years and returning to growth. As we increase our focus on capital and operational efficiency, we remain confident that we can meet our 2020 mid-teens ROCE target.
>
> **Heath Drewett**
> Chief Financial Officer

A summarised Income Statement for 2018 is set out below, together with the comparative results for 2017 (both excluding and including the effects of exceptional items).

Income statement

£m	2018	2017[2]	Change	Underlying change[1]	Post exceptional items 2017	Change
Revenue	**1,760**	1,698	4%	8%	1,698	4%
Operating profit	**219**	224	(2)%	10%	183	20%
Net interest expense	**(37)**	(34)	(9)%		(34)	(9)%
Profit before tax	**182**	190	(4)%	10%	149	23%
Taxation	**(57)**	(56)	(2)%		(47)	(23)%
Profit after tax	**125**	134	(6)%		102	23%
Diluted EPS (p)	**49.2**	52.4	(6)%	7%	40.0	23%
Operating margin	**12.5%**	13.2%	(0.7)pp	0.2pp	10.7%	1.8pp
ROCE*	**10.3%**	10.7%	(0.4)pp	0.5pp		

* Calculation is on page 141.

1 Underlying excludes pass-through fuel, currency and 2017 exceptional items (no exceptional items reported in 2018). A reconciliation between reported and underlying performance is detailed on page 28.

Currency translation

The movement in exchange rates in the period had the translational impact of decreasing revenue by £112 million and operating profit by £24 million. This was driven by the strength against Sterling in the majority of the principal currencies impacting the Group. Currency translation also gave rise to a £24 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)	2018 Average	2018 Year end	2017 Average	2017 Year end
United States Dollar	**1.34**	**1.27**	1.29	1.35
Euro	**1.13**	**1.11**	1.14	1.13
UAE Dirhams	**4.91**	**4.66**	4.74	4.96
Australian Dollar	**1.79**	**1.80**	1.68	1.73
Brazilian Reals	**4.87**	**4.91**	4.12	4.48
Argentinian Peso	**37.48**	**48.62**	21.36	25.92
Russian Rouble	**83.70**	**88.02**	75.19	78.15

(Source: Bloomberg)

Reconciliation of reported to underlying results
The tables below reconcile the reported and underlying revenue and operating profit movements:

	Rental Solutions			Industrial			Utility			Group		
Revenue £m	**2018**	2017	Change	**2018**	2017	Change	**2018**	2017	Change	**2018**	2017	Change
As reported	**822**	690	19%	**424**	429	(1)%	**514**	579	(11)%	**1,760**	1,698	4%
Pass-through fuel	**–**	–		**–**	–		**(172)**	(139)		**(172)**	(139)	
Currency impact	**–**	(18)		**–**	(32)		**–**	(41)		**–**	(91)	
Underlying	**822**	672	22%	**424**	397	7%	**342**	399	(14)%	**1,588**	1,468	8%

	Rental Solutions			Industrial			Utility			Group		
Operating profit £m	**2018**	2017	Change	**2018**	2017	Change	**2018**	2017	Change	**2018**	2017	Change
As reported	**105**	68	55%	**71**	62	15%	**43**	53	(18)%	**219**	183	20%
Pass-through fuel	**–**	–		**–**	–		**3**	3		**3**	3	
Currency impact	**–**	(3)		**–**	(8)		**–**	(13)		**–**	(24)	
Exceptional items	**–**	13		**–**	11		**–**	17		**–**	41	
Underlying	**105**	78	34%	**71**	65	10%	**46**	60	(23)%	**222**	203	10%

1 The currency impact is calculated by taking the 2017 results in local currency and retranslating them at 2018 average rates.

2 The currency impact line included in the tables above excludes the currency impact on pass-through fuel in PSU, which in 2018 was £21 million on revenue and £nil million on operating profit.

Interest
The net interest charge of £37 million was £3 million higher than last year, reflecting higher average net debt year on year, an increase in the effective interest rate and the net interest cost relating to the Defined Benefit Pension Scheme (previously reported within administrative expenses). Interest cover measured against rolling 12-month EBITDA (Earnings before Interest, Taxes, Depreciation and Amortisation) remained strong at 14* times (2017: 15 times) relative to the financial covenant attached to our borrowing facilities that EBITDA should be no less than 4 times interest.

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 for a period of time as investment opportunities present themselves.

From a capital allocation perspective our priority is to invest in organic growth. As well as investing organically, there are opportunities for growth through acquisition, both for scale and capability, including into product adjacencies such as temperature control and loadbanks. Acquisitions are subject to our disciplined capital allocation process and will have to meet appropriate hurdle rates of return. While our first priority is investment to generate growth, we recognise the importance of the dividend in providing value to our shareholders. Finally, as and when the opportunity arises, we will look at returning surplus capital to shareholders. The retained earnings of the Company as at 31 December 2018 were £374 million and the majority of these earnings are distributable.

Subject to shareholder approval, the proposed final dividend of 17.7 pence will result in a full year dividend of 27.1 pence (2017: 27.1 pence) per Ordinary Share, giving dividend cover (basic EPS dividend by full year declared dividend) of 1.8* times (2017: 1.9 times, pre-exceptional items).

Cash flow
During the year cash generated from operations was £423 million (2017: £450 million). The decrease in operating cash flow is mainly driven by cash outflows relating to mobilisation (fulfilments assets) and demobilisation activities, with an outflow of £48 million in 2018 compared to £22 million in 2017. The higher outflows in 2018 relate primarily to mobilisation costs for new contracts in Bangladesh, Brazil and St Croix. In 2018 we had a working capital outflow of £56 million compared to a £53 million outflow in 2017. The working capital movements in the period are explained in more detail on page 22. Capital expenditure in the year was £216 million (2017: £272 million), of which £196 million (2017: £246 million) was spent on fleet assets.

* Calculation is on pages 141 and 142.

Taxation

Tax strategy

We operate in an increasingly complex global environment, doing business in 80 countries, many of which have uncertain or volatile tax regimes. To ensure that our tax affairs are correctly and consistently managed, Aggreko's tax strategy is applied to all taxes in all countries where we operate.

Our tax strategy is reviewed and revalidated annually and is 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. In particular, we recognise the importance of the tax we pay to the economic development of the countries in which we operate. We aim to be transparent in terms of the geographic spread of where we pay tax, with a breakdown provided in figures 1-3 overleaf. In applying the tax strategy, we undertake to comply with the applicable tax legislation utilising, where appropriate, any available legislative reliefs.

Our approach towards dealing with tax authorities

We seek to build good working relationships with local tax authorities based on trust, respect and professionalism. We proactively engage, either directly or through local advisers, with the authorities to ensure that our business and tax positions are 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 the application of the strategy and operational aspects of tax. Ultimate responsibility for tax risk and tax operations rests with our Chief Financial Officer, with day to day responsibility delegated to the Director of Tax and the tax function. To ensure that we fully understand our tax obligations and the impact on our business of any legislative change, advisory and technical support is provided by large accounting firms with which the Group has a long association. The use of the Group's external auditor for tax work of any kind is not permitted.

Approach to tax risk

The Group's appetite for risk, including tax risk, is reviewed regularly by the Group Risk Committee and ratified annually by the Board. Given the risk profile of many of the countries in which we operate, we seek to structure our tax affairs in a way that 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 aim 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, local compliance and governance are key areas of focus. This is particularly so for our Power Solutions business, where we may only be in a country on a temporary basis. While we will always seek to manage our tax affairs 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 where the tax regime is complex or legislation is changing. We may therefore need to create tax provisions for any potential uncertain tax 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 may arise depending on the facts in each case.

As at 31 December 2018 we held tax provisions totalling £24 million, all in respect of potential direct tax exposures (2017: £29 million, £27 million for direct and £2 million for indirect taxes). The movement in provisions between 2017 and 2018 is principally due to the release of a £5 million provision in respect of Yemen and currency movements. 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 in Africa and Latin America, and potential transfer pricing risks faced by the Group with respect to how we transact internationally within our business. In order to ensure that all potential risks are properly understood and mitigated, we try to ensure that our local tax filings are made on a timely basis, appropriate advice is taken and that we proactively work with local tax authorities when issues arise.

The risk that the application of management judgements and estimates in our tax forecasting fails to represent a true and fair view of our tax position is an area that receives significant focus from management, tax advisers and the Group's external auditor. In order to mitigate this risk, our tax position is internally reviewed four times per year by the Group tax team and any unanticipated variances to the forecast are reconciled and explained. In addition to the work done by the Group's external auditor to confirm the appropriateness of our tax provisioning, tax is a matter that is regularly considered and discussed by the Audit Committee. The Group's Internal Audit team 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 change

While we continue to monitor global legislative change, the pace of change in our main operating countries slowed in 2018. The tax reform agenda in the US has now largely been enacted into legislation and any impact of this change is reflected in our 2018 results.

As the Brexit deadline moves closer, we have continued to follow developments and have assessed the potential tax impacts for our business. We continue to believe that Brexit will have not have a material tax impact on the Group.

Cash taxes paid

In 2018, Aggreko's worldwide operations resulted in direct and indirect tax payments of £241 million (2017: £228 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.

In comparison to 2017, corporate taxes paid decreased by £8 million to £61 million. The main reductions were in Europe, where we received a refund in the UK relating to historic double tax relief claims, and in Asia principally in Bangladesh where we made a one-off tax payment in 2017 to progress an ongoing matter to the High Court. These reductions were partly offset by an increase in tax paid in North America due to increased profit in the region compared to prior years.

VAT and local sales taxes have increased by £19 million due to a reduction in UK VAT recovery and a slowdown of VAT refunds received in Mozambique. Customs duty has reduced by £1 million due to fewer imports of equipment into countries including Angola and Iraq. A £4 million net increase in payroll and social security taxes was driven by increased headcount in the UK, US and Germany, largely as a result of the Younicos acquisition in 2017.

Tax charge

The Group's effective corporation tax rate for the year was 31% (2017: 29%, pre-exceptionals) based on a tax charge of £57 million (2017: £56 million) on a profit before taxation of £182 million (2017: £190 million). While the Group's effective tax rate has risen in 2018 this is largely due to the Group benefiting from a one-off tax credit in 2017 following the revaluation of our deferred tax liabilities in respect of the US business as a result of US tax reform and the geographic mix of profits.

Further information, including a reconciliation of the current year tax charge, is shown at Note 10 to the Accounts. Looking beyond 2018, our effective tax rate will continue to be driven principally by our geographic mix of profits, the 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 £241 million, reflecting £180 million of non-corporate taxes and £61 million of corporate taxes. The latter cash tax figure differs from the Group's tax charge of £57 million reported in the income statement, with the difference analysed in the table below.

	£m
Cash taxes paid	241
Non-corporate taxes	(180)
Corporate tax paid	61
Movements in deferred tax and prior year adjustments	(10)
Differences relating to timing of tax payments:	
UK	8
North America	(5)
Angola	2
Other	1
Corporate tax charge per the income statement	**57**

Net operating assets
The net operating assets of the Group (including goodwill) at 31 December 2018 totalled £2,159 million, £85 million higher than 31 December 2017, as detailed in the table below.

£m	2018	2017	Movement	Movement excluding the impact of currency
Goodwill/intangibles/investments	**235**	215	9%	10%
Rental fleet	**1,057**	1,104	(4)%	(6)%
Property & plant	**112**	110	2%	1%
Working capital (excl. interest creditors)	**646**	588	10%	9%
Fulfilment asset & demobilisation provision	**33**	(2)	n/a	n/a
Cash (incl. overdrafts)	**76**	59	28%	29%
Total net operating assets	**2,159**	2,074	4%	2%

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 31 December. In 2018 ROCE decreased to 10.3%* compared with 10.7% in 2017, primarily driven by a lower return in our Power Solutions Utility business.

Property, plant and equipment
Our rental fleet accounts for £1,057 million, which is around 91% of the net book value of property, plant and equipment used in our business. 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 £273 million (2017: £275 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 2018.

Acquisitions
The Group completed two acquisitions during the year, details of which are contained in Note 28 to the Accounts.

On 15 February 2018 the Group acquired the business and assets of A Contact Electric Rentals (A Contact) in North America. A Contact specialises in the rental of medium and high voltage electrical distribution equipment across North America and furthers Aggreko's leadership position in the speciality rental market in the region. The cost of the acquisition was £21 million.

On 31 May 2018 the Group acquired the business and assets of Generator Hire Service in Australia, for a total consideration of £3 million.

Shareholders' equity
Shareholders' equity increased by £53 million to £1,367 million, represented by the net assets of the Group of £2,053 million less net debt of £686 million. The movements in shareholders' equity are analysed in the table below:

Movements in shareholders' equity

	£m	£m
As at 1 January 2018		1,314
Profit for the period	125	
Dividend[1]	(69)	
Retained earnings		56
Employee share awards		10
Purchase of Treasury shares		(12)
Re-measurement of retirement benefits		26
Currency translation		(24)
Other		(3)
As at 31 December 2018		**1,367**

1 Reflects the final dividend for 2017 of 17.7 pence per share (2016 17.7 pence) that was paid during the period.

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

Under IAS 19: 'Employee Benefits', Aggreko has recognised a pre-tax pension surplus of £1 million at 31 December 2018 (2017: £25 million deficit) which is determined using actuarial assumptions. The improvement in pension funding is primarily driven by lower life expectancies (reflecting the latest evidence), the impact of a higher discount rate, lower expectations for future salary increases, and the additional contributions paid by the Company during the year. These were partially offset by the lower than expected returns on the scheme's assets and incorporating an allowance in the liabilities for the impact of guaranteed minimum pension equalisation.

* Calculation is on page 141.

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 (Increase)/ decrease (£m)
Rate of increase in salaries	0.5%	(1)	–
Discount rate	(0.5)%	(13)	(1)
Inflation (0.5% increases on pensions increases, deferred revaluation and salary increases)	0.5%	(12)	(1)
Longevity	1 year	(3)	–

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

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

Liquidity and funding
The Group maintains sufficient facilities to meet its funding requirements over the medium term. At 31 December 2018, these facilities totalled £1,191 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; at 31 December 2018, these stood at 14* times and 1.3* times respectively. The Group does not expect to breach these covenants in the year from the date of approval of these financial statements.

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

Net debt amounted to £686 million at 31 December 2018 (2017: £652 million) and, at that date, un-drawn committed facilities were £465 million.

Further detail can be found in the Going Concern disclosure within Note 1 to the Annual Report and Accounts.

Interest rate risk
The Group's policy is to manage its exposure to interest rates by ensuring an appropriate balance of fixed and floating rate debt. At 31 December 2018, £591 million of the net debt of £686 million was at fixed rates of interest resulting in a fixed to floating rate net debt ratio of 86:14 (2017: 94:6). The proportion of our debt with fixed interest rates was higher than usual at the 2018 and 2017 year ends due to some fixed rate debt maturities in the first half of 2018 and 2019.

Foreign exchange risk
The Group is subject to currency exposure on the translation into Sterling of its net investments in overseas subsidiaries. In order to reduce the currency risk arising, the Group uses direct borrowings in the same currency as those investments. Group borrowings are predominantly drawn down in the currencies used by the Group.

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

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

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

Principal risks and uncertainties
In the day to day operations of the Group, we face various risks and uncertainties. We seek both to prevent these risks from materialising and to mitigate their impact if they do arise. The Board has developed a risk management framework to facilitate this. The principal risks that we believe could potentially affect the Group are summarised below:

- Global macroeconomic uncertainty
- Market dynamics
- Disruptive technology
- Talent management
- New technology market introduction
- Change management
- Cyber security
- Escalating sanctions
- Health and safety
- Security
- Failure to conduct business dealings with integrity and honesty
- Failure to collect payments or to recover assets

* Calculation is on pages 141 and 142.

This year three risks were promoted to the Group's register of principal risks and two risks were relegated.

Risks promoted to the Group's register this year:

- Global macroeconomic uncertainty: Geopolitical and global macroeconomic uncertainty may result in lower than expected GDP growth, reducing demand for our services.
- Change management: One of our strategic priorities is to update Rental Solutions' systems and processes to better meet the needs of our customers. We are in a critical period of implementation during which the likelihood of disruption to operations is highest.
- Escalating sanctions: Sanctions have been extended in some countries in which we operate. Further extensions to sanctions could restrict our ability to service existing customers and win new work.

Risks relegated from last year's Group register:

- Equipment obsolescence: While we have been introducing new fleet and technologies into our business we have focused on ensuring the continued utilisation of our older fleet. We have successfully identified applications which best utilise this fleet and, as a result, the risk that this equipment becomes obsolete before the end of its useful life has now reduced.
- Funding our strategic plan: The risk that an unexpected funding requirement for working capital affects our ability to fund the strategic plan has fallen as a result of initiatives to improve the forecasting and management of working capital.

UK withdrawal from the European Union

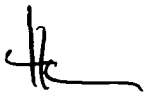
At this point we do not know whether the UK will leave the EU with a deal, without a deal or whether the decision to leave will be revoked and we will continue to monitor the situation closely. However, as a business with over 80% of revenues derived from territories outside the UK and the European Union, we do not expect the UK's withdrawal from the European Union to have a material impact on the Group's underlying trading performance. Notwithstanding this, a material change in the relative strength of Sterling could give rise to significant volatility in the Group's reported results.

For further detail on the principal risks and uncertainties of the Group, please see **page 40**

Shareholder information

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

Chris Weston
Chief Executive Officer



Heath Drewett
Chief Financial Officer

We actively engage with our stakeholders

We engage with all our stakeholders, which we believe is critical to our success and sustainability.

Investors

The Board values the importance of building strong investor relations, delivered through an active shareholder communication programme. We actively seek dialogue with the market to understand what analysts and investors think about us and help them understand our business. The Board receives regular updates through briefings and reports from investor relations, the CEO, CFO and Company advisers.

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

Annual General Meeting (AGM)
Our AGM provides an opportunity for engagement with shareholders.

Webcasts and conference calls
Our full year and half year results are webcast live on our website.

Investor website
Our investor relations website remains a central resource to view our latest announcements and associated materials.

Institutional investors
Ongoing engagement
During the year, the investor engagement programme involved formal events, site visits, smaller group and one-to-one investor meetings. The investor relations team and senior management conducted 133 meetings in 2018, engaging with 82 institutions.

Remuneration consultation
Following constructive consultation with shareholders we were pleased to receive strong support for our remuneration policy proposals at the 2018 AGM, with 98.6% of shareholders voting in favour.

Investor perception study
To help inform our engagement with investors, we undertook an independent investor perception study in early 2018. This helped us understand investor views on the performance and management of the business and the findings were reviewed by the Board.

Debt investors
Ongoing engagement
On an annual basis we offer our lenders a formal briefing and the opportunity to ask questions of senior management.

Private shareholders
Ad hoc engagement
We always respond to private shareholder enquiries and provide the same level of information as institutional shareholders should they ask for it..

> We regularly communicate with the market, and we actively seek dialogue to understand what analysts and investors think about us and to help them understand our business better.
>
> **Heath Drewett**
> Chief Financial Officer

Customers

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

The Voice of Customer programme has transformed how we measure our performance by showing Aggreko through the eyes of our customers, to deliver greater transparency and clarity on what to tackle to drive improvements for the benefit of this key stakeholder.

Simpler to do business with
For more transactional sales, we are developing an e-commerce platform to provide a more agile, cost-effective channel with a better service proposition.

CRM system
An enhanced customer relationship management system provides us with a better understanding of customer requirements, improves internal collaboration across the Group, and increases the speed of service delivery.

Customers are at the core of all that we do

Local communities

While we often provide essential services for our customers, it is important that we take our stakeholders with us when we operate in their communities.

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

Apprenticeships
We run apprenticeship schemes at our larger locations across the Group and currently employ 49 apprentices in nine countries.

Orange Days of Difference
As part of the 'Making a Massive Difference' policy which defines our approach to Corporate Community Investment, we launched Orange Days of Difference globally, with over 1,300 individuals taking part.

An Orange Day of Difference attended by both Chris Weston and Heath Drewett

Employees

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

Be Heard surveys
The quarterly Be Heard Employee Engagement Survey achieved a very high engagement score of 76% in 2018 (up 1% on last year) and an overall pride in working at Aggreko score of 88%, in line with the prior year.

Annual Plan on a Page
We share an annual Plan on a Page to help our teams align behind the key actions to deliver our budget, updating our 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.

Acting like owners
We are living and breathing Always Orange – our people are demonstrating our values and have a good understanding of the important part our culture plays in helping us to grow. 83% of our people stated they agree with this sentiment in our 2018 employee survey (Be Heard), up 3% on 2017.

> I am very proud of the way in which our people have embraced our values. Their commitment and dedication are making a difference to our business.
>
> **Ken Hanna**
> Chairman

Suppliers

In 2015, we introduced a Group procurement function to improve relationships with suppliers and generate savings across the Group. We work in partnership with our key suppliers, particularly relating to our fleet, and share operational data to improve performance and drive innovation.

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 have the ability to terminate a relationship in the event of a breach.

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

> As we work in partnership with our suppliers, we expect them to share our commitment to integrity and honesty as part of conducting business in a socially responsible and sustainable way.
>
> **Chris Weston**
> Chief Executive Officer

To be successful, we must be sustainable

The content on these two pages constitutes Aggreko's Non-Financial Information Statement, covering requirements in respect of the environment, people, social and community issues, human rights and anti-bribery and anti-corruption. The following information, found elsewhere in this Strategic Report, is incorporated into this statement by cross-reference:

Employee discussion page 18
A description of our business model page 06
Principal risks and uncertainties page 38
Non-financial key performance indicators pages 13, 15, 17 and 19

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, as well as our customers. We do all this to the highest standards of integrity and honesty.

Chris Weston
Chief Executive Officer

	Priorities	Outcomes
The environment	→ Minimise our environmental impact → Be accountable and transparent with regards to our environmental footprint	→ Maintain our reputation for responsible management of environmental matters → Gain commercial benefit through development of new solutions to environmental problems
Our people	→ Ensure the health and safety of our people and others at work → Promote equal opportunities → Provide career and personal development → Operate with due regard to human rights	→ Attract and retain the best people → Keep our people safe and reduce downtime **Read more about** our strategic objective of Expert People on **page 18**
Social and community issues	→ Engage with local communities and work in partnership → Recruit, train and develop local people → Participate in activities that make a difference	→ Build business longevity → Gain new talent for the organisation
Ethics, human rights, anti-bribery and anti-corruption	→ Ensure we operate with integrity and honesty → Make sure that we are in compliance with laws and regulations	→ Maintain our reputation for integrity → Benefit operationally from good working practices

Environment

We take our responsibility for reducing our impact on the environment, including through climate change, seriously. We acknowledge that this is inextricably linked to remaining a successful business.

Affordable and Clean Energy (Sustainable Development Goal 7) is where we have most impact
The provision of electricity, heating and cooling is essential in the global economy; however, this comes with challenges, particularly environmental. As a consequence of the fuel sources that we use in our products, it is inevitable that our activities will have an impact on the environment. In 2018, 99% of our greenhouse gas emissions came from the operation of our fleet.

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

We expect the drive for affordable and clean energy to increase the emphasis on reducing greenhouse gas emissions, increasing the use of renewables, and stopping practices such as flaring gas.

In developing countries, the priority remains providing power and accessing the associated social and economic benefits.

We respond with our innovation and investment in technology with the aim of lowering the cost of energy for our customers through improved fuel efficiency, and reducing the environmental impact of our products.

Mitigating our impact
We use our technical know-how and innovation to mitigate our environmental impact.

We discuss this in our strategy section on page 15.

We manage our greenhouse gas emissions
Please see our report on our carbon emissions on page 83.

Social and community issues

Aggreko works in a wide variety of countries and our social contribution is an important means of giving back to the communities in which we work.

The benefits of our presence through our operations
Our local presence in communities, especially in developing markets, brings benefits including the support of industry and commerce; the provision of power for communities which need it; the creation of local employment; and enabling skills development.

'Making a Massive Difference': our community investment strategy
We actively engage in supporting the local communities in which we work:

- We are proactive in recruiting locally from the community, with over 100 nationalities across the Group.
- Our extensive on-the-job training for new recruits gives us highly skilled staff, trained on our own equipment.
- Relationships in the local communities prove valuable when we are running a contract for a number of years.
- Our charitable donations include the education of children through our partnership with BookAid and through Shelterbox to support 700 families with emergency shelter in the Philippines following Typhoon Mangkhut.
- Orange Days of Difference enabled 1,300 of our people to volunteer their time supporting the communities we serve.

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

Aggreko conducts its business with integrity and honesty, and we are proud of our reputation for being fair and professional.

Ethics Policy
The standards and behaviours we expect from our employees, as defined by our Ethics Policy, allow us to challenge any improper behaviours. The policy covers due diligence, gifts and hospitality, charitable donations, facilitation payments, conflicts of interest and speaking up. We provide training on these areas to all employees, regularly monitor compliance, and seek assurance that they are effective.

Anti-bribery and anti-corruption
Our sales consultants are contractually required to comply with our Ethics Policy and we provide ethics training to ensure they remain alert to potential third-party risks. We monitor their remuneration and all payments.

This gives us a robust framework for appointing and working with third-party representatives.

Gifts, entertainment and hospitality, above a nominal value, offered by, or given to, Aggreko employees are recorded centrally and monitored by the Head of Compliance. We challenge any proposed gifts or hospitality which could be perceived as potentially inappropriate.

We have an independent, multi-lingual compliance Speaking Up hotline, operated by an external agency, which is available to all employees and allows concerns to be reported on an anonymous basis. All reports are followed up, and we regularly analyse the types of reports we receive and, where appropriate, our Group Internal Audit team investigates.

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

Data protection and cyber security
We have introduced our data policy to ensure we comply with new data protection regulations and provide training for its application.

We discuss cyber risks and mitigations on page 42.

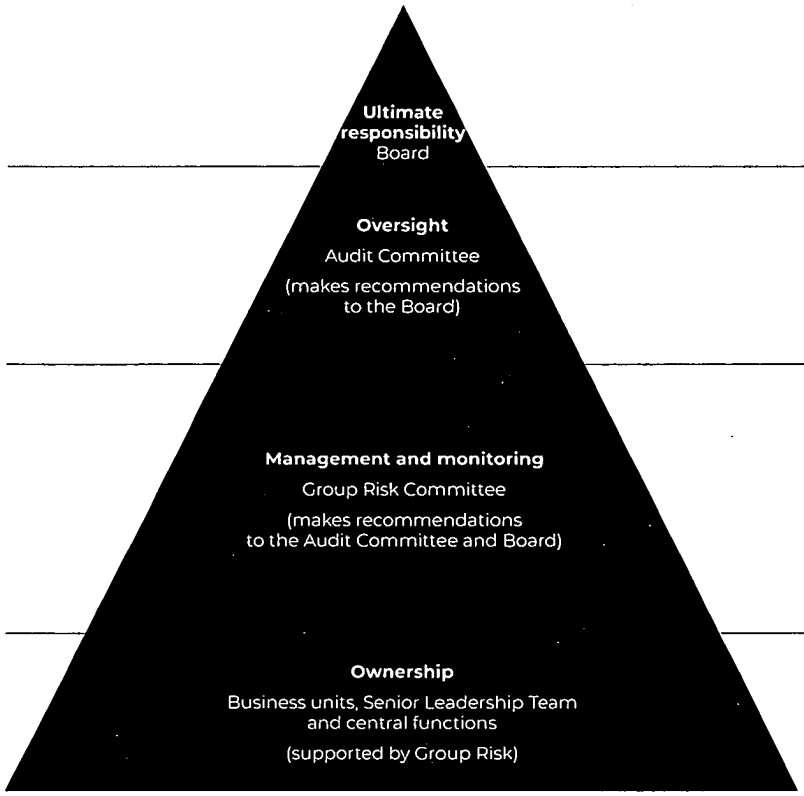
Following the December 2018 index review FTSE Russell, the global index provider, confirmed that Aggreko has been independently assessed according to the FTSE4Good criteria, and has satisfied the requirements to become a constituent of the FTSE4Good Index Series. Created by FTSE Russell, the FTSE4Good Index Series is designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices. The FTSE4Good indices are used by a wide variety of market participants to create and assess responsible investment funds and other products.

Risk factors that could affect business performance

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

Risk management framework – roles and responsibilities

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



- → Ultimate responsibility for risk management 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

- → 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

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

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

Approach to managing risk

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

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

Risk appetite

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

Risk categories

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

Strategic
Risks related to the Group's ability to deliver on strategic priorities.

Operational
Risks arising from people, processes and systems impacting upon efficient and effective operations.

Hazard
Risks related to the wellbeing of our people and the wider stakeholders with whom we interact.

Compliance
Risks related to non-compliance with government and regulatory requirements in the jurisdictions in which we operate.

Financial
Risks which might impact upon our ability to meet our financial expectations and obligations.

Focus during the year

In 2018, we have continued to develop our risk management framework. Our Group Risk function has worked with experts within our business to identify the causes and consequences of each risk event in Aggreko's universe as well as the effectiveness of our preventions and mitigations. We have developed a yardstick to let us compare the likelihood and impact of different kinds of risk. This has allowed us to make the first quantitative estimate of the aggregate risk that the business faces.

We have been aligning our assurance activities to our risk framework so that we can use the results to inform estimates of the effectiveness of our preventions and mitigations and to identify opportunities to improve efficiency. This, together with the opinions of our business experts and monitoring the external environment, has helped us identify emerging risks for the last two years, well ahead of the introduction of the new requirement of the UK corporate governance code from 2019.

Changes since 2017

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

Risks promoted to the Group's register this year:

- Global macroeconomic uncertainty: Geopolitical and global macroeconomic uncertainty may result in lower than expected GDP growth, reducing demand for our services.
- Escalating sanctions: Sanctions have been extended in some countries in which we operate. Further extensions to sanctions could restrict our ability to service existing customers and win new work.
- Change management: One of our strategic priorities is to update Rental Solutions systems and processes to better meet the needs of our customers. We are in a critical period of implementation during which the likelihood of disruption to operations is highest.

Risks relegated from last year's register:

- Equipment obsolescence: While we have been introducing new fleet and technologies into our business, we have focused on ensuring the continued utilisation of our older fleet. We have successfully identified applications which best utilise this fleet and as a result the risk that this equipment becomes obsolete before the end of its useful life has now reduced.
- Funding our strategic plan: The risk that an unexpected funding requirement for working capital affects our ability to fund the strategic plan has fallen as a result of initiatives to improve the forecasting and management of working capital.

Principal risks and uncertainties

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

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

Strategic:

Global macroeconomic uncertainty

Executive responsible
Chris Weston, Chief Executive Officer

Risk
Lower than expected global GDP reduces demand

Primary KPI impacted

→ Capital activity

→ Customer activity

→ Earnings per share

→ Operating profit margin

→ Return on capital employed

→ Revenue growth

Background and impact
Several geopolitical factors have the potential to impact upon our ability to meet our forecast performance for 2019 and beyond.

Uncertainty with respect to Brexit; oil price volatility; Russian foreign policy unpredictability; US trade policy shifts; and the potential for a global economic slowdown due to potentially lower growth in China each have the potential to impact upon our forecasts.

Prevention and mitigation

→ Market analysis and monitoring

→ Market and product diversification

→ Mobile, modular, homogeneous equipment allows transfer between markets

→ Improved sales and marketing capability, resourcing and performance management

→ Technology improvements make our offerings more competitive

→ Internal efficiency improvements will make us more competitive

→ Delivery of our strategic priorities to improve the ease with which customers can do business with us

Changes during 2018
The factors noted above have escalated over the course of the year, resulting in increased levels of uncertainty as to whether global GDP forecasts will be met.

Read more about our perspectives on Brexit on **page 45**

Strategic:

Market dynamics
Power Solutions

Executive responsible
Stephen Beynon, Managing Director Power Solutions

Risk
Changes in utility power markets reduce returns from our Power Solutions Utility business

Primary KPI impacted

→ Capital activity

→ Customer activity

→ Customer loyalty

→ Earnings per share

→ Operating profit margin

→ Return on capital employed

→ Revenue growth

Background and impact
A change in utility power market dynamics could have a material impact on revenue and profit.

The impact of commodity prices on the economies of developing countries has reduced their capacity to pay for temporary power.

Customer buying power has increased because of more competition for power projects.

The power gap may reduce as permanent power solutions come online.

Prevention and mitigation

→ Further development of our Power Solutions Industrial business

→ Mobile, modular, homogeneous equipment allows transfer between markets

→ Improved sales capability, resourcing and performance management

→ Market analysis

→ Technology improvements make our offerings more competitive

→ Internal efficiency improvements will make us more competitive

Changes during 2018
We have had a challenging year in our Power Solutions Utility business, primarily due to known off-hires in Zimbabwe, Bangladesh and Japan and lower volumes and pricing in Argentina.

A cost reduction programme is in progress to increase the efficiency of our operations. We also continue to develop our Industrial business, this having seen good growth in 2018.

Read more about Power Solutions performance on **page 25**

Strategic:

Market dynamics
Rental Solutions

Executive responsible
Bruce Pool, President Rental Solutions

Risk
Challenging market dynamics reduce volume and profitability in our Rental Solutions business

Primary KPI impacted
→ Capital activity
→ Customer activity
→ Customer loyalty
→ Earnings per share
→ Operating profit margin
→ Return on capital employed
→ Revenue growth

Background and impact
North America is the largest region in Rental Solutions. Oil & gas and petrochemical & refining have traditionally been its largest market sectors. Any downturn in these sectors could have a material impact on revenue and profit.

Customer buying power has increased because of an increase in supply of fleet in the market and increased competition.

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.

Prevention and mitigation
→ Continued diversification into other market sectors
→ Mobile, modular, homogeneous equipment allows transfer between markets
→ Improved sales capability, resourcing and performance management
→ Market analysis
→ Delivery of our strategic priorities to improve the ease with which customers can do business with us

Changes during 2018
Despite ongoing competitive pressures, our Rental Solutions business had a strong year, primarily driven by our North American business. We have seen improvements in volumes, rates and fleet utilisation across our business in addition to good growth in the majority of our key sectors.

Read more about Rental Solutions performance on **page 24**

Strategic:

Disruptive technology

Executive responsible
Dan Ibbetson, Managing Director Global Products & Technology

Risk
The introduction of new technology into the power market reduces our ability to remain competitive

Primary KPI impacted
→ Capital activity
→ Customer activity
→ Earnings per share
→ Fleet size and composition
→ Operating profit margin
→ Return on capital employed
→ Revenue growth

Background and impact
Alternative and more distributed energy sources are becoming increasingly available and affordable.

New energy business models using technology to manage the on and off-grid environment are emerging.

These developments could affect our competitiveness as power providers.

As we develop our battery technology offering, we continue to monitor further developments in this evolving area to ensure that we take advantage of opportunities and manage associated risks as appropriate.

Prevention and mitigation
→ Diversified product portfolio
→ Technology roadmap for existing and alternative technologies
→ Bolt-on acquisition of new technologies and capabilities
→ Market requirements monitoring

Changes during 2018
Following our acquisition of Younicos in 2017, we have refined our business to introduce a new technology and microgrid capability. We have also utilised our new capabilities to develop a new power storage product which will be available for rental in 2019.

Read more about the technology developments taking place as part of our strategic priorities on **page 14**

Strategic:

Talent management

Executive responsible
Anna Filipopoulos, Group Human Resources Director

Risk
Failure to attract, retain and develop key personnel

Primary KPI impacted
→ Employee satisfaction
→ Return on capital employed
→ Revenue growth

Background and impact
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 which we wish to retain.

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.

Prevention and mitigation
→ Recruitment policy
→ 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

Changes during 2018
Attrition rates remained stable compared to those in 2017. While several senior management positions were recruited externally, we continue to seek to promote from within where possible. We continue to advance our succession planning programme to this end.

Read more about People on **page 18**

Strategic:

New technology market introduction

Executive responsible
Stephen Beynon, Managing Director Power Solutions and Dan Ibbetson, Managing Director Global Products & Technology

Risk
Ineffective new product development and market introduction hinders growth

Primary KPI impacted
→ Capital activity
→ Customer activity
→ Earnings per share
→ Fleet size and composition
→ Operating profit margin
→ Return on capital employed
→ Revenue growth

Background and impact
New product development and introduction is one of our priorities.

New products introduced recently include: engines with greater fuel efficiency e.g. Next Generation Gas (NGG); alternative fuel technology e.g. Heavy Fuel Oil (HFO); and renewable technology e.g. diesel/solar hybrid.

We continue to develop an enhanced power storage solution based on the technology acquired with our Younicos acquisition.

Failure to develop and introduce new products may lead to product obsolescence and reduce revenue and profit.

Prevention and mitigation
→ Market requirements monitoring
→ New product introduction process identifies and resolves product performance issues
→ Standard operating procedures facilitate effective commissioning and operation
→ Marketing strategies formulated for new products
→ Technical training on all new products delivered to our technicians and engineers
→ Training delivered to our sales teams on the products, market opportunities and commercial risks associated with new technology
→ Regular monitoring of sales pipeline

Changes during 2018
We continue to see increased utilisation of our NGG and HFO products, while our hybrid solutions are attracting considerable interest.

Read more about the technology developments taking place as part of our strategic priorities on **page 14**

Strategic:

Change management

Executive responsible
Bruce Pool, President Rental Solutions

Risk
Failure to successfully transform the Rental Solutions business to match the needs of our customers

Primary KPI impacted
→ Customer activity
→ Customer loyalty
→ Earnings per share
→ Operating profit margin
→ Return on capital employed
→ Revenue growth

Background and impact
We continue to develop our systems and processes to make ourselves more efficient and easier to do business with.

If we do not successfully execute these in a timely and sustainable manner it could result in a material impact on future revenue and profit.

Prevention and mitigation
→ Senior leadership focus and sponsorship
→ Project management disciplines in place to provide challenge, assurance and risk oversight
→ Adequate resourcing in place to deliver planned improvements
→ Business user acceptance testing and training

Changes during 2018
We are in a critical period of implementation during which the likelihood of disruption to operations is highest.

Read more about the efficiency developments taking place as part of our strategic priorities on **page 16**

Operational:

Cyber security

Executive responsible
Grant Nairn, Group Chief Information Officer

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

Primary KPI impacted
→ Customer loyalty
→ Earnings per share
→ Operating profit margin
→ Return on capital employed
→ Revenue growth

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 cyberattack 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.

Prevention and mitigation
→ A cyber security forum monitors risk threats and directs actions as appropriate
→ We have a suite of security technologies in place, including antivirus and malware software, firewalls, email scanning and internet monitoring
→ Third-party expertise engaged to assist with incident response and security penetration testing
→ IT user awareness policy and training designed and rolled out across the organisation
→ Future system developments incorporate encryption and security at the design stage

Changes during 2018
We have continued to implement improvements to our defences by upskilling our people and improving our security technologies. That said, there has again been an increase in the number of firms suffering cyber security breaches.

As a result of the general increase in the level of threat, we believe that this risk score has increased since last year. We are investing further in this area in 2019 to keep pace with the external threat.

Operational:

Escalating sanctions

Executive responsible
Stephen Beynon, Managing Director Power Solutions

Risk
Escalating sanctions impact upon our ability to service existing customers and win new work

Primary KPI impacted

→ Earnings per share

→ Operating profit margin

→ Return on capital employed

→ Revenue growth

Background and impact
We are comfortable that we have appropriate procedures in place to manage our compliance with sanctions regulations.

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

Prevention and mitigation

→ Monitoring the legal and regulatory environment

→ Mobile, modular, homogeneous equipment allows transfer between markets if unutilised

→ External support from legal counsel as required

Changes during 2018
Sanctions have been extended in some countries in which we operate. Further extensions to sanctions could restrict our ability to service existing customers and win new work.

Hazard:

Health and safety

Executive responsible
Chris Weston, Chief Executive Officer

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

Primary KPI impacted

→ Employee satisfaction

→ Safety

Background and impact
Our business involves transporting, installing and operating equipment which is heavy, produces lethal voltages or very high pressure air and involves the use of millions of litres of fuel. All of these could cause serious damage to our people and third parties if not handled with care.

Hazard:

Health and safety continued

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 high risk customer sites such as offshore oil and wind platforms and mine sites.

Prevention and mitigation

→ Senior leadership focus and engagement with regular HSE reporting

→ Regular management safety walks

→ Group HSE policy communicated globally in all relevant languages

→ Appropriate training is delivered

→ Staff are empowered to stop work when they feel safety may be compromised

→ HSE risk assessments are undertaken and comprehensive safety procedures support our standard practices

→ HSE compliance audits are conducted regularly and all staff are encouraged to report risks and incidents

→ Our equipment is subject to rigorous testing prior to use and is maintained to a high standard

→ Where health matters are of concern, we implement stringent testing procedures and restrict site access

→ Comprehensive site induction materials are provided to all visitors and staff deployed into a new country

→ Defensive driving training is provided in high risk countries, with journey management part of our HSE system

Changes during 2018
Our lost time accident frequency rate has continued to fall in 2018.

Safety has continued to be a key area of focus in 2018. Alongside the introduction of 'Stop Work Authority', work has continued to deliver relevant training to all staff. In addition, we have launched Standard Zero, a revised framework for HSE governance, planning and risk management. This will provide clarity on the roles and responsibilities we each have to deliver our services safely. We aim to embed this within the business during 2019.

Read more about Health and safety on **page 18**

Hazard:

Security

Executive responsible
Chris Weston, Chief Executive Officer

Risk
A security incident occurs which affects our people, assets, or our operations

Primary KPI impacted

→ Earnings per share

→ Employee satisfaction

→ Operating profit margin

→ Return on capital employed

→ Revenue growth

→ Safety

Background and impact
A security incident may adversely affect the wellbeing of our people, the security of our assets, our reputation or our ability to generate revenue.

Prevention and mitigation

→ Group security policy communicated globally in all relevant languages

→ Group Security team under the direction of the Group Head of Security provides guidance and direction on appropriate security requirements

→ Monitoring of security environments in countries where we operate

→ Security compliance reviews completed periodically by the security team

→ Group-wide Travel Management System, provides pre-travel guidance and allows monitoring of travellers

→ Head of Security provides monthly briefings to the Executive Committee

→ In some cases, insurance against losses has been procured

Changes during 2018
No material changes during 2018. We continue to face specific security challenges in Afghanistan, Iraq, Venezuela and Yemen. Our security policy and procedures have been embedded during the year and we have launched an online incident reporting tool. Security audits will be completed going forward.

Compliance:

Failure to conduct business dealings with integrity and honesty

Executive responsible
Peter Kennerley, Group Legal Director & Company Secretary

Risk
We are prosecuted as a result of an employee or person acting on our behalf having made a payment which is, or is perceived to be, a bribe

Primary KPI impacted

→ Customer loyalty

→ Employee satisfaction

→ Revenue growth

Background and impact
The scale and global nature of our business exposes us to risks of unethical behaviour.

This risk is particularly relevant owing to the following factors:

→ We operate in several countries with perceived high levels of corruption

→ We participate in tenders for high value contracts involving public procurement

→ Our business model involves the use of third-party sales consultants/agents in some countries where we do not have a permanent presence

We are aware of the potential reputational and financial impact of such behaviour and we have in place a robust compliance programme to mitigate our exposure to this risk.

Prevention and mitigation

→ Anti-bribery and corruption framework designed in line with UK government guidance and implemented across the Group

→ Board-level leadership through our Ethics & Corporate Responsibility Committee which oversees the compliance policies and procedures and aims to foster a culture of integrity and honesty in all of our business dealings

→ Ethics Policy in place with which employees, agents and sales consultants are required to comply

→ Training of employees and third-party sales consultants on anti-bribery and corruption policies and procedures

→ Due diligence undertaken on sales consultants and agents. Once appointed we regularly monitor their performance, audit payments and refresh due diligence at least every two years

→ Head of Compliance and Internal Audit monitor compliance with policy requirements in this area

→ An independent whistle-blowing system is in place which allows employees to report concerns confidentially and anonymously. All reports received are fully investigated

→ All high risk suppliers are now required to acknowledge and comply with our supplier code of conduct

Changes during 2018
During 2018, we have further improved our compliance framework. We have implemented more stringent requirements of our higher risk suppliers and have refined our risk assessment process. We will continue to identify further opportunities for improvement.

Read more about our Ethics Policy and anti-bribery and corruption framework on **page 37**

Financial:

Failure to collect payments or to recover assets

Executive responsible
Heath Drewett, Chief Financial Officer

Risk
Significant customer payment default or impounding of assets

Primary KPI impacted

→ Earnings per share

→ Operating profit margin

→ Return on capital employed

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 are confiscated.

We take a rigorous approach to credit risk management and to date have not suffered a significant loss.

A customer's non-payment would result in an increased bad debt provision or write-off of the debt. Should our assets be seized, we would also lose future revenue and profit associated with that equipment while having to write off its residual value.

Prevention and mitigation

→ Regular monitoring of the risk profile and debtor position for large contracts

→ Mitigation techniques will vary from customer to customer, but include obtaining advance payments, letters of credit, and in some cases insurance against losses

→ Active customer relationship management, including escalation to senior management

→ The scale of our business and diversity of our customer portfolio make it less likely that any unprovided bad debt or equipment seizure would be material to the Group's balance sheet

Changes during 2018
While we have not suffered a significant loss in 2018, we continue to closely monitor overdue debt in Power Solutions Utility. We continue to believe that the primary reason for delay in payments is liquidity and access to foreign currency, rather than customer disputes.

Read more about Power Solutions performance on **page 25**

Brexit

The depreciation of Sterling after the UK voted to leave the EU in June 2016 was the most significant impact of the vote on the Group. In that year it increased the Sterling value of our revenue, debt and borrowing facilities, the majority of which are denominated in US Dollars.

At this point, we do not know whether the UK will leave the EU with a deal, without a deal or whether the decision to leave will be revoked. We have completed an impact analysis to try to identify the aspects of our business that might be affected most by the UK's withdrawal from the EU. We do not expect the impact on the Group's business activities to be severe because the 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 deal at the end of March 2019.

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.

- We expect that any delays in the supply of products or services that we need for our business in the UK or delays to freight out of the UK will be manageable through production scheduling or by using alternative material suppliers. We do not expect delays to disrupt our ability to supply our customers after withdrawal.
- We expect that there will be an impact on the import of materials for use in our Manufacturing & Technology centre in Dumbarton and on the export of finished products from Dumbarton. The overall impact is likely to be negative but will not materially affect our ability to serve our customers. There is a possibility that new agreements between the UK and non-EU countries could bring some benefit in due course.
- The impact on customs duties will depend on the arrangements for withdrawal and any new trade agreements that the UK enters into, but the increase in our customs duties would not be material on its own should we revert to World Trade Organisation terms.
- We currently benefit from reduced withholding taxes on dividends between EU companies under the EU Parent/Subsidiary directive. The Directive would not apply after the UK's exit from the EU and we would fall back to the provisions of the UK's double tax treaties with EU member states, although it is anticipated that these treaties will all need to be renegotiated.

The Group earns approximately 6% of its revenue from the UK and 10% 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.

About 60 of our employees are likely to be affected by Brexit. We will encourage eligible employees to take advantage of the UK's EU Settlement Scheme and the anticipated reciprocal arrangements for UK nationals working in the EU. We will provide support to these employees as required.

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, hydro-shortages and social pressures.

The Executive Committee and the Board regularly discuss factors that might affect Aggreko's prospects. The 13 principal risks, which the Board concluded could affect business performance, are set out on the previous pages.

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

- It carried out the viability assessment over a three-year period to 2021. Although the Board considers prospects of the Group over a longer period, three years was deemed appropriate for the viability assessment because:
  - The Group's funding requirement can be forecast with sufficient accuracy over this period
  - The Board expects to be able to arrange sufficient finance to meet its funding requirement over a three-year 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 average hire periods than Power Solutions Utility
- It stress-tested the Group's strategic plan to 2021 by modelling scenarios linked to each principal risk
- It stress-tested the Group's strategic plan to 2021 by modelling scenarios of combinations of principal risks, for example:
  - We considered a scenario in which all risks occurred according to their expected frequencies during the viability period
  - We considered a combination of all risks crystallising at the same time

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.

Compliance with the UK Corporate Governance Code

> The governance framework put in place by the Board to support the delivery of our strategic priorities continues to deliver results.
>
> **Ken Hanna**
> Chairman

The Board remains committed to the principles of good corporate governance contained in the UK Corporate Governance Code (April 2016) (the "Code"), which is published by the Financial Reporting Council and available on its website at www.frc.org.uk.

The Company continues to follow the good practice which the Code recommends and the Board considers that the Company has applied the principles and complied with the provisions set out therein throughout 2018, as detailed in this Statement and the associated Reports. The Board believes that the Annual Report and Accounts 2018 are, when taken as a whole, fair, balanced and understandable, providing shareholders with the requisite information to assess the Company's performance, business model and strategy.

Corporate governance developments

The Financial Reporting Council published a revised UK Corporate Governance Code in July 2018 ("the 2018 Code"). The 2018 Code calls for companies to establish a corporate culture that is aligned with the company purpose and business strategy, promotes integrity and values diversity. In particular, the new 2018 Code:

- Requires greater board engagement with the workforce to understand their views.
- Emphasises that remuneration committees should take into account workforce remuneration and related policies when setting director remuneration.
- Strengthens the role of the nomination committee on succession planning and establishing a diverse board.

The 2018 Code sets out a number of Principles, and "comply or explain" Provisions and is supported by the *Guidance on Board Effectiveness*. The 2018 Code will apply to Aggreko for the financial year beginning 1 January 2019.

Much of what Aggreko does already reflects the best practice embodied in the 2018 Code. However, we have carefully reviewed the 2018 Code and supporting guidance and agreed a number of measures to reflect the 2018 Code. These new measures include:

- The Ethics Committee will have formal responsibility for engagement with the workforce, supported by management, with a core team led by the Group HR Director and members of the HR Team. To reflect its broader remit, we have renamed the committee the "Ethics & Corporate Responsibility Committee". Nicola Brewer will Chair the new Committee.
- The Ethics & Corporate Responsibility Committee will also assume responsibility for our Speaking Up whistle-blowing process, including oversight of its effectiveness, from the Audit Committee.
- We will ensure that the Remuneration Committee has clearer visibility of workforce remuneration and related policies when setting policies for Executive Director remuneration, and to enable it to advise the Board whether Company policies and practices support culture and strategy.
- We will ensure that the Nomination Committee has further visibility of the succession pipeline one level below the Executive Committee and will delegate formal monitoring of our diversity policy to the Committee.

→ We have reviewed and amended the Terms of Reference of each of the Committees to reflect their new roles.

In this way, we believe that we will be in a position to meet the "comply or explain" Provisions of the 2018 Code from 1 January 2019, and will report on how they have operated in our 2019 Annual Report and Accounts.

A corresponding development in reporting regulation is contained in The Companies (Miscellaneous Reporting) Regulations 2018. They will require Aggreko to include statements in our Annual Report relating to Directors' statutory duties and, specifically, engagement with employees and other stakeholders. These new reporting requirements will apply to our 2019 Annual Report, and so do not strictly apply to this Annual Report. However, Aggreko already engages extensively with stakeholders, as we have described our approach in previous Annual Reports, and we have included a summary of our engagement with employees and other stakeholders during 2018 on page 34 of this Annual Report.

Diversity

The Board believes that diversity, both in the boardroom and throughout the organisation, is key to our success. I am pleased to report that 33% of our Board roles continue to be held by women. The Board adopted a formalised approach to board diversity by adopting a board diversity policy in December 2017, which you can read more about on page 55 . We do, however, acknowledge that there is more to do to ensure the development of diversity across the organisation. Diversity and inclusion, and the gender pay gap in particular, are now areas of focus as we acknowledge the need, and desire, to address the imbalance. We support management in its efforts to address this by establishing a team which will look at diversity on a Group-wide basis, determine what changes need to be made and work with the business to implement them over the next few years. Our full gender pay gap disclosure, including the actions we are taking, is published on our website in line with the UK government guidelines. See www.plc.aggreko.com

Talent, development and succession

The results of the 2017 Board evaluation showed that the Board had acted upon the results of the previous year's evaluation in reviewing the succession plans for the Executive Committee and its direct reports and further recruiting a number of potential high calibre managers. In 2018, we continued to have oversight of this to ensure the business has an ongoing talent management programme to support the continued success of the business. We continued to work closely with the Nomination Committee to make a number of changes to our Board in early 2018. Our previous CFO, Carole Cran, left the business in December 2017 after 14 years with Aggreko. Carole was succeeded by Heath Drewett in January 2018. Heath brings a wealth of experience as a finance professional and has settled into the CFO role well with a rigorous approach to delivering further financial improvements in the business. His full biography is set out on page 48.

Russell King retired from the Board at our 2018 AGM. Russell dedicated nine years to Aggreko and during this time he served as Chair of our Remuneration Committee and Senior Independent Director. Barbara Jeremiah succeeded Russell as Remuneration Committee Chair and Uwe Krueger was appointed as Senior Independent Director. Further detail on both of these appointments can be found on page 55.

Board oversight and monitoring

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

Annual General Meeting

Our Annual General Meeting will be held at 11.00am on Thursday 25 April 2019 at 200 SVS, 200 St Vincent Street, Glasgow, G2 5RQ. The Notice of Annual General Meeting, together, with the explanatory notes of the resolutions to be proposed, is set out on pages 141 to 146 of this document.

Looking ahead to 2019

The Board will be focusing on ensuring compliance with the 2018 Code and remains committed to ensuring the highest standards of corporate governance across the Group in all aspects of the delivery of our strategic priorities. Our people are at the core of this business. I am confident they will continue to implement our values in order to achieve our goals and that, by focusing on our Always Orange culture and core values, we will deliver on those priorities. Finally, I would like to thank our employees for their dedication and support during 2018.

Ken Hanna
Chairman

Leadership

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

Read more about our Leadership on **page 48**

Accountability

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

Read more about our Accountability on **page 54**

Effectiveness

The Board continuously evaluates the balance of skills, experience, knowledge and independence of the Directors. It ensures that all new Directors receive a tailored induction programme and the Board scrutinises its performance through an annual effectiveness review.

Read more about our Effectiveness on **page 51**

Relations with shareholders

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

Read more about our Shareholders and Stakeholder Relations on **page 34**

Remuneration

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

Read more about our Remuneration on **page 62**

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 Shooting Star CHASE Charity. Until 2009, Ken spent five years as Chief Financial Officer of Cadbury Plc. He has also held positions as Chairman 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.

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

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

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

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 Industrials/Business Services/Energy & Resources and Joint Head of Portfolio Management Group for Temasek. He also sits on the boards of SUSI Partners AG and Ontex S.A. and lectures at the University of Frankfurt on renewable energy. Before joining Temasek, Uwe was Chief Executive Officer of WS Atkins plc 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 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 the University of Oxford and a Master's degree in International Economics and Public Administration from Harvard University.

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 Chief Executive Officer of DS Smith Plc, a FTSE 100 international packaging group with operations in nearly 40 countries. Prior to joining DS Smith Plc in 2010, Miles was Group Chief Executive of McBride plc having previously been Group Finance Director. Prior to this, Miles worked for Costain Group plc and Vivendi UK. He also has non-executive experience, having served on the boards of Poundland Group plc as Senior Independent Director and Care UK plc as a Non-executive Director. Miles has a degree in Engineering and is also a chartered accountant.

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

Diversity metrics

Executive/Independent Non-executive composition of Board

	No.	%
Executive	2	25
Non-executive*	6	75

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

Gender of Board

	No.	%
Male	6	67
Female	3	33

Tenure of Non-executive Directors

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

Sector experience of the Board

	%
Customer	89
Finance	56
Energy	44
Geo-politics/diplomacy	11
Operational	78
Technology	22

Key to committee membership

A Audit
R Remuneration
N Nomination
E Ethics & Corporate Responsibility
E Committee Chair

Peter Kennerley
Company Secretary

Appointed: October 2008.

Experience: Peter is our Group Legal Director & Company Secretary.

Further details appear on **page 50**.

Other Directors who served during 2018

Russell King
Non-executive Director and Senior Independent Director

(Until April 2018)

Board attendance in 2018

Name of Director	Board meetings A	Board meetings B	% attended
Ken Hanna	6	6	100
Chris Weston	6	6	100
Heath Drewett	6	6	100
Nicola Brewer	6	6	100
Barbara Jeremiah	6	6	100
Russell King[1]	2	2	100
Uwe Krueger	6	6	100
Diana Layfield	6	6	100
Ian Marchant	6	6	100
Miles Roberts	6	6	100

A Maximum number of meetings Director could have attended.

B Actual number of meetings Director attended.

1 Russell King retired from the Board in April 2018.

Our Executive Committee

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

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

1. Chris Weston
Chief Executive Officer

Appointed: January 2015.

Tenure with Aggreko: 4 years.

Full biography appears on **page 48**

2. Heath Drewett
Chief Financial Officer

Appointed: January 2018.

Tenure with Aggreko: 1 year.

Full biography appears on **page 48**

3. Stephen Beynon
Managing Director, Power Solutions

Appointed: May 2017.

Tenure with Aggreko: 1 year.

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

4. Bruce Pool
President, Rental Solutions

Appointed: December 2015.

Tenure with Aggreko: 20 years.

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

5. Dan Ibbetson
Managing Director, Global Products & Technology

Appointed: October 2016.

Tenure with Aggreko: 11 years.

Dan has responsibility for the leadership of our Global Products & Technology division. This includes ensuring we have the right portfolio of products to deliver solutions to our customers, engineering and manufacturing excellence, future technology and having responsibility for our global events business.

6. Anna Filipopoulos
Group Human Resources Director

Appointed: April 2016.

Tenure with Aggreko: 3 years.

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

7. Grant Nairn
Group Chief Information Officer

Appointed: May 2017.

Tenure with Aggreko: 5 years.

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

8. Peter Kennerley
Group Legal Director & Company Secretary

Appointed: October 2008.

Tenure with Aggreko: 10 years.

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

How we divide up our responsibilities

Chairman
Responsible for leading the Board, its effectiveness and governance. Setting the agenda to take full account of the issues and concerns of the Directors and ensuring the links between shareholders, Board and management are strong.

Chief Executive Officer
Responsible for the day-to-day leadership, management and HSE activities of the Group, for recommending Group strategy to the Board and ensuring that the strategy and decisions of the Board are implemented via the Executive Committee.

Chief Financial Officer
Responsible for the day-to-day management of the financial risks of the Group and providing general support to the Chief Executive Officer, including the operational performance of the business and chairing the Group Risk Committee.

Senior Independent Director
Provides a sounding board for the Chairman, acts as an intermediary for the other Directors when necessary and is available to meet with shareholders.

Independent Non-executive Directors
Constructively challenge the Executive Directors and monitor the delivery of Group strategy within the risk and control environment set by the Board.

Company Secretary
Supports the Chairman and Chief Executive Officer and is available to all Directors for advice and support. Informs the Board and Committees on governance matters and is responsible for the development of corporate governance policies.

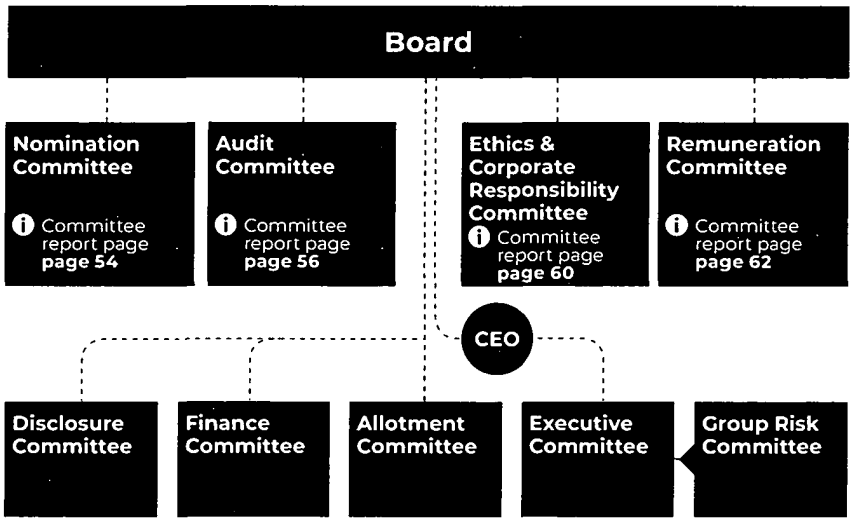
Independence of Directors

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

Terms of Reference

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

Read our schedule of matters reserved for the Board: www.plc.aggreko.com



Key to Committees: Board Non-Board

Role of the Board and Committees

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

Board Committees

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

Committee report **page 54**

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

Committee report **page 56**

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

Committee report **page 62**

Ethics & Corporate Responsibility Committee
Monitors compliance with, and oversees the effectiveness of our ethical policies and procedures to ensure that Aggreko conducts its business with integrity and honesty and in accordance with the law. Responsible for workforce engagement from January 2019.

Committee report **page 60**

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

Finance Committee
Responsible for approving financial facilities, bonds and guarantees.

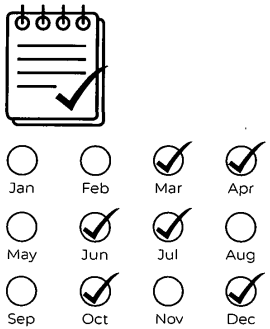
Allotment Committee
Responsible for the allotment of shares.

Non-Board Committees

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

Group Risk Committee
Responsible for the implementation of our risk framework, and processes for risk reporting. Reports into the Executive Committee.

Board meetings in 2018



In 2018, the Board held six scheduled meetings. At each scheduled meeting the Board received reports from:

- The CEO on strategic, operational and business developments, people and health and safety. This report is a particularly important tool, focusing on the key issues affecting the business, so that the Board really understands the current status.
- The CFO on the performance of the business, capital structure, fleet, budget, treasury and investor relations.
- The Chair of each of the Board Committees on matters discussed at their respective meetings.

Key priorities in 2018 were:

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

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

Topic	Activity/Discussion	Actions arising/Progress
Strategy	Monitor progress against our strategic priorities of technology investment, customer focus, capital efficiency and expert people	→ Approved the refinancing of the Group's committed bank facilities maturing in 2018 and 2019. → Received an update presentation on Manufacturing & Technology, including a refocus on growth areas, such as temperature control, renewables, hybrids, energy storage and software, and progress in driving efficiency in HFO, gas, large diesel, and emissions compliance. → Reviewed and agreed the Group's Five-Year Plan. → Instigated a strategic review of growth potential for Aggreko, focusing on two issues: whether the existing business and strategy deliver enough sustained, profitable growth to meet our aspirations; and what new growth opportunities are available to Aggreko. → Reviewed proposals for a potential supply chain finance framework. → Received a half year update on working capital and agreed improvement measures. → Approved the Group budget for 2019. → Reviewed the management of Aggreko's Power Solutions project sales pipeline.
	Monitor opportunities for acquisitions	→ Reviewed proposals for investment in Origami Energy Limited, a business developing a software platform that optimises the revenue earning capability of grid connected assets.
Read more about our Business Priorities **page 10**		
Governance, risk management and internal control	Regulatory environment and internal governance processes	→ Reviewed our best practice against the 2018 UK Corporate Governance Code and agreed actions for 2019.
	Board evaluation	→ Assessed the outcome of the 2018 externally facilitated Board evaluation and approved the action plan for 2019.
	Half year and annual review of Group risk profile	→ Received regular reports from the Group Risk Committee. → Reviewed the Group Risk Register, risk appetite and effectiveness of the risk management process to ensure we have a robust risk management framework which delivers an effective and efficient approach to risk management and positively contributes to effective decision making. → Approved the Group Risk Register. → Approved updates to the risk management methodology.
Read more about our Risks **page 38**		

Topic	Activity/Discussion	Actions arising/Progress
People, culture and values	Succession planning	→ Discussed succession and talent development for CEO and CEO-1. → Received an update on the Executive Committee work on succession planning for roles at CEO-2 and CEO-3. → Reviewed talent movements for the Senior Leadership Team.
	Employee engagement and culture	→ Approved Board diversity policy and established a working group to look at diversity and inclusion across the Group and identify actions to close gaps. → Monitored the launch of the refreshed culture, including regular updates on employee engagement scores. → Approved the all employee sharesave offer.
	Safety	→ In addition to regular HSE updates in the CEO's report, received biannual updates on HSE and approved HSE priorities for 2018.
	Ongoing training, development and stakeholder engagement for Board members	→ Board visit to Germany in 2018 to learn more about the recently acquired business and promote interaction between the Board and employees. → Chairman attendance at Senior Leadership Team event in April. → Completed induction programme for Heath Drewett.
Shareholders	Strong engagement with stakeholders and investors	→ Received regular investor relations reports on all shareholder contact.

Read more about our Stakeholder and Shareholder Engagement Programme **page 34**

This year's Board evaluation excercise

In line with the UK Corporate Governance Code, we undertake a formal and rigorous annual evaluation of our own performance and that of our Committees and individual Directors. We operate a three-year cycle of Chairman's review, Company Secretary's review and externally facilitated review. Aggreko's last externally facilitated evaluation took place in 2015, and for 2018 we appointed Lisa Thomas at Independent Board Evaluation to facilitate our evaluation.

Process

In outline, the process for the 2018 evaluation was as follows:

→ The Chairman and the Company Secretary first gave Lisa comprehensive briefings and support materials.

→ Lisa attended the July Board and Audit Committee meetings as an observer.

→ Lisa interviewed each Board member, together with members of senior management and our audit partner from KPMG.

→ Lisa completed a report, which she discussed in draft with the Chairman, and which she then presented to the Board for discussion at its meeting in December.

→ Separately, the Senior Independent Director received a summary of feedback on the Chairman; the Chairman received feedback on individual Board members and reports on each Committee were discussed with the Chairman and each Committee Chair.

→ The Chairman then prepared a list of recommendations and actions for discussion by the Board at its meeting in February 2019.

Outcome, recommendations and proposed actions

Overall, the report reflected feedback that the Board is functioning well. The boardroom is collegiate, with high levels of candour, thanks to a good mix of experience, seniority, skills and personality types, which contribute to engaged discussions. Board members report that contributions are incisive and constructive and that management is transparent. The Board has moved through its agenda efficiently and, on the whole, the view is that it has been appropriately active and engaged on the right topics over the last year.

Board members' sense of their accountability to shareholders and the Board's relationship and interface with them, relationships with other stakeholders, governance and compliance, Board focus, risk management, Board composition and decision making came out very well in Board feedback. Equally did induction of new Board members, Board meetings and Board resources. The areas where there was some desire for improvement included: Non-executive Director involvement in strategy; succession planning; parts of the selection process for new Board members; and Non-executive Directors spending more time visiting locations and improving their knowledge of the Group.

Against this background, a number of recommendations were made and the Board has resolved to prioritise the following actions for the forthcoming year:

→ 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 as envisaged by the 2018 UK Corporate Governance Code.

→ 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.

→ Ensure succession discussions take place twice a year at the main Board, in tandem with the expanded scope of the Nomination Committee: annual review in December followed by mid-year update.

→ Increase visibility of Non-executive Directors in the organisation.

Key Board priorities for 2019

→ Track progress against the actions agreed upon following the strategy/review discussions in Q2 2018 and ensure good governance.

→ Continue to monitor corporate governance reform, amending our processes and procedure particularly in line with the 2018 UK Corporate Governance Code.

→ Plan a Board visit to Dubai to learn more about the Asia & Middle East business and engage with local employees and other stakeholders (this was rescheduled from 2018 due to the Board visit to Berlin, Germany following the acquistion of Younicos).

Nomination Committee report

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

Ken Hanna
Nomination Committee Chair

Members in 2018	Position	Meetings attended/No. of meetings eligible to attend
Ken Hanna	Committee Chair	2/2
Nicola Brewer	Non-executive Director	2/2
Barbara Jeremiah	Non-executive Director	2/2
Russell King[1]	Former Senior Independent Director	1/1
Uwe Krueger[2]	Senior Independent Director	2/2
Diana Layfield	Non-executive Director	2/2
Ian Marchant	Non-executive Director	2/2
Miles Roberts	Non-executive Director	2/2

1 Russell King retired from the Board after the AGM in April 2018.

2 Uwe Kreuger was appointed Senior Independent Director following the AGM in April 2018.

Areas of activity in 2018

- Oversaw the induction of Heath Drewett as CFO.
- Reviewed succession plans.
- Monitored the work of the team established to look at diversity across the Group.
- Approved the terms of reappointment of three Directors.
- Recommended the appointment of two new Committee chairs.

Areas of focus for 2019

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

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

Introduction by Ken Hanna, Nomination Committee 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 chairmanship of Aggreko. In 2018, we had two formal meetings to which we also invited the CEO.

Role of the Nomination Committee

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

Main activities of the Nomination Committee during the year

Appointment of a new Chief Financial Officer

We reported last year that Heath Drewett had joined Aggreko as CFO in January 2018 and as such he stood for election at the 2018 AGM. Heath has successfully completed his first year at Aggreko. In this time he has made a great effort to get familiar with the businesses around the Group and make his presence known to our employees, shareholders and the wider stakeholders.

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. Heath also has extensive international experience in both M&A and corporate development activities. Heath's biography is set out in full on page 48.

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

Other Committee changes
We recommended Barbara Jeremiah to succeed Russell as Remuneration Committee Chair. Barbara is an experienced Non-executive Director and has served on the Remuneration Committee since her appointment in March 2017. In 2017, Barbara took an active role in the shareholder consultation process on the remuneration policy and was considered well equipped for this role.

We also recommended the appointment of Nicola Brewer to Chair the Ethics & Corporate Responsibility Committee from 1 January 2019.

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

- Ken Hanna, as Chairman, for a further three years, expiring on the conclusion of the 2021 Annual General Meeting.
- Nicola Brewer as Non-executive Director, for a second term of three years, to 25 February 2022.
- Diana Layfield, as Non-executive Director, for a further year, expiring on 1 May 2019. Since Diana had already served for six years, under the UK Corporate Governance 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, 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, particularly in light of the retirement of Russell King in April 2018.

Succession planning
The Committee met with the CEO and Group HR Director to review succession plans. The focus of these discussions was to review our succession plans for the CEO and Executive Committee. The Committee also monitors a schedule on the length of tenure of the Chairman and Non-executive Directors and the mix and skills of the Directors. The Committee is satisfied that adequate succession planning is in place for the Board and will keep succession planning under review.

Board composition and diversity
Aggreko acknowledges the importance of diversity and inclusion to the effective functioning of the Board. In 2017, we had reviewed our approach to diversity to adopt a formal policy, extracted below. The policy was reviewed in 2018 to assess and confirm its effectiveness in promoting a diverse business.

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

As noted on page 47, we have reviewed the roles of the Board Committees in light of the 2018 UK Corporate Governance Code. This will include ensuring that the Nomination Committee has further visibility of the succession pipeline below Executive Committee level and delegating formal monitoring of Aggreko's diversity policy to the Committee.

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, 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.

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

Members in 2018	Position	Meetings attended/No. of meetings eligible to attend
Ian Marchant	Committee Chair	3/3
Russell King[1]	Former Senior Independent Director	1/1
Diana Layfield	Non-executive Director	3/3
Miles Roberts	Non-executive Director	3/3

1 Russell King retired from the Board after the AGM in April 2018.

Areas of activity in 2018

- Ensured proper application of new accounting standards impacting the Group in 2018 and 2019: IFRS 9, 15 and 16.
- Monitored the review of the Speaking Up whistle-blowing process and improvements to associated procedures which were planned for 2018.
- Close monitoring of contract provisions and tax provisions throughout the year, receiving detailed updates in 2018 at the July and December meetings.
- Received regular updates on the status of the internal control environment.
- Received an update on the implementation progress against the refreshed 2018 cyber security strategy.
- Monitored the closure of outstanding internal audit findings.

Areas of focus for 2019

- Ensure proper application of new accounting standards impacting the Group in 2019: IFRS 16.
- Receive regular updates on the status of the internal control environment.
- Monitor the closure of outstanding internal audit findings.
- Monitor the position in relation to fleet obsolescence.
- Continue monitoring of contract provisions and tax provisions

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

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 three 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 2018, 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 2018, together with the Group Financial Controller, Director of Internal Audit and the KPMG audit partner.

Role of the Audit Committee

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

The primary areas of judgement considered by the Committee in relation to the 2018 Annual Report were:

Area of judgement	Reporting issue	How did the Audit Committee address the judgement?	Conclusion and outcome
Contract provisions – Power Solutions Utility	→ One of the most significant risks facing the Group is that of non-payment by customers under some of the larger contracts in our Power Solutions Utility business. The Group policy is to consider each significant debtor 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.	The Committee addressed contract provisions by considering accounting judgements papers, presented by the Chief Financial Officer, at its July 2018, December 2018 and February 2019 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 challenged management and discussed in detail the main changes during the period and assessed the adequacy of all the provisions. The discussion focused on key customers in Africa, Yemen and Venezuela, where we continued to see delays in payments during the year. In assessing the adequacy of the Group's overall provision, we considered 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 Power Solutions Utility business where customer payments are more unpredictable and volatile, and where political and economic conditions mean that there is a risk of default. 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 Audit Committee discussed the 15 most significant debtors in the Power Solutions Utility (PSU) business, which accounted for 82% (2017: 78%) of the total PSU overdue debtor value at 31 December 2018 (before taking into account provisions or payment security/guarantees). At 31 December 2018, 81% (2017: 83%) of the PSU impairment provision related to these top 15 debtors. Among these debtors, the Group had a net exposure above $40 million to one customer, a net exposure between $30-$40 million to two customers, a net exposure between $20-$30 million to four customers and a net exposure of less than $20 million to each of the others. In addition to these PSU debtors, the Committee discussed the Group's overall exposure to Venezuela, which includes some outstanding balances within the Power Solutions Industrial business. Given the current political uncertainty in Venezuela and the ongoing civil war in Yemen, the Committee considered in specific detail the Group's net exposure (including the private placement notes with PDVSA in Venezuela) of $16 million and $10 million, respectively, in each of these countries. These net exposure positions reflect a combination of bad debt provisions and payment security/guarantees representing 78% and 59% of the gross receivable value in each of Venezuela and Yemen, together with a 75% fair value adjustment against the private placement notes with PDVSA. While we believe that we remain relatively well positioned to recover these net exposure amounts when the current situation in each of the 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 as the gross debtor value plus accrued revenue, less any payment security/guarantees and bad debt provision.) KPMG also reported on these contract provisions at both the July 2018 and February 2019 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.	We concluded that the judgements and estimates with respect to the Group's contract provisions were reasonable and appropriate. Overall, the Group's contract provision at 31 December 2018 was $83 million (2017: $82 million). Although the overall provision was in line with the prior year, reflecting the differing circumstances by customer, the bad debt provision against specific customers in Africa, Yemen and Venezuela increased by $6 million, while progress elsewhere during the year led to a reduction in the provision against other customers of $5 million. More information on our risk profile and mitigation for failure to collect payment or to recover assets can be found on page 44.
Direct and Indirect tax positions- Bangladesh	→ 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.	The Committee addressed this matter by considering update papers tabled by the Chief Financial Officer, which included reference to updated legal opinions, at meetings in December 2018 and February 2019. These legal opinions confirm there have been no developments on either our case or other similar cases. As there have been no further developments, in line with expectations, the Audit Committee remains comfortable with the approach but have specifically requested further regular updates. KPMG reported on this issue at the August 2018 meeting in the context of the half year review and at the February 2019 meeting in the context of the year-end audit.	We concluded that the judgement and approach were reasonable and appropriate at this time.

In addition to the primary areas of judgement outlined in the table above, 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 reviewed the impact of new accounting standards which applied to the Group from 1 January 2018. IFRS 15 applies to revenue from contracts with customers and IFRS 9 applies to financial instruments, addressing their classification, measurement and recognition. Further detail is provided in Note 1 to the financial statements.

→ We also reviewed an initial impact assessment of IFRS 16, a new accounting standard that will apply to the Group from 1 January 2019. IFRS 16 applies to leases and further detail is provided on page 100.

→ 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 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 2018 Annual and Interim Reports to the Board.

Audit Committee report
continued

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 2018 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 45 and 101 and information presented by management on the process underpinning the fair, balanced and understandable assessment and confirmation on page 85.

During the year, the Group received an enquiry letter from the FRC, relating to the 2017 Annual Report. Details of the enquiry raised by the FRC and the Group's proposed response were discussed with the Committee prior to issuing the response. The response included the commitment to make some limited modifications and enhancements to our Annual Report disclosures relating to the cash flow statement, significant judgements, pensions, related parties and working capital explanations. The FRC subsequently closed its enquiry with no further action. We have reviewed the adoption of these modifications and enhancements in the 2018 Annual Report. The FRC noted that its review provides no assurance that the Report and Accounts are correct in all material respects, and that the FRC's role is not to verify the information provided, but to consider compliance with reporting requirements. The FRC's review is based on a review of the Annual Accounts and does not benefit from detailed knowledge of the business.

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 2018 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 2018 Annual Report, this process included:

- Review in December 2018, of a summary paper on key messages and changes from 2017.
- Feedback provided by Committee members on a number of drafts during January and February 2019.
- Full draft provided to the Committee and Board seven days prior to the February 2019 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 2018.
- 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 2018.

Following its review, the Committee was of the opinion that the 2018 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 2018 meeting and an update at the December 2018 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 audit effort should be focused.

KPMG carried out its work using an overall materiality of £9 million, as stated in its report on page 87, and confirmed to the Committee that there were no material unadjusted misstatements. We also agreed with the external auditor that it would inform us of any unadjusted misstatements above £0.45 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 2019. 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 2018 Annual Report was carried out.

We also used an internal questionnaire sent to Committee members, the Business Unit Finance Directors and Group Functional Heads in December 2018; 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 2019 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 Committee. We reviewed our non-audit services policy and agreed that it was relevant, having last been updated in 2017.

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 2018 Interim Review. In 2018, we spent £1,361,000 on audit fees (2017: £1,189,000) and £46,000 on non-audit fees (2017: £59,000), this accounted for 3% (2017: 5%) 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**

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 2018, we worked closely with the Group Risk Committee, receiving regular reports which enabled us to review and challenge the risk management framework, review the effectiveness of the control environment and approve the methodology for the viability statement.

Internal audit continues to play a key role in assisting the Committee and, as last year, we asked internal audit to provide assurance over management's assessment of the effectiveness of the operation of controls within the Group's Register of Principal Risks. This assessment was based upon the results of audits undertaken during the year, by reflecting on the outstanding audit issues and in cooperation with the business unit controls teams. No variances which would impact our risk scores were identified in 2018.

The Committee also maintains a programme of in-depth review into specific financial, operational and regulatory areas of the business. These reviews are critical to the role of the Committee, as they allow us to meet key members of the management team and provide independent challenge to their activities. Areas reviewed in 2018 included:

- Reviewing our cyber security arrangements with the Chief Information Officer to understand global trends, the evolving threat landscape, and the progress on delivering the cyber security programme, including employee awareness training.
- Receiving a detailed presentation on the management of financial risk across the Group, focusing on the performance of the financial control environment during 2018, progress made to further improve identified weaknesses during the year and a revised assurance strategy for 2019.
- Receiving an overview of the volume and geographical split of assurance activities undertaken across the Group to measure the effectiveness of financial, operational and compliance controls. This included a summary of high priority findings identified from these reviews alongside actions taken to address these.

The Group has in place an internal control environment to protect the business from material risks identified. Management is responsible for establishing and maintaining adequate internal controls over financial reporting and the Committee has responsibility for ensuring the effectiveness of those controls. In 2018, the Committee continued to receive assurance that financial controls were in place for items on the Group Risk Register.

The Committee has completed its review of the effectiveness of the Group's system of internal control, including risk management, during the year and up to the date of this Annual Report in accordance with the requirements of the Guidance on Risk Management, Internal Control and related Financial and Business Reporting published by the FRC. It confirms that no significant failings or weaknesses were identified in the review for the 2018 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. After some low level incidents we encouraged management to strengthen controls around local procurement and this work is well underway.

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 the overall control environment was still adequate.

Speaking Up

We encourage all employees to speak up if they have any concerns. We have an external independent hotline which can be used by all employees to report any concerns anonymously and confidentially. All reports received are investigated thoroughly. In December 2018, we received a briefing on the types of reports received during the year and the outcome of the investigations conducted. We reviewed trends identified from these reports and specific actions arising from investigations conducted in response to the reports received.

Ethics & Corporate Responsibility Committee report

> 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. In future it will also oversee workforce engagement.

Ken Hanna
Ethics & Corporate Responsibility Committee Chair

Members in 2018	Position	Meetings attended/No. of meetings eligible to attend
Ken Hanna[1]	Committee Chair	3/3
Diana Layfield	Non-executive Director	3/3
Dame Nicola Brewer[2]	Non-executive Director	3/3
Barbara Jeremiah	Non-executive Director	3/3

1 Ken Hanna was Chair of the Ethics & Corporate Responsibility Committee until 31 December 2018. This Committee Report is therefore presented by Ken. Ken continues to be a member of the Committee.

2 Dame Nicola Brewer was appointed as the Chair of the Ethics & Corporate Responsibility Committee from 1 January 2019.

Areas of activity in 2018

- Reviewed the outcome of the regional compliance risk assessments.
- Oversaw the review, amendment and communication of the Third-Party Sales Representative Policy.
- Oversaw the completion of internal investigations.
- Monitored the actions taken to address sanctions risks.
- Oversaw the implementation of measures designed to address risks associated with the new corporate criminal offence of the Failure to Prevent the Facilitation of Tax Evasion.

Areas of focus for 2019

- Implement the plan for workforce engagement in line with the 2018 UK Corporate Governance Code.
- Conduct a review of the policies which fall under the remit of the Committee.
- Receive feedback on the implementation of the policies.
- Monitor the completion of refresher ethics training across the business.

Ethics & Corporate Responsibility Committee terms of reference: **www.plc.aggreko.com**

Introduction by Ken Hanna, Ethics & Corporate Responsibility Committee Chair

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

We recognise that our business is exposed to 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.

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

Until December 2018, the Ethics & Corporate Responsibility Committee was made up of three Independent Non-executive Directors, with myself as Chair. Nicola Brewer was appointed as the Chair of the Committee from 1 January 2019.

I have been a member of the Committee since its first meeting in February 2011 and became Chair of the Committee in April 2012. I continue to have an interest in the work of this Committee and look forward to working with Nicola in achieving the Committee's objectives. You will receive a report from Nicola on progress of the Committee in the 2019 Annual Report.

In 2018, we held three meetings. We invited the Head of Compliance, the Group Legal Director and the CEO to attend all meetings.

Role of the Ethics & Corporate Responsibility Committee

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

Main activities of the Ethics & 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 consultants, agents and joint venture (JV) partners. The conduct of our third-party sales consultants remains a significant risk to Aggreko. The number of third-party sales consultants, agents and JV partners used by the business has reduced over the past few years but there are circumstances in which sales consultants continue to be required to support some areas of the business. We have risk management measures in place which require all third-party sales consultants, agents and JV partners engaged by Aggreko to conduct business in compliance with the standards set out in our Ethics Policy and allow us to monitor compliance with these requirements. We also have controls in place in relation to the remuneration of third-party sales consultants and we monitor all payments to them.

In 2018, we received a briefing from the Power Solutions MD on the outcome of his review of all arrangements with, and payments made to, third-party sales consultants. This included an overview of the additional measures introduced to further monitor and control the use of third-party sales representatives. We also reviewed and approved a revised policy governing the use of third-party sales representatives. We are pleased to observe the continued focus of the business in monitoring all activities in this area.

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 at each meeting this year on development 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, Venezuela and Iran.

Effectiveness of the compliance programme
We are committed to ensuring that our compliance programme remains robust and is in line with best practice. We continually monitor the effectiveness of the policies and procedures and recommend areas where further improvements could be made. In 2017 we instructed an independent review of our compliance programme in order to benchmark the framework against regulatory guidance and leading industry practice, and to identify any gaps or potential areas for improvement. This review confirmed that our compliance programme is well established across the business and there is a clear tone, set from the top, on our high ethical standards. The review identified some areas for improvement to further enhance the compliance programme including targeted risk assessments on specific anti-bribery and corruption risks. These assessments were completed in 2018 and we reviewed the outcome of these assessments. In 2018, we also instructed an independent review of the policy and procedures in place to manage the risks associated with the use of third-party sales representatives. This review confirmed that the process is well designed to effectively identify and manage potential risks.

Read more about how we manage our anti-bribery and corruption risk on **page 44**

An overview of our compliance programme:

Our compliance programme is coordinated by our Head of Compliance and Compliance Manager with support from the business units and the central functions. Our compliance programme has a number of elements designed to ensure that we effectively manage compliance risks:

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

Training
Every employee receives training, which is regularly refreshed, via our multi-lingual online ethics compliance training programme. This online training is supplemented by additional ethics workshops with senior management, which gives us comfort that our employees 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 are contractually required to comply with our Ethics Policy and we require our sales consultants to confirm compliance with the policy annually. We also provide ethics training to our sales consultants to ensure they remain alert to potential risks. We have controls in place in relation to the remuneration of consultants and we monitor all payments to sales consultants to ensure that the remuneration structure does not incentivise unethical behaviour. This gives us a robust framework to enable us to clearly understand who our third-party 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 potentially inappropriate.

Sponsorship and charitable donations
We have a clear approval process for sponsorships and charitable donations made by Aggreko. All sponsorships and charitable donations require senior management approval and are recorded centrally and monitored by the Head of Compliance. This policy enables us to challenge any donations or sponsorships which could be perceived as potentially inappropriate.

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

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

Annual remuneration statement

> 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

Members in 2018	Position	Meetings attended/No. of meetings eligible to attend
Barbara Jeremiah[1]	Committee Chair	4/4
Ken Hanna	Company Chairman	4/4
Uwe Krueger[2]	Senior Independent Director	4/4
Ian Marchant[3]	Non-executive Director	3/4
Russell King[4]	Former Remuneration Committee Chair	3/3

1 Barbara Jeremiah was appointed as Remuneration Committee Chair following the AGM in 2018.
2 Uwe Krueger was appointed Senior Independent Director following the AGM in 2018.
3 Ian Marchant was unable to attend a meeting owing to a pre-existing arrangement.
4 Russell King retired from the Board after the AGM in 2018.

Areas of activity in 2018

- Determined outcomes for the 2017 Annual Bonus for financial and personal/strategic objectives.
- Set targets for the 2018 Long-term Incentive Plan and Annual Bonus Plan, both financial and personal/strategic objectives.
- Finalised the framework for new incentives.
- Implemented new incentive arrangements following their approval by shareholders at the 2018 Annual General Meeting.
- Approved awards under the 2018 Long-term Incentive Plan.
- Received advice and training on the revised FRC UK Corporate Governance Code.

Areas of focus for 2019

- Determine outcomes for the 2018 Annual Bonus for financial and personal/strategic objectives.
- Set targets for the 2019 Annual Bonus Plan, both financial and personal/strategic objectives.
- Review the financial performance measures for the Long-term Incentive Plan to ensure they continue to be aligned with the Group's strategy for growth.
- Approve awards under the 2019 Long-term Incentive Plan.
- Ensure compliance with the revised FRC UK Corporate Governance Code in respect of remuneration.

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

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 Report for 2018. Last year we introduced a new remuneration policy. This followed extensive consultation with our largest shareholders and representative bodies. We appreciate the time they spent on this matter and we were pleased to receive strong support for this policy at the 2018 AGM, with 98.6% of shareholders voting in favour.
No changes are proposed to that policy at this year's 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 last year's report. The annual report on remuneration and this annual statement will be subject to an advisory vote at our AGM on 25 April 2019.

Annual remuneration statement **page 62**
Annual report on remuneration **page 67**
2018 remuneration policy summary **page 77**

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 focus on the efficient use of capital in investing in our current fleet and the effective investment in and deployment of new/renewable technologies. This includes our recent investment in Next Generation Gas generators and energy storage capabilities, with a greater emphasis on Return on Capital Employed (ROCE) being a key measure of long-term success. Our policy also ensures alignment with the shareholders of the Company with deferral of a portion of 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; and
- 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.

Full details are set out on **page 64**

Summary of 2018 performance outcomes

The Committee set stretching targets and underlying profit (after adjustment for currency movements and pass-through fuel) was up 10%. Against this backdrop the Executive Directors achieved an on-target pay-out for the financial performance. Chris Weston, Chief Executive Officer earned a total annual bonus for 2018 of 86.8% of salary (70% related to financial objectives and 16.8% to personal/strategic objectives) and Heath Drewett, Chief Financial Officer earned a total annual bonus for 2018 of 88.5% of salary (70% related to financial objectives and 18.5% to personal/strategic objectives), both out of a maximum 175% of salary. Within these total bonus amounts, both Chris and Heath have met the stretching financial performance measures set by the Board with a payment of 50% of the maximum available for the financial element as set out on page 68.

Chris met the personal/strategic objectives at a broadly on-target level. In particular, Aggreko is making progress on a range of fronts including getting back to growth in Power Solutions and continuing strong performance in North America alongside continued delivery of his people objective.

Heath has quickly made a strong impact in the business. He also met the personal/strategic objectives set by the Board at a broadly on-target level. Highlights include further increasing the Group's discipline and focus on working capital and recasting Aggreko's investment case with the market.

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

Full details of the performance outcomes for the annual bonus are set out on **pages 68 and 69**

Long-term Incentive Plan (LTIP) awards granted in May 2016 did not meet the performance targets, so these awards will lapse in full.

Further details are set out on **page 70**

All of these outcomes reflected the operation of our incentive programme formulas without the exercise of any discretion by the Committee and was felt to reflect an appropriate recognition for the year's performance.

Implementation of the policy for 2019

The annual bonus for 2019 for the Executive Directors will operate broadly on the same basis as in 2018, with financial performance – measured against D-EPS – accounting for 80% of total opportunity and the remaining 20% measured against personal/strategic objectives. Capital efficiency is a key priority for Aggreko in 2019 and beyond. Therefore, for 2019, the two Executive Directors will share a single personal/strategic objective relating to capital efficiency. 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 awards will again be subject 50% to EPS of 5-12%pa (aggregate measurement basis) and 50% to ROCE of 15-22% (final year measurement basis). Further details can be found on page 65.

Salary review – the Committee has agreed with the Chief Executive Officer, Chris Weston that his salary will remain unchanged for 2019 (also unchanged since his appointment in 2015). Similarly, no increase is proposed for the Chief Financial Officer, Heath Drewett (who joined Aggreko as Chief Financial Officer in January 2018). The salaries of both these Executives will be reviewed again in December 2019, to take effect from January 2020.

Corporate Governance Code changes

- The Committee has reviewed the provisions of the new FRC UK Corporate Governance Code and is committed to operating within the terms and spirit of the Code.
- In line with the Code we ensure that 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.
- As referred to in the Corporate Governance Code, the Board is considering what steps relating to employee engagement (in addition to the current work of the Ethics & Corporate Responsibility Committee – see page 60) are appropriate and the Committee will build on this to ensure that it properly considers views from employees.

Committee changes

Russell King stepped down from the Board at the 2018 AGM, following nine years of tenure. I took over as Chair of the Remuneration Committee following the 2018 AGM and have served on the Committee since March 2017. I would like to thank Russell for his leadership of the Committee and for his considerable investment of time on the development of the current Remuneration Policy.

In conclusion

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

Yours sincerely

Barbara Jeremiah
Remuneration Committee Chair

Annual remuneration statement
continued

Our remuneration at a glance

Summary of 2018 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 2018 and the components making up the reported single figure on page 67.

Element of remuneration	How it works	How it was implemented in 2018	Total single figure (% change from 2017 for CEO) CEO	CFO
Salary	To pay at an appropriate level in the talent market(s) relevant to each individual Cap of £900,000	No increase in 2018	£750,000 (0%)	£458,820[1]
Benefits	To provide market normal benefits Not expected to exceed 20% of salary	Market-competitive insured benefits and company car allowance	£26,324 (6.4%)[2]	£18,784
Pension	Defined contribution and/or cash in lieu Between 20% and 30% of salary (with no more than 20% for new hires)	30% of salary cash supplement for the CEO and 20% for the CFO	£225,000 (0%)	£92,000
Annual bonus	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	50% of maximum (see page 69) £651,000 (-9.8%)	51% of maximum (see page 69) £407,100
Long-term incentives	2018 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	2016 LTIP award: subject to continued service, due to vest in May 2019[3] D-EPS 0% vesting ROCE 0% vesting	0% of maximum (see page 70) £0 (0%)	n/a
Sharesave	All-employee scheme with monthly savings over two to five years and options granted at a discount	Savings capped at £500 per month over three years and options granted at 20% discount	£5,612	£5,612
Buy-out awards[4]	Replacement of unvested non-performance shares through a one-off award to compensate for the value of variable awards which were forfeited when Heath Drewett resigned from his previous employer	Subject to continued service, due to vest in August 2020	n/a	£234,736
Buy-out payments	Compensation for repayment of a retention award to be repaid to Heath Drewett's former employer	Subject to clawback in full on resignation in the first 12 months of employment Paid in January 2018	n/a	£429,681
	Compensation for lost 2017 annual bonus	Determined and paid in May 2018		£320,000
Total			£1,657,936 (-28.5%)	£1,966,733

1 Pro-rata portion of Heath's £460,000 salary earned from 3 January 2018.
2 Any change in reported value reflects the cost of provisions rather than a change in the level of benefits.
3 The 2016 LTIP award which is due to vest in May 2019 is subject to performance conditions over three years, ending on 31 December 2018, 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.
4 In addition, Heath Drewett was granted an award of 89,311 shares subject to the same conditions as the normal 2018 LTIP award and due to vest in April 2021.

Executive Directors' remuneration scenarios

Chris Weston
Chief Executive Officer

2018 Actual

2019 On target

Heath Drewett
Chief Financial Officer

2018 Actual*

2019 On target

Key: ■ Fixed pay ■ Bonus ■ LTIP

* Heath Drewett's buy-out awards are excluded as they are not part of his regular remuneration.

Implementation of remuneration policy in 2019

The Committee intends to implement the remuneration policy in 2019 as follows:

Base salaries

Chris Weston's base salary was reviewed by the Committee in December 2018; his salary will remain unchanged for 2019 (also unchanged since his appointment in 2015). Similarly, no increase is proposed for Heath Drewett. The Committee intends to next review the salaries of both these Executive Directors in December 2019, to take effect from January 2020.

Pensions and benefits

Pensions and benefits will continue in line with policy.

Annual bonus

The Committee set annual bonus targets for the Executive Directors as follows:

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

Given the strategic focus on capital efficiency, a single common personal objective has been set for both Executive Directors based on this.

Consistent with the new Corporate Governance Code, the Committee has amended the plan rules to ensure that it has appropriate discretion to reduce any formulaic result if it concludes that it is not appropriate in all the circumstances.

We have not disclosed full details of the single personal/strategic objective 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 financial targets in next year's annual report on remuneration.

Long-term Incentive Plan

The Committee approved the grant of 2019 LTIP awards to Executive Directors with a face value of 250% of salary with the same performance targets as the 2018 awards - 50% EPS of 5-12% per annum (aggregate measurement basis) and 50% ROCE of 15-22% (final year measurement).

Awards are expected to be granted in April 2019.

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

Annual remuneration statement
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, including Barbara Jeremiah as Chair of the Committee. 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 2018, we held four meetings of the Committee. Ian Marchant was unable to attend one meeting owing to a pre-existing arrangement but was able to share his views with the Committee Chair. 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), including base salary, pension, benefits, annual bonus and long-term incentives.
- Determine, having taken appropriate advice, the level of any payment made to the Chairman (who is not present at such discussions), Executive Directors or members of the Executive Committee by way of compensation for, or otherwise in connection with, loss of office or employment.
- Approve the design of, and determine targets for, performance-related pay schemes operated by the Company and approve the total annual payments made under such schemes.
- Review the design of all share incentive plans for approval by the Board and shareholders. For any plan, determine each year the overall amount of awards, along with the individual awards to Executive Directors and members of the Executive Committee. In the case of any retention or new joiner awards to employees below the Executive Committee, retrospectively approve awards.
- 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 benefits structures throughout the Group.
- Agree the policy for authorising claims for expenses from the Directors.

In the following section of our report, we explain how we have implemented Aggreko's remuneration policy during 2018. 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 77 to 79.

The full policy is available on the Company's website: **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 2018 and 31 December 2017.

Executive Director	Year	Base salary £	Benefits £	Annual bonus £	LTIP £	Sharesave £	Pension £	Other £	Total £
Chris Weston	**2018**	**750,000**	**26,324**	**651,000**	**–**	**5,612**	**225,000**	**–**	**1,657,936**
Chris Weston	2017	750,000	24,747	721,500	–	–	225,000	598,865	2,320,112
Heath Drewett[1]	**2018**	**458,820**	**18,784**	**407,100**	**–**	**5,612**	**92,000**	**984,417[2]**	**1,966,733**

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

2 As set out on page 80 of our Annual Report 2017, Heath Drewett received an amount of £320,000 to partially compensate him for his annual bonus from his previous employer he forfeited as a result of his resignation. Heath Drewett also received an amount of £429,681 to compensate him for the repayment of a retention award – all of the after-tax amount was repaid to his former employer. The amount was subject to clawback in full on resignation in the first 12 months of employment. Also, Heath Drewett was granted an award of shares on 3 May 2018 to compensate him for the forfeiture of unvested non-performance shares from his previous employer subject to his continued employment only and due to vest in August 2020. The face value is based on the average share price over the last quarter of 2018 of 788.5 pence.

The figures have been calculated as follows:

→ Base salary: amount earned for the year. See Base salary below.

→ 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 on pages 68 and 69.

→ No LTIPs vested in relation to the 2018 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 £4.34 million in 2018.

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

Base salary

The base salaries for Executive Directors as at 1 January 2019 and 1 January 2018 were as follows:

Executive Director	Position	1 January 2019 £	Increase[1] %	1 January 2018 £
Chris Weston	Chief Executive Officer	750,000	0	750,000
Heath Drewett[2]	Chief Financial Officer	460,000	0	460,000

1 The average increase across the Group for 2018 was 4.9%. There have been no salary increases for Executive Directors for four years and none are proposed for 2019.

2 Heath Drewett joined the Board on 3 January 2018.

Benefits

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

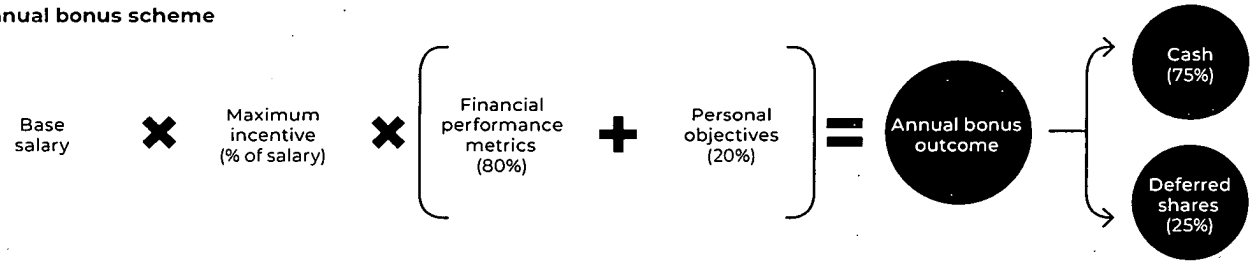
The following table shows those benefits that the Committee considers significant:

Executive Director	Car/fuel £	Other[1] £	Total £
Chris Weston	12,000	14,324	26,324
Heath Drewett	11,969	6,815	18,784

1 Comprises healthcare benefits, life assurance cover, income protection and accident insurance.

Annual report on remuneration continued

Annual bonus scheme



The maximum bonus opportunity for 2018 for both Executive Directors was 175% of salary.

Bonus payments are payable as to 75% in cash, and as to 25% deferred into shares for three years. 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 which arise which the Committee considers to be sufficiently exceptional to justify the operation of malus/clawback.

The targets under the 2018 annual bonus scheme were based as to 80% on financial performance measures set against the annual budget at the start of the year and as to 20% against personal/strategic objectives.

Financial performance measures
The financial objectives for the Chief Executive Officer (Chris Weston) and 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. The bonus would then increase on a straight-line basis to the maximum, calculated as a percentage above budget.

The table below shows the performance against budget of the financial performance measure used for calculating the annual bonus for 2018:

Measure	Threshold		Budget	Maximum		Outcome		
		% budget			% budget		% budget	% maximum of element
D-EPS growth	51.7p	95	54.4p	59.8p	110	54.4p[1]	100	50

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

Personal/strategic performance measures

Chris Weston was set three personal objectives and Heath Drewett was set four personal objectives, all of which included agreed outcomes for set strategic objectives specific to their roles. Against each of these personal objectives they could achieve the maximum bonus entitlements detailed in the table below (35% of salary in total).

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

Chris Weston

Subject	Objective	Performance assessed	Bonus allocation (maximum % of salary)	Actual bonus allocation (% of salary achieved)
Energy market transformation	Establishment of revenue streams from hybrids (fossil fuel/renewables) and distributed generation.	We have identified a wide range of opportunities for the introduction of renewable and storage assets into our business model, driven in particular by the macro market trends of decarbonisation and decentralisation in the energy market. The more extended commercial development and contract lead times for these technologies mean that any significant potential is likely to be realised over the mid to long-term, rather than in the immediate future.	10.50	2.10
Power Solutions/ sector focus	Establish growth trajectory for Power Solutions and a path to significantly increased ROCE.	Discipline around the management of the pipeline and capability of the sales force have been enhanced with emphasis on the profitable deployment of our existing fleet.	14.00	5.25
Talent and succession	Continue to strengthen the general talent pipeline; oversee induction and successfully establish the new CFO in Aggreko.	Significant high calibre talent has been hired across the Group (exceeding the target set), including a number of people who are candidates for succession for more senior level positions over time. Heath's induction and establishment in Aggreko has been very successful. He is well regarded internally, by shareholders and by the market and he is adding significant value to the business, particularly in the areas of cost and working capital discipline.	10.50	9.45
Total			**35.00**	**16.80**

Heath Drewett

Subject	Objective	Performance assessed	Bonus allocation (maximum % of salary)	Actual bonus allocation (% of salary achieved)
Working capital	Work with the business to deliver a reduction in working capital which supports ROCE improvement.	Further increased attention and focus on working capital management across the Group. Process improvements put in place to reduce working capital, with a particular focus on trade receivables and inventory.	14.00	7.00
Investor relations	Recast investment case with the market.	Engagement with investors, enhanced transparency of performance reporting and changes to the style and focus of external reporting have been well received.	7.00	7.00
Manufacturing & Technology	Work with the business to establish the required footprint for Manufacturing & Technology.	Clear analysis developed in support of decisions taken over the future use of existing manufacturing footprint, including make/buy options and operational property rationalisation.	7.00	3.50
Business priorities programme	Complete a full review of the business priorities programme.	Assessment underway and progressing.	7.00	1.00
Total			**35.00**	**18.50**

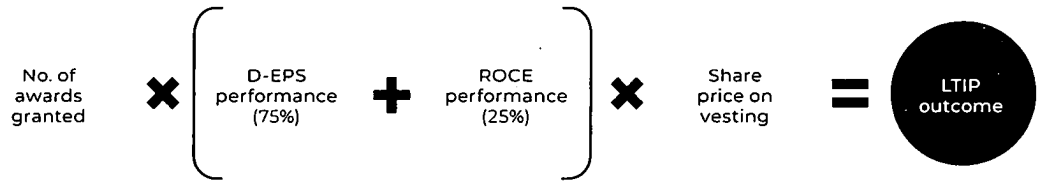
The table below sets out the total bonus entitlement for 2018:

		D-EPS growth		Personal objectives		Total payable[1]	
Executive Director	Total max bonus % salary	Max bonus % salary	Outcome % salary	Max bonus % salary	Outcome % salary	% salary	£
Chris Weston	175	140	70	35	16.8	86.8	651,000
Heath Drewett	175	140	70	35	18.5	88.5	407,100

1 The total bonus includes the 25% deferred shares element.

Annual report on remuneration continued

Long-term Incentive Plan (LTIP)



The performance criteria for the LTIP awards granted in 2016 were as follows:

→ 75% of the award is based on three-year cumulative D-EPS as compared to three-year compound growth in real (RPI-adjusted) D-EPS. No performance shares will be awarded against this element if performance is below an equivalent of RPI+3% per annum growth. Awards will then start to vest above that level and will increase straight-line to a maximum at an equivalent of RPI+15% per annum growth; and

→ 25% of the award is based on average ROCE over the performance period in a range of 20% to 25%. No performance shares will be awarded against this element if performance is less than 20% and awards will increase on a straight-line basis to the maximum at 25% ROCE.

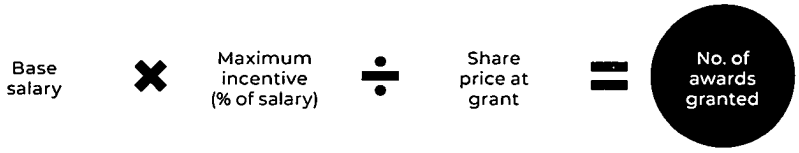
The performance period for the 2016 LTIP awards ended on 31 December 2018. Over the period:

→ Aggreko's aggregate D-EPS was 165.1 pence. Since the threshold of growth of RPI+3% was not achieved, no shares will vest under this performance measure; and

→ Aggreko's actual average ROCE for the period was 11.3%. Since this was less than the threshold of 20%, no shares will vest under this performance measure.

As a result, all 2016 LTIP awards lapsed in full.

Share awards granted in 2018 (audited)



This simply determines the size of the grant. Whether the award ultimately delivers value will depend on the extent to which the performance targets are met over the following three years (and to which a further two year holding period is met).

In May 2018, Chris Weston and Heath Drewett were granted awards of shares under the 2015 Long-term Incentive Plan (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 2018 and will end on 31 December 2020. ROCE will be measured on a final year basis – in 2020. None of the awards granted under the LTIP are eligible to vest until 3 May 2021.

The performance criteria for the LTIP awards granted in 2018 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 straight-line to a maximum at an equivalent of 12% per annum growth; and

→ 50% of the award is based on final year ROCE (2020) 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 2017 bonus payment for Chris Weston was deferred into shares under the Deferred Share Bonus Plan (DSBP). These shares will be released three years from date of grant.

Also, as explained on page 80 of our Annual Report 2017, the Committee made awards to Heath Drewett on 3 May 2018 under restricted stock agreements to compensate him for the forfeiture of variable awards from his previous employment. The two awards were determined as follows: an award of 89,311 shares with a face value of £701,986 subject to the same conditions as the 2018 LTIP detailed above and due to vest on 1 April 2021; and an award of 29,770 shares with a face value of £233,995, subject to his continuing employment on vesting or otherwise if he leaves as a good leaver, and due to vest on 10 August 2020.

The table below shows details of interests awarded to Executive Directors during 2018:

	LTIP			Sharesave			Other		
Executive Director	Shares	Face value[1] £	% vesting on minimum performance	Shares	Face value[2] £	% vesting on minimum performance	Shares	Face value £	% vesting on minimum performance
Chris Weston	256,497	1,874,993	25	2,727	5,612	100	24,540[3]	180,369[4]	100
Heath Drewett	157,318	1,149,995	25	2,727	5,612	100	119,081[5]	935,981[6]	25/100[7]

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 3 May 2018, which was used to determine the number of shares awarded, being 731 pence.

2 Face value of Sharesave is the market price of Aggreko shares on 5 October 2018, being the date of grant, of 865.8 pence, less the option price of 660 pence multiplied by the number of options granted.

3 Shares awarded to Chris Weston comprise an award under the DSBP.

4 Face value of DSBP is the number of shares awarded on 23 March 2018 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 735 pence.

5 Shares awarded to Heath Drewett comprise 89,311 performance shares and 29,770 non-performance shares as detailed above.

6 Face value of Heath Drewett's awards is as detailed above.

7 For the 89,311 performance shares, 25% of the award will vest on minimum performance and for the 29,770 shares there are no performance conditions.

Executive Directors' shareholdings (audited)

As at 31 December 2018, the shareholdings of the Executive Directors were as follows:

Director	(A) Shares owned outright[1]	(B) Shares held subject to deferral	Shares held subject to performance conditions[2]	Options held not subject to performance conditions[3]	Shareholding guidelines % salary	Shares counting towards guidelines (A + B)	Current shareholding % salary[4]
Chris Weston	81,095	30,109	726,517	4,895	250	111,204	109
Heath Drewett	–	29,770[5]	246,629[6]	2,727	250	29,770	47

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 732.6 pence as at 31 December 2018. 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.

5 Heath Drewett's holding of shares held subject to deferral comprises the 29,770 non-performance shares awarded on 3 May 2018 as set out on page 70.

6 Heath Drewett's holding of shares held subject to performance conditions comprises the 89,311 performance shares awarded on 3 May 2018 and the 2018 LTIP award, both as set out on page 70.

Departing executives, including Carole Cran, only receive deferred share awards at the normal time of maturity so are required to maintain some level of ownership post-cessation.

There have been no changes in the Executive Directors' interests in Ordinary Shares between 31 December 2018 and 6 March 2019.

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 2018, the trustees of the EBT held a total of 1,949,676 Aggreko plc Ordinary Shares and the holding at the date of this report is 1,934,592. 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.

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 2018 financial year. Details of awards and options granted to Executive Directors in 2018 under these plans are also included on page 71.

	As at 1 January 2018	Options/ awards granted during year	Dividend equivalent shares[3]	Options/ awards exercised/ vesting during year	Options/ awards lapsing during year	**At 31 December 2018**	Market price at date awards granted (pence)[4]	Exercise price - options (pence)	Market price at date awards vested (pence)	Normal vesting date/ exercise period
Chris Weston										
LTIP[1]										
2015	139,232	–	–	–	139,232	**–**	1,616			May 2018
2016	209,302	–	–	–	–	**209,302**	1,075			May 2019
2017	260,718	–	–	–	–	**260,718**	863			June 2020
2018	–	256,497	–	–	–	**256,497**	731			May 2021
DSBP[2]										
2015	7,736	–	866	8,602	–	**–**	1,562		725[5]	April 2018
2017	5,569	–	–	–	–	**5,569**	909			March 2020
2018	–	24,540	–	–	–	**24,540**	735			March 2021
Sharesave										
2015	2,168	–	–	–	–	**2,168**	1,027	830		January – June 2019
2018	–	2,727	–	–	–	**2,727**	865.8	660		January – June 2022
Heath Drewett										
LTIP[1]										
2018	–	157,318	–	–	–	**157,318**	731			May 2021
RSP										
2018	–	29,770	–	–	–	**29,770**	724.6			August 2020
2018	–	89,311	–	–	–	**89,311**	724.6			April 2021
Sharesave										
2018	–	2,727	–	–	–	**2,727**	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 DSBP are not subject to any performance conditions other than continued employment on the vesting date.

3 Under the LTIP, DSBP and RSP on vesting participants are entitled to the equivalent of any dividends on the shares between grant and vesting, payable in shares.

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 RSP awards market price is the share price on date of grant, being 3 May 2018.

5 25% of Chris Weston's bonus forfeited from his previous employer was deferred into shares (7,736 shares) as set out on page 97 of our 2014 Report and Accounts. The shares were released on 3 April 2018. Chris Weston was entitled to a further 866 shares equivalent to the dividends on the shares between grant and vesting. The aggregate value of the shares on the date of vesting was £62,364.50.

Arrangements with past Directors (audited)

Exit payments

There were no exit payments during the year.

Carole Cran resigned as a Director and ceased to be an employee on 31 December 2017. She received an award of 4,082 shares in March 2015 representing the deferral of 25% of her 2014 bonus which vested on its normal vesting date in March 2018 (when the shares were worth £32,772).

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 and Remuneration Committees and as Senior Independent Director. The Chairman and Non-executive Directors are not eligible for bonuses, retirement benefits or to participate in any share scheme operated by the Company. The Chairman's fee has not increased since April 2015 and the fees for the Non-executive Directors have not increased since July 2015. Uwe Krueger has opted to forego any fees as a Non-executive Director for 2019, as he did in 2018. 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 2019 and 1 January 2018 were as follows:

Role	1 January 2019 £	Increase %	1 January 2018 £
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 £
Ken Hanna	**2018**	**342,000**	**851**	**342,851**
Ken Hanna	2017	342,000	801	342,801
Nicola Brewer	**2018**	**61,000**	**–**	**61,000**
Nicola Brewer	2017	61,000	–	61,000
Barbara Jeremiah	**2018**	**74,564**	**2,317**	**76,881**
Barbara Jeremiah[1]	2017	50,208	2,771	52,979
Russell King (former)[2]	**2018**	**32,631**	**–**	**32,631**
Russell King (former)	2017	101,000	–	101,000
Uwe Krueger[3]	**2018**	**–**	**–**	**–**
Uwe Krueger	2017	61,000	3,378	64,378
Diana Layfield	**2018**	**61,000**	**–**	**61,000**
Diana Layfield	2017	61,000	–	61,000
Ian Marchant	**2018**	**81,000**	**–**	**81,000**
Ian Marchant	2017	81,000	1,216	82,216
Miles Roberts	**2018**	**61,000**	**–**	**61,000**
Miles Roberts[1]	2017	50,208	–	50,208
2018 Total		**713,195**	**3,168**	**716,363**
2017 Total		807,416	8,166	815,582

1 Barbara Jeremiah and Miles Roberts' remuneration for 2017 is from date of appointment, 7 March 2017.

2 Russell King's remuneration for 2018 is to date of retirement as a Director, 26 April 2018.

3 Uwe Krueger opted to forego any fees for 2018.

The figures have been calculated as follows:

→ Fees: amount earned for the year.

→ Benefits: the taxable value of benefits received in the year.

Annual report on remuneration
continued

Non-executive Directors' shareholdings (audited)

As at 31 December 2018, the shareholdings of the Non-executive Directors were as follows:

Director	Shares owned outright[1]
Ken Hanna	19,303
Nicola Brewer	1,450
Barbara Jeremiah	1,000
Russell King[2]	3,688
Uwe Krueger	3,101
Diana Layfield	2,855
Ian Marchant	3,331
Miles Roberts	–

1 This includes shares held by connected persons.

2 Russell King's holding is at date of retirement as a Director, 26 April 2018.

There have been no changes in the Non-executive Directors' interests in Ordinary Shares between 31 December 2018 and 6 March 2019.

Comparison of Company performance

The graph below shows the value, at 31 December 2018, of £100 invested in Aggreko's shares on 31 December 2008 compared with the current value of the same amount invested in the FTSE 350 Index. The FTSE 350 Index is chosen because Aggreko has been a constituent member of this group over the entire period.

For comparative purposes, the remuneration of the Director undertaking the role of Chief Executive Officer for the same financial years is set out below:

Year	CEO	Single figure of total remuneration £[1]	Annual bonus payout against maximum %	Long-term incentive vesting rates against maximum opportunity %
2009	Rupert Soames	2,555,850	63.2	100
2010	Rupert Soames	5,839,209	100	100
2011	Rupert Soames	8,501,865	82.4	100
2012	Rupert Soames	2,685,840	6.4	100
2013	Rupert Soames	1,779,144	49.6	72.5
2014	Angus Cockburn	1,290,906[2]	42.4	5.8
2015	Chris Weston	1,485,516[3]	0	0
2016	Chris Weston	1,909,155[3]	15	0
2017	Chris Weston	2,320,112[3]	55	0
2018	Chris Weston	1,657,936	50	0

1 The data for this table was taken from the Remuneration Reports for the relevant years and adjusted to take account of the actual share price on date of vesting for the LTIP.

2 Angus Cockburn was Interim Chief Executive from 25 April to 30 September 2014, and his emoluments have been calculated on the assumption that he held the role for the full year at the rates of remuneration in place on 30 September 2014.

3 The 2015 figure for Chris Weston includes an amount of £483,392 to compensate him for his annual bonus from his previous employer he forfeited as a result of his resignation. The 2016 figure includes an amount of £706,620 and the 2017 figure includes an amount of £598,865 to compensate him for the forfeiture of long-term incentives from his previous employer.

Percentage change in remuneration of CEO

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

	Percentage change for CEO	Percentage change for Group central functions
Salary/fees	0	4.3
Benefits	6.4	2.1
Bonus	-9.8	3.4

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.

Relative importance of spend on pay

The chart below shows Aggreko's profit after tax (pre-exceptional items), dividend, and total employee pay for the financial years ended 31 December 2017 and 31 December 2018, and the percentage change.

* 2017 number has been restated due to the implementation of IFRS 15. Refer to Note 1 of the Accounts on page 96.

Dividends are the interim and final dividends paid in respect of the financial year ended 31 December 2017 and the interim dividend paid and the final dividend recommended in respect of the financial year ended 31 December 2018. The total employee pay increase is mainly due to the higher bonus payments, due to bonus targets being achieved in some parts of the business.

Consideration by the Directors of matters relating to Directors' remuneration

The Committee was advised by FIT Remuneration Consultants LLP as the principal external adviser to the Committee for 2018. The fees paid to FIT in respect of work that materially assisted the Committee in 2018 are shown in the table below:

Adviser	Appointed by	Services provided to the Committee	Fees paid by the Company for the services	Other services
FIT Remuneration Consultants LLP	A sub-committee of the Committee comprising the current Chair, Barbara Jeremiah, and the previous Chair, Russell King	Advice for and attendance at all meetings of the Committee including finalisation of the 2018 policy and training on the new Corporate Governance Code	£45,196	N/A

Except as detailed above, FIT provided no other services to the Group. It 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.

Statement of shareholder voting

The following table shows the results of the binding vote on the Remuneration Policy and advisory vote on the 2017 Remuneration Report at the 2018 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	176,277,278	93.41
Against	2,606,948	1.37	12,441,192	6.59
Total votes cast (excluding withheld votes)	**190,468,000**	**100**	**188,718,470**	**100**
Votes withheld[1]	20,902	–	1,770,432	–
Total votes cast (including withheld votes)	**190,488,902**	**–**	**190,488,902**	**–**

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.

Annual report on remuneration
continued

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 25 April 2019.

The Executive Directors are employed under contracts of employment with Aggreko plc. The Remuneration Committee sets notice periods for the Executive Directors at 12 months or less. The principal terms of the Executive Directors' service contracts (which have no fixed term) are as follows:

			Notice period	
Executive Director	Position	Effective date of contract	From Director	From Company
Heath Drewett	Chief Financial Officer	3 January 2018	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 2018
Nicola Brewer	Non-executive Director	25 February 2016	2 months
Ken Hanna	Chairman	29 April 2018[1]	2 years 4 months
Barbara Jeremiah	Non-executive Director	7 March 2017	1 year 2 months
Uwe Krueger	Non-executive Director	1 February 2018[1]	2 years 1 month
Diana Layfield	Non-executive Director	1 May 2015[2]	4 months
Ian Marchant	Non-executive Director	1 November 2016[1]	10 months
Miles Roberts	Non-executive Director	7 March 2017	1 year 2 months

1 Replaces earlier letter of appointment.

2 Extended for a further term of one year with effect from 1 May 2018.

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 2018 in relation to this appointment were £15,000. Heath Drewett did not hold any external directorships.

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**.

Executive Directors:

Fixed pay

Base salary

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

Operation
Base salaries are generally reviewed annually. In determining the appropriate level of adjustment, we take into account: Company performance; the individual's responsibilities and contribution to the business; salary levels for comparable roles at relevant comparators; and salary increases more broadly across the Group.

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

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

Any salary will not exceed £900,000.

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

Pension

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

Operation
All Executive Directors are entitled to a defined-contribution pension. They can opt to take a cash payment in lieu of all or part of their pension.

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

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

Performance measures
None.

Benefits

Purpose and link to strategy
Designed to be competitive in the market in which the individual is employed. Expatriate and relocation packages designed to ensure a geographically mobile management population related to business needs.

Operation
Includes healthcare benefits, life assurance cover, a company car (or an allowance in lieu). Where appropriate, we would provide an expatriate package, including bearing the cost of any local taxes payable on any expatriate benefits, relocation costs, living allowances and school fees.

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

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

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

Benefits (excluding travel and related taxes and tax equalisation payments where appropriate) payable to Executive Directors will not exceed 20% of salary (and did not exceed 10% of salary during the most recent financial year). In line with market practice, it is not anticipated that in normal circumstances the cost of benefits provided will exceed this level of 10% over the next three years.

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

Performance measures
None.

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 2019 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 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, they consider the strict application of the performance conditions would produce a result inconsistent with our remuneration principles, where the formulaic outcome does not genuinely reflect the underlying performance of the Group, or where necessary to avoid unintended consequences.

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

Further details of the 2019 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 6 March 2019.

Barbara Jeremiah
Remuneration Committee Chair

Directors' Report and Strategic Report

The Directors' Report and Strategic Report for the year ended 31 December 2018 comprise pages 46 to 85 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; and
- Risk information on the use of financial instruments on page 124.

Disclosures in relation to Listing Rule LR 9.8.4R, where applicable, are included on pages 70 to 71 in relation to Long-Term Incentive Plans and on page 82 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.

2019 Annual General Meeting

The Company's Annual General Meeting will be held at 11.00am on 25 April 2019 at 200 SVS, 200 St Vincent Street, Glasgow G2 5RQ. The Notice of Meeting is set out on pages 141 to 146 of this document and is also avilable on the shareholder information pages of our website at www.plc.aggreko.com.

Dividends

The interim dividend of 9.38 pence per Ordinary Share was paid on 2 October 2018. The Directors recommend a final dividend of 17.74 pence per Ordinary Share in respect of the year, making a total for the year of 27.12 pence per Ordinary Share (2017: 27.12 pence), payable on 24 May 2019 to shareholders on the register at the close of business on 23 April 2019.

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 149 and the shareholder information pages of our website at www.plc.aggreko.com.

Share capital

On 31 December 2018, the Company had in issue 256,128,201 Ordinary Shares of $4^{329}/_{395}$ pence each, 188,251,587 Deferred Shares of $9^{84}/_{775}$ pence each, 18,352,057,648 Deferred Shares of $^{1}/_{775}$ pence each, 182,700,915 Deferred Shares of $6^{18}/_{25}$ pence each and 573,643,383,325 Deferred Shares of $^{1}/_{306125}$ 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 23 to the Accounts on page 119.

Material share interests

As at 31 December 2018, 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:

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.

Shareholder	Number of shares	% of total voting rights
The Capital Group Companies LLP	13,446,515	5.24
AKO Capital LLP	12,781,545	4.99
Standard Life Aberdeen plc	12,587,779	4.91
Baillie Gifford	12,584,169	4.91
Mackenzie Financial Corporation	11,216,580	4.37
Prudential Plc	9,351,326	3.65
Deutsche Bank AG	8,535,344	3.33

Between 31 December 2018 and 5 March 2019, the Company received the following notifications of major shareholdings:

Shareholder	Date	Number of shares	% of total voting rights
Lion Investment Partners LLP	06/02/2019	13,307,481	5.20

The Directors are not aware of any other material interests amounting to 3% or more in the share capital of the Company.

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 him) will constitute a quorum; every holder of shares of the class present in person or by proxy (excluding any shares of that class held as Treasury shares) is entitled on a poll to one vote for every share of the class held by him (subject to any rights or restrictions attached to any class of shares) and any holder of shares of the class present in person or by proxy may demand a poll.

Restrictions on transfer of securities in the Company

There are no restrictions on the transfer of securities in the Company, except that:

- Certain restrictions may from time to time be imposed by laws and regulations (for example, insider trading laws), in particular we operate a share dealing code which requires Directors of the Company and certain employees to obtain the approval of the Company before dealing in the Company's Ordinary Shares and
- The Deferred Shares are not transferable except in accordance with the paragraph headed 'Powers in relation to the Company issuing or buying back its own shares' below or with the written consent of the Directors.

The Company is not aware of any agreements between holders of securities that may result in restrictions on the transfer of securities.

Articles of Association

Our Articles are available on our website at www.plc.aggreko.com. Unless expressly specified to the contrary in the Articles, the Articles may be amended by a special resolution of the Company's shareholders.

Appointment and replacement of Directors

The rules for the appointment and replacement of Directors are contained in the Company's Articles. They include: the number of Directors must not be less than two or more than 15; the Board may appoint any person to be a Director; any Director so appointed by the Board shall hold office only until the next general meeting and shall then be eligible for election; each Director must retire from office at the third Annual General Meeting after the Annual General Meeting at which he/she was last elected. However, in line with the 2016 UK Corporate Governance Code, all Directors will stand for annual election at the 2019 AGM.

A Director may be removed by special resolution of the Company. In addition, the office of a Director must be vacated if: (i) they resign their office by notice in writing delivered to the office or tendered at a meeting of the Board; or (ii) by notice in writing they offer to resign and the Board resolves to accept such offer; or (iii) their resignation is requested by all of the other Directors and all of the other Directors are not less than three in number; or (iv) a registered medical practitioner who is treating that Director gives a written opinion to the Company stating that that Director has become physically or mentally incapable of acting as a Director and may remain so for more than three months; or (v) by reason of a Director's mental health, a court makes an order which wholly or partly prevents that Director from personally exercising any powers or rights which that Director would otherwise have; or (vi) they are absent without the permission of the Board from meetings of the Board (whether or not an alternate Director appointed by him attends) for six consecutive months and the Board resolves that his office is vacated; or (vii) they become bankrupt or 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 2018 to allot relevant securities up to a nominal amount of £4,126,149. That authority will apply until the earlier of 30 June 2019 or at the conclusion of the Annual General Meeting for 2019. 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 2020).

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 2018 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 2019 or 30 June 2019.

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 Employees' Benefit Trust, holds 0.76% of the issued share capital of the Company as at 5 March 2019 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 101 of the financial statements.

The viability statement is included on page 45 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, all of which are explained in detail throughout this report. 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 emission 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 premises boilers; fuel combusted in Aggreko owned vehicles; refrigerant gas lost from Aggreko A/C units or vehicles; and emissions of SF6. Scope 1 emissions are considered to be those 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 two years:

Total GHG emissions by GHG protocol scope

tCO_2e/year	2018	2017
Scope 1	**6,259,024**	14,716,676
Scope 2	**17,017**	21,414
Scope 3	**6,999,628**	2,954,104
Total	**13,275,669**	17,692,195

Total GHG emissions by fleet/non-fleet

tCO_2e/year	2018	2017
Fleet	**13,149,392**	17,556,543
Non-fleet	**126,277**	135,652
Total	**13,275,669**	17,692,195

In 2018, we emitted 13,275,669 tonnes of CO_2e, a decrease of 25% over 2017. 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 significant decrease in fleet emissions. This is due to the use of more accurate efficiency assumptions in the conversion of running hours to fuel consumption (litres) for diesel generators within Rental Solutions (RS) and Power Solutions Industrial (PSI). In 2018, as part of our ongoing digital strategy we launched a project to more accurately calculate the emissions from our thermal assets. Using the data from our 15,000 assets which are connected to our central analytics platform and our advanced analytics capability we were able to construct a model which provided a more accurate load factor for 17 of our node sizes. Previously we have used an assumed average load factor for each node size but our model was able to provide actual values based on automated data from our assets. These accurate load factors were used to create new efficiency assumption conversions for the 17 tested nodes, and also for the remainder of nodes within RS and PSI using a 'nearest neighbour' approach. The outcome of this improvement in accuracy is a decrease in fleet emissions of 46% for RS and 36% for PSI, as compared to the 2017 assessment.

Another significant change for the 2018 results is a shift in emissions from Scope 1 to Scope 3. Historically, Aggreko has reported the direct emissions from generator (fleet) fuel consumption under Scope 1 for the entire fleet. However, recent review of Aggreko's operating practices has prompted the need to re-assign a portion of fleet emissions as Scope 3, with effect from the 2018 reporting period. Aggreko takes an

operational control approach to its Greenhouse Gas Assessment, as described in the GHG Protocol Corporate Accounting and Reporting Standard (revised edition). Under the operational control approach, assets (such as the generator fleet) are considered to fall within Scope 1 if the reporting company "has the full authority to introduce and implement its operating policies at the operation". This is true for Power Solutions Utility, where Aggreko sells power to specified clients, with Aggreko personnel maintaining presence on the project site to control the day-to-day running of the equipment to meet the power demand. Within Rental Solutions (and Power Solutions Industrial) Aggreko rents out fleet equipment to customers for short to medium-term hire. Under this contract the equipment is delivered to site by Aggreko at which point the customer takes over operational control for the duration of the lease. As outlined in the GHG Protocol, the direct emissions from the fleet rented in this way would be considered Scope 1 for the lessee and Scope 3 for the lessor (Aggreko). The result is that fleet emissions within Power Solutions Utility remain as Scope 1, and fleet emissions within Power Solutions Industrial and Rental Solutions are now categorised as Scope 3.

In line with best practice, our GHG accounting systems include an estimate of the upstream GHG emissions associated with fuel supply chains; in 2018, this contributed 16% of fleet combustion emissions, accounting for 30% of Scope 3 emissions.

In terms of the non-fleet activities, emissions from activities associated with premises use (energy, waste, water and refrigerant gases), business travel and company vehicles have all decreased compared to 2017. The most significant reduction is observed within premises emissions (-38%) due to greatly reduced loss of refrigerant gases. Conversely, emissions from third-party logistics have increased by 68%, largely due to higher volume of road and sea freight reported by Jebel Ali Operations.

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 first chart, relative emissions (expressed in tCO_2e/k£) have decreased significantly (27%) from 2017 due to the aforementioned absolute reduction in fleet emissions.

Revenue intensity ration tCO_2e/ thousand £ GBP

* Note the 2017 value has changed from 10.22 due to accounting changes.

While normalising emissions by Revenue can be informative we feel that running hours (the number of hours our fleet is 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 2018.

Running hour intensity ration tCO_2e/ running hour

In 2015, we undertook an Energy Saving Opportunities Scheme (ESOS) assessment in line with the UK Environment Agency requirements and can confirm that we are compliant with the regulations. Our next assessment is scheduled for 2019.

In addition, Aggreko's Northern Europe business achieved CEMARS (Carbon and Energy Management Reduction) Certification in 2017. CEMARS allows large organisations or high emissions industries to measure their greenhouse gas emissions, put in place plans to reduce them and have both of these steps independently certified. It is the first global greenhouse gas certification scheme to be accredited to the internationally recognised ISO 14065 standard. Aggreko was the first rental company to meet this standard.

Branches

Subsidiaries of the Company have established branches in a number of different countries in which they operate.

Auditor

Resolutions re-appointing KPMG as the Company's and Group's auditor and authorising the Audit Committee to determine its remuneration will be proposed at the Annual General Meeting.

Important events since 31 December 2018

There have been no important events affecting the Company or any subsidiary since 31 December 2018.

Political donations

No political donations were made during the financial year (2017: 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 85 were approved by the Board on 6 March 2019 and have been signed by the Company Secretary on behalf of the Board.

Peter Kennerley
Group Legal Director and Company Secretary

6 March 2019

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, 6 March 2019.

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 2018 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 31.

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 2018 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 three financial years ended 31 December 2018. 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.

The risk		Our response
Recoverability of Power Solutions Utility overdue receivables and accrued income in respect of certain countries including Yemen, Venezuela, Brazil, Zimbabwe, Chad, Mozambique, Angola, Mali and Benin Refer to page 57 (Audit Committee report), page 102 (accounting policy) and page 114 (financial disclosures) Risk vs 2017: ↑	Subjective judgement – certain customers of the Power Solutions Utility 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' PSU debtors such as Yemen, Venezuela, Brazil, Zimbabwe, Chad, Mozambique Angola, Mali and Benin those being the receivables that we consider give rise to our key audit matter. We consider the risk to have increased during the year given the £16 million increase in past due total PSU debtors highlighted in note 17. 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 sector experience: using our sector experience, assessing and challenging the Directors' judgement as to the likely recoverable amount of the receivables, which includes seeking evidence of the status of receivables from the latest communications with the relevant customer (including deposits and guarantees) where available, considering the Group's previous experience of recovery, 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. Our results → We found the carrying value of the trade receivables and accrued income noted opposite to be acceptable (2017: 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 57 (Audit Committee report), page 103 (accounting policy) and page 110 (financial disclosures) Risk vs 2017: ←→	Subjective judgement – provision for tax contingencies require the Directors to make judgements and estimates in relation to tax risks in particular in relation to the ongoing dispute in relation to a tax assessment in Bangladesh. This is highly judgemental due to the complexities and uncertainties of local and international tax legislation. 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. The effect of this matter is that, as part of our risk assessment, we determined that the provision in relation 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.	Our procedures included: → 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 → Assessing transparency: assessing the adequacy of the Group's disclosures in respect of tax and uncertain tax positions. Our results → We found the level of tax provisioning in the Group and Company to be acceptable (2017: acceptable).

3 Our application of materiality and an overview of the scope of our audit

Materiality for the group financial statements as a whole was set at £9.0 million (2017: £9.8 million), determined with reference to a benchmark of group profit before tax, of which it represents 4.9% (2017: 5%). Materiality for the parent company financial statements as a whole was set at £6.5 million (2017: £7 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 1.5% (2017: 1.4%) of this benchmark.

We agreed to report to the Audit Committee any corrected or uncorrected misstatements identified exceeding £450,000, in addition to any other identified misstatements that warranted reporting on qualitative grounds. This level was selected and agreed with the Audit Committee as, given the nature and scale of operations, adjustments under this level were not deemed to be of specific interest to them.

The Group audit team instructed component auditors in Argentina, Australia, Brazil, Dubai 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 £10,000 to £6.5 million, having regard to the mix of size and risk profile of the Group across the components. The components not included were not individually financially significant enough to require an audit for group reporting purposes, and did not present specific individual risks that needed to be addressed.

The Group audit team visited the component location in Dubai to participate in the planning meeting and assess the audit risk and strategy. Telephone calls were also held with the component auditors in Argentina, Australia, Brazil, Dubai and Russia. On these calls, the audit risks and strategy were discussed, the findings from the audit reported to the Group audit team were discussed in more detail, and any further work required by the Group audit team was then performed by the component auditor as relevant.

The components within the scope of our work accounted for the percentages illustrated below:

	Revenue	Profit before tax	Net Assets
Scoped out of our audit	23% (2017: 23%)	23% (2017: 5%)	25% (2017: 7%)
Full audit	77% (2017: 77%)	77% (2017: 95%)	75% (2017: 93%)

The remaining 23% of total group revenue, 23% of group profit before tax and 25% 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 32 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 45 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 85, 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.

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. These limited procedures did not identify actual or suspected non-compliance.

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

6 March 2019

For the year ended 31 December 2018

	Notes	2018 £ million	Total before exceptional items 2017 Restated (Note 1) £ million	Exceptional items (Note 7) 2017 £ million	2017 Restated (Note 1) £ million
Revenue	4	**1,760**	1,698	–	1,698
Cost of sales		**(824)**	(778)	(5)	(783)
Gross profit		**936**	920	(5)	915
Distribution costs		**(476)**	(456)	(12)	(468)
Administrative expenses		**(241)**	(219)	(23)	(242)
Impairment loss on trade receivables	17	**(7)**	(25)	–	(25)
Other income	2	**7**	4	(1)	3
Operating profit	4	**219**	224	(41)	183
Net finance costs	9				
– Finance cost		**(41)**	(36)	–	(36)
– Finance income		**4**	2	–	2
Profit before taxation	5	**182**	190	(41)	149
Taxation	10	**(57)**	(56)	9	(47)
Profit for the year		**125**	134	(32)	102
All profit for the year is attributable to the owners of the Company.					
Basic earnings per share (pence)	12	**49.22**			40.04
Diluted earnings per share (pence)	12	**49.18**			40.01

GROUP STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	2018 £ million	2017 Restated (Note 1) £ million
Profit for the year	**125**	102
Other comprehensive income/(loss)		
Items that will not be reclassified to profit or loss		
Remeasurement of retirement benefits	**26**	5
Taxation on remeasurement of retirement benefits	**(5)**	(1)
Items that may be reclassified subsequently to profit or loss		
Cash flow hedges	**2**	3
Taxation on cash flow hedges	**–**	(1)
PDVSA private placement notes: net change in fair value	–	(4)
Net exchange losses offset in reserves	**(24)**	(98)
Other comprehensive loss for the year (net of tax)	**(1)**	(96)
Total comprehensive income for the year	**124**	6

As at 31 December 2018

	Notes	2018 £ million	2017 Restated (Note 1) £ million
Non-current assets			
Goodwill	13	**184**	184
Other intangible assets	29.A2	**42**	31
Investment	28	**9**	–
Property, plant and equipment	14	**1,169**	1,214
Deferred tax asset	22	**36**	42
Fulfilment asset	15	**29**	3
Retirement benefit surplus	29.A5	**1**	–
		1,470	1,474
Current assets			
Inventories	16	**229**	232
Trade and other receivables	17	**781**	770
Fulfilment asset	15	**15**	5
Cash and cash equivalents	3	**85**	71
Derivative financial instruments	29.A4	**1**	–
Current tax assets		**23**	23
		1,134	1,101
Total assets		**2,604**	2,575
Current liabilities			
Borrowings	18	**(144)**	(139)
Derivative financial instruments	29.A4	**(1)**	(1)
Trade and other payables	19	**(371)**	(410)
Current tax liabilities		**(47)**	(60)
Demobilisation provision	21	**(6)**	(9)
Provisions	20	**(2)**	(8)
		(571)	(627)
Non-current liabilities			
Borrowings	18	**(627)**	(584)
Derivative financial instruments	29.A4	**–**	(2)
Deferred tax liabilities	22	**(34)**	(22)
Retirement benefit obligation	29.A5	**–**	(25)
Demobilisation provision	21	**(5)**	(1)
		(666)	(634)
Total liabilities		**(1,237)**	(1,261)
Net assets		**1,367**	1,314
Shareholders' equity			
Share capital	23	**42**	42
Share premium		**20**	20
Treasury shares	24	**(17)**	(7)
Capital redemption reserve		**13**	13
Hedging reserve (net of deferred tax)		**1**	(1)
Foreign exchange reserve		**(51)**	(27)
Retained earnings		**1,359**	1,274
Total Shareholders' equity		**1,367**	1,314

The financial statements on pages 90 to 134 were approved by the Board of Directors on 6 March 2019 and signed on its behalf by:

K Hanna
Chairman

H Drewett
Chief Financial Officer

For the year ended 31 December 2018

	Notes	2018 £ million	2017 Restated (Note 1) £ million
Operating activities			
Profit for the year		**125**	102
Adjustments for:			
Exceptional items	7	**–**	41
Tax		**57**	47
Depreciation		**293**	296
Amortisation of intangibles		**5**	4
Fulfilment assets	15	**9**	20
Demobilisation provisions	21	**4**	9
Finance income		**(4)**	(2)
Finance cost		**41**	36
Profit on sale of property, plant and equipment (PPE)[i]	2	**(7)**	(4)
Share-based payments		**10**	8
Negative goodwill on acquisition		**–**	(2)
Changes in working capital (excluding the effects of exchange differences on consolidation):			
Decrease/(increase) in inventories		**14**	(1)
Increase in trade and other receivables		**(10)**	(163)
(Decrease)/increase in trade and other payables		**(60)**	111
Cash flows relating to fulfilment assets	15	**(44)**	(12)
Cash flows relating to demobilisation provisions	21	**(4)**	(10)
Cash flows relating to prior year exceptional items		**(6)**	(30)
Cash generated from operations		**423**	450
Tax paid		**(61)**	(69)
Interest received		**4**	2
Interest paid		**(36)**	(36)
Net cash generated from operating activities		**330**	347
Cash flows from investing activities			
Acquisitions (net of cash acquired)	28	**(24)**	(55)
Acquisitions: repayment of loans and financing		**–**	(18)
Purchases of PPE		**(216)**	(272)
Purchase of other intangible assets		**(10)**	(5)
Purchase of investments		**(9)**	–
Proceeds from sale of PPE	2	**15**	14
Net cash used in investing activities		**(244)**	(336)
Cash flows from financing activities			
Increase in long-term loans		**726**	905
Repayment of long-term loans		**(624)**	(826)
Increase in short-term loans		**5**	21
Repayment of short-term loans		**(94)**	(6)
Dividends paid to Shareholders		**(69)**	(69)
Purchase of treasury shares		**(12)**	–
Net cash (used in)/from financing activities		**(68)**	25
Net increase in cash and cash equivalents		**18**	36
Cash and cash equivalents at beginning of the year		**59**	25
Exchange loss on cash and cash equivalents		**(1)**	(2)
Cash and cash equivalents at end of the year	3	**76**	59

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.

(i) Loss on disposal of £1 million was included in exceptional items in 2017.

For the year ended 31 December 2018

As at 31 December 2018

Analysis of changes in net debt	At 1 January 2018 £ million	Cash flow excluding acquisitions £ million	Cash flow–acquisitions £ million	Exchange £ million	Reclassifications £ million	**At 31 December 2018 £ million**
Cash and cash equivalents	59	18	–	(1)	–	**76**
Current borrowings:						
Bank borrowings	(72)	34	–	(2)	(75)	**(115)**
Private placement notes	(55)	55	–	(2)	(18)	**(20)**
	(127)	89	–	(4)	(93)	**(135)**
Non-current borrowings:						
Bank borrowings	(103)	(78)	(24)	(4)	75	**(134)**
Private placement notes	(481)	–	–	(30)	18	**(493)**
	(584)	(78)	(24)	(34)	93	**(627)**
Net debt	(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	–	–	–	–
Total financing liabilities	(713)	13	(24)	(38)	–	**(762)**

As at 31 December 2017

Analysis of changes in net debt	At 1 January 2017 £ million	Cash flow excluding acquisitions £ million	Cash flow–acquisitions £ million	Exchange £ million	Reclassifications £ million	At 31 December 2017 £ million
Cash and cash equivalents	25	36	–	(2)	–	59
Current borrowings:						
Bank borrowings	(41)	(15)	–	4	(20)	(72)
Private placement notes	–	–	–	3	(58)	(55)
	(41)	(15)	–	7	(78)	(127)
Non-current borrowings:						
Bank borrowings	(329)	265	(73)	14	20	(103)
Private placement notes	(304)	(271)	–	36	58	(481)
	(633)	(6)	(73)	50	78	(584)
Net debt	(649)	15	(73)	55	–	(652)
Analysis of changes in liabilities from financing activities						
Current borrowings	(41)	(15)	–	7	(78)	(127)
Non-current borrowings	(633)	(6)	(73)	50	78	(584)
Financing derivatives	(5)	3	–	–	–	(2)
Total financing liabilities	(679)	(18)	(73)	57	–	(713)

For the year ended 31 December 2018

As at 31 December 2018

		Attributable to equity holders of the Company							
	Notes	Ordinary share capital £ million	Share premium account £ million	Treasury shares £ million	Capital redemption reserve £ million	Hedging reserve £ million	Foreign exchange reserve (translation) £ million	Retained earnings £ million	Total equity £ million
Balance at 1 January 2018 as previously reported		42	20	(7)	13	(1)	(27)	1,277	1,317
Impact of change in accounting policy (Note 1)		–	–	–	–	–	–	(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[i]		–	–	–	–	–	(24)	–	(24)
Remeasurement of retirement benefits (net of tax)		–	–	–	–	–	–	21	21
Total comprehensive income 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	11	–	–	–	–	–	–	(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. The currency translation difference is explained in the Financial Review on page 27.

As at 31 December 2017

	Notes	Attributable to equity holders of the Company							
		Ordinary share capital £ million	Share premium account £ million	Treasury shares £ million	Capital redemption reserve £ million	Hedging reserve £ million	Foreign exchange reserve (translation) £ million	Retained earnings £ million	Total equity £ million
Balance at 1 January 2017 as previously reported		42	20	(14)	13	(3)	71	1,239	1,368
Impact of change in accounting policy (Note 1)		–	–	–	–	–	–	1	1
Restated balance at 1 January 2017		42	20	(14)	13	(3)	71	1,240	1,369
Profit for the year		–	–	–	–	–	–	102	102
Other comprehensive (loss)/income:									
Fair value gains on interest rate swaps (net of tax)		–	–	–	–	2	–	–	2
PDVSA private placement notes: net change in fair value		–	–	–	–	–	–	(4)	(4)
Currency translation differences[i]		–	–	–	–	–	(98)	–	(98)
Remeasurement of retirement benefits (net of tax)		–	–	–	–	–	–	4	4
Total comprehensive income for the year ended 31 December 2017		–	–	–	–	2	(98)	102	6
Transactions with owners:									
Employee share awards		–	–	–	–	–	–	8	8
Issue of Ordinary Shares to employees under share option schemes		–	–	7	–	–	–	(7)	–
Dividends paid during 2017	11	–	–	–	–	–	–	(69)	(69)
		–	–	7	–	–	–	(68)	(61)
Balance at 31 December 2017		42	20	(7)	13	(1)	(27)	1,274	1,314

(i) Included in currency translation differences of the Group are exchange gains of £55 million arising on borrowings denominated in foreign currencies designated as hedges of net investments overseas, and exchange losses of £153 million relating to the translation of overseas results and net assets.

For the year ended 31 December 2018

1 Accounting policies

The Company is a public limited company which is listed on the London Stock Exchange and is incorporated and domiciled in the UK. The address of the registered office is 120 Bothwell Street, Glasgow G2 7JS, UK. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

Basis of preparation

The Group financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (EU IFRS), IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under EU IFRS. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and financial liabilities (including derivative instruments) at fair value.

The preparation of financial statements in conformity with EU IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of the revenues and expenses during the reporting period.

Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

Adjusted measures

The Directors assess the performance of the Group and its reportable segments based on 'adjusted measures'. These measures are used for internal performance management and are believed to be most appropriate for explaining underlying performance to users of the accounts including shareholders of the Company and other stakeholders. The adjusted measures in relation to profit exclude 2017 exceptional items. These exceptional items are explained on page 109. 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.

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 2018, these facilities totalled £1,191 million in the form of committed bank facilities arranged on a bilateral basis with a number of international banks and private placement notes. The financial covenants attached to these facilities are that EBITDA should be no less than four times interest and net debt should be no more than three times EBITDA; at 31 December 2018, these stood at 14* times and 1.3* 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 amounted to £686 million at 31 December 2018 and, at that date, undrawn committed facilities were £465 million.

The Group balance sheet shows consolidated net assets of £1,367 million (2017: £1,314 million) of which £1,057 million (2017: £1,104 million) relates to fleet assets. The defined benefit pension surplus is £1 million (2017: deficit of £25 million).

More detail can be found within the Risks section on pages 38 to 45 and in the assessment of prospects and viability section on page 45.

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

The Group adopted IFRS 15 'Revenue from Contracts with Customers' and IFRS 9 'Financial Instruments' from 1 January 2018 therefore this is the first set of the Group's annual financial statements where IFRS 15 and IFRS 9 have been applied. Changes to significant accounting policies are described below.

IFRS 15

IFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised in accordance with the five-step model included in IFRS 15 which specifies that revenue should be recognised when (or as) an entity transfers control of goods or services to a customer at an amount to which the entity expects to be entitled.

The Group has applied IFRS 15 retrospectively using the practical expedient not to restate for contract extensions before 1 January 2017. Comparative numbers for the year ended 31 December 2017 have been restated. The main changes from adopting IFRS 15 are detailed below.

Mobilisation and demobilisation

Mobilisation costs are classified as fulfilment costs where they are separately identifiable and specific to a 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.

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.

* Calculation is on pages 141 and 142.

1 Accounting policies continued

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.

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 now recognised during the period of provision of power.

The financial impact of these items for the year ended 31 December 2017 is detailed below (Note references refer to tables below):

- Note 1: Revenue for the year ended 31 December 2017 is £2 million higher reflecting revenue now being recognised during the provision of power. Deferred revenue in the balance sheet also increases by £2 million.
- Note 2: Cost of sales for the year ended 31 December 2017 is £7 million higher reflecting mobilisation and demobilisation costs amortised to the income statement over the period of the contract.
- Note 5: A fulfilment asset of £8 million was recognised as at 31 December 2017, with £5 million less than one year and £3 million greater than one year.
- Note 6: A demobilisation provision of £10 million was recognised as at 31 December 2017, with £9 million less than one year and £1 million greater than one year.
- Note 11: IFRS 9 requires any impairment loss on trade receivables to be shown separately on the face of the income statement.

Rehire arrangements (Principal vs. Agent)

- Aggreko will sometimes hire equipment from a third party to use on a contract. Before IFRS 15 the revenue and cost associated with this was accounted for separately as Aggreko was the principal. Under IFRS 15 Aggreko is acting as an agent rather than principal in this instance mainly because Aggreko does not control the provision of the service due to factors such as the fact that the third party is still responsible for repairs to the equipment. Under IFRS 15 the cost of the rehire is netted against revenue.
- Note 3: The impact of this for the year ended 31 December 2017 was to reduce revenue and cost of sales by £34 million. There is no impact on operating profit.

Impact on financial statements
Group income statement

		Year ended 31 December 2017		
	Adjustment Notes	As previously reported £ million	Adjustments £ million	As restated £ million
Revenue	1,3	1,730	(32)	1,698
Cost of sales	2,3	(810)	27	(783)
Gross profit		920	(5)	915
Distribution costs		(493)	25	(468)
Administrative expenses		(242)	–	(242)
Impairment loss on trade receivables	11	–	(25)	(25)
Other income		3	–	3
Operating profit		188	(5)	183
Net finance costs		(34)	–	(34)
Profit before taxation		154	(5)	149
Taxation	4	(48)	1	(47)
Profit for the period		106	(4)	102
Basic earnings per share (pence)		41.54	(1.50)	40.04
Diluted earnings per share (pence)		41.51	(1.50)	40.01

Notes

Notes: 1, 2, 3, 11 – Refer to narrative above

Note: 4 – Tax impact of adjustments 1, 2 & 3

1 Accounting policies continued

Group balance sheet

	Adjustment notes	31 December 2017 As previously reported £ million	Adjustments £ million	As restated £ million
Non-current assets				
Other non-current assets		1,471	-	1,471
Fufilment asset	5	-	3	3
		1,471	3	1,474
Current assets				
Other current assets		1,096	-	1,096
Fufilment asset	5	-	5	5
		1,096	5	1,101
Total assets		2,567	8	2,575
Current liabilities				
Other current liabilities	1,4	(617)	(1)	(618)
Demobilisation provision	6	-	(9)	(9)
		(617)	(10)	(627)
Non-current liabilities				
Other non-current liabilities		(633)	-	(633)
Demobilisation provision	6	-	(1)	(1)
		(633)	(1)	(634)
Total liabilities		(1,250)	(11)	(1,261)
Net assets		1,317	(3)	1,314
Shareholders' equity				
Other		40	-	40
Retained earnings		1,277	(3)	1,274
Total shareholders' equity		1,317	(3)	1,314

Group cash flow statement

	Adjustment notes	Year ended 31 December 2017 As previously reported £ million	Adjustments £ million	As restated £ million
Profit for the year	7	106	(4)	102
Adjustments for:				
Tax	8	48	(1)	47
Fulfilment assets	9	-	20	20
Demobilisation provisions	10	-	9	9
Cash flows relating to fulfilment assets	9	-	(12)	(12)
Cash flows relating to demobilisation provisions	10	-	(10)	(10)
Increase in trade and other payables		113	(2)	111
Other items		183	-	183
Cash generated from operations		450	-	450

Notes 5 & 6 – Refer to narrative on page 97
Notes 7 & 8 – Refer to income statement above
Note 9 – Refer to Note 15 to the Accounts (Fulfilment assets)
Note 10 – Refer to Note 21 to the Accounts (Demobilisation provision)

1 Accounting policies continued

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 3 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 provides longer-term projects providing power to national utility customers.

A detailed description of these operating units can be found on page 7 of the Annual Report.

The Group has 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.

In both these performance obligations revenue is recognised over time and can comprise a fixed rental charge and a variable charge related to the usage of assets or other services (including pass-through fuel). The Group earns a fixed charge on certain contracts by providing agreed levels of power generation capacity to the customer and this is recognised when availability criteria in the contract are met.

Variable charges are earned as the Group provides power or rental and associated services in accordance with contractual arrangements and are recognised as the power is produced or the service is provided. Revenue is accrued or deferred at the balance sheet date depending on the period covered by the most recent invoice issued and the contractual terms.

There are some contracts performed by the Group to develop software or control systems and construct energy storage systems. Where the outcome of a contract can be measured reliably, contract revenue is recognised over the period of the contract by reference to the value of work done at the balance sheet date with reference to third-party certification where available. Where the outcome of a contract cannot be reliably estimated, contract costs are recognised as an expense when incurred and revenue is only recognised to the extent of the contract costs incurred that it is probable will be recoverable. In both cases, any expected contract loss is recognised immediately.

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 102.

Variable consideration
The Group is liable to penalties on certain contracts if we fail to fulfil the relevant performance obligation. If our assessment of these penalties means that it is highly probable that a significant reversal of the revenue recognised will occur they are netted against revenue.

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	**2018 £ million**	2017 £ million
Receivables	17	**502**	490
Accrued income	17	**169**	139
Fulfilment assets	15	**44**	8
Demobilisation provisions	21	**11**	10

The accounting policy for fulfilment assets and demobilisation provisions are detailed above.

During the year £44 million of fulfilment assets were capitalised mainly relating to mobilisation costs for new contracts in Bangladesh, Brazil and St Croix.

Key judgements
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.

Rehire arrangements (Principal vs Agent)
These arrangements are described on page 97. Judgement is required in determining if there is a Principal/Agent relationship in the relevant contracts.

IFRS 9
IFRS 9 addresses the classification, measurement and recognition of financial assets and liabilities. The Group has adopted IFRS 9 using the cumulative effect method and therefore comparatives have not been restated.

The main changes from implementing IFRS 9 are detailed below:

Impairment of financial assets
IFRS 9 replaces the 'incurred loss' model in IAS39 with an 'expected credit loss' (ECL) model. Under IFRS 9 credit losses tend to be recognised earlier than under IAS 39. Receivables (including accrued revenue) are required to be considered immediately for impairment to reflect the possibility of future default or non-collectability.

1 Accounting policies continued

The Group assesses the ECL as explained below:

Power Solutions Industrial and Rental Solutions
The Group has taken advantage of the practical expedient in IFRS 9 to use a provision matrix to simplify the calculation where accounts receivable are split into various risk categories (e.g. based on Credit Rating Agencies) and then a percentage is applied to each category to obtain the impairment allowances. An example of the provision matrix is detailed 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

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 on page 102.

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 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.

Based on this there is no material impact to the Group.

Classification and measurement of financial assets and financial liabilities
There are no material changes relating to derivatives, however we will defer implementation until the macro hedging requirements are finalised.

In September 2016 the Group signed £14 million of private placement notes with one customer in Venezuela (PDVSA) to progress clearing the overdue debt. This resulted in a financial instrument which replaced the net trade receivable balance. The financial instrument was booked at fair value which reflected our estimation of the recoverability of these notes. This fair value at 31 December 2018 was £4 million (2017: £4 million). This financial instrument was included in other receivables. Previously the change in fair value of these notes was reflected in the statement of changes in equity, however under IFRS 9 the changes in the fair value are now reflected in the income statement. There has been no change to the fair value of these notes in year ended 31 December 2018.

(b) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2018 and not early adopted
IFRS 16 'Leases'
IFRS 16 applies to annual periods beginning on or after 1 January 2019 and requires lessees to recognise all leases on balance sheet with limited exemptions for short-term leases and low value leases (<$10,000). This will result in the recognition of a right-to-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. The Group has completed its impact assessment of this standard and the expected impact of applying IFRS 16 in its first full year of application is detailed below.

- The total annual income statement charge is expected to increase by circa £2 million.
- EBITDA is expected to increase by around £30 to £40 million as the expense is now depreciation and interest.
- The total income statement charge over the life of the leases is unchanged – the difference under IFRS 16 is a 'front-loading' of the recognition of the charge.
- Recognition of a right-of-use asset and lease liability in the range of £100-£110 million with no impact on net assets.

In addition, the combined impact of IFRS 16 on operating profit and net operating assets is expected to reduce the Group's return on capital employed by circa 0.3pp.

The Group plans to apply IFRS 16 initially on 1 January 2019, using a modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparatives.

IFRIC 23 'Uncertainty over income tax treatments"
IFRIC 23 comes in to effect from 1 January 2019. Management has assessed the impact of this change and this is expected to be immaterial.

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 2018. 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.

1 Accounting policies continued

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 7. This is reflected by the Group's divisional management and organisational structure and the Group's internal financial reporting systems.

The Global Solutions 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. The income statement has been presented in a columnar format, which separately highlights exceptional items. This is intended to enable users of the financial statements to determine more readily the impact of exceptional items on the results of the Group.

Property, plant and equipment
Property, plant and equipment is carried at cost less accumulated depreciation and impairment losses. Cost includes purchase price, and directly attributable costs of bringing the asset into the location and condition where it is capable for use. Borrowing costs are not capitalised since the assets are assembled over a short period of time.

Freehold properties are depreciated on a straight-line basis over 25 years. Short leasehold properties are depreciated on a straight-line basis over the terms of each lease.

Other property, plant and equipment are depreciated on a straight-line basis at annual rates estimated to write off the cost of each asset over its useful life from the date it is available for use. Assets in the course of construction are not depreciated. The periods of depreciation are reviewed on an annual basis and the principal periods used are as follows:

Rental fleet	8 to 12 years
Vehicles, plant and equipment	4 to 15 years

Intangibles
Intangible assets acquired as part of a business combination are capitalised, separately from goodwill, at fair value at the date of acquisition if the asset is separable or arises from contractual or legal rights and its fair value can be measured reliably. Amortisation is calculated on a straight-line method to allocate the fair value at acquisition of each asset over their estimated useful lives as follows: customer relationships: 5-10 years, non-compete agreements: over the life of the non-compete agreements, technology intangible assets acquired: four years.

The useful life of intangible assets is reviewed on an annual basis.

Goodwill
On the acquisition of a business, fair values are attributed to the net assets acquired. Goodwill arises where the fair value of the consideration given for a business exceeds the fair value of such assets. Goodwill arising on acquisitions is capitalised and is subject to impairment reviews, both annually and when there are indicators that the carrying value may not be recoverable.

For the purpose of the impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination.

Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, then the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

An impairment loss recognised for goodwill is not reversed in a subsequent period. Any impairment of goodwill is recognised immediately in the income statement.

Research and development costs
All research expenditure is charged to the income statement in the period in which it is incurred.

Development expenditure is charged to the income statement in the period in which it is incurred unless it relates to the development of a new product or technology and it is incurred after the technical feasibility and commercial viability of the product has been proven, the development cost can be measured reliably, future economic benefits are probable and the Group intends, and has sufficient resources, to complete the development and to use or sell the assets. Any such capitalised development expenditure is amortised on a straight-line basis so that it is charged to the income statement over the expected useful life of the resulting product or technology, which is currently deemed to be between three to six years.

Impairment of property, plant and equipment and other intangible assets (excluding goodwill)
Property, plant and equipment and other intangible assets are amortised/depreciated and reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Value in use is calculated using estimated cash flows. These are discounted using an appropriate long-term pre-tax interest rate. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Foreign currencies
Items included in the financial statements for each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (functional currency). The Group's consolidated financial statements are presented in Sterling, which is the Group's presentational currency.

At individual company level, transactions denominated in foreign currencies are translated at the rate of exchange on the day the transaction occurs. Assets and liabilities denominated in foreign currency are translated at the exchange rate ruling at the balance sheet date. Non-monetary assets are translated at the historical rate. In order to hedge its exposure to certain foreign exchange risks, the Group enters into forward contracts and foreign currency options.

On consolidation, assets and liabilities of subsidiary undertakings are translated into Sterling at closing rates of exchange. Income and cash flow statements are translated at average rates of exchange for the period. Gains and losses from the settlement of transactions and gains and losses on the translation of monetary assets and liabilities denominated in other currencies are included in the income statement.

1 Accounting policies continued

Taxation

Deferred tax

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill, negative goodwill 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.

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). The trade receivables impairment policy is discussed above in the Impact of IFRS 9 section.

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.

As at 31 December 2018, provisions totalled £2 million (2017: £8 million) and they relate to the Group Business Priorities programme implementation. The provisions are generally in respect of depot closure costs.

These provisions are detailed in Note 20.

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, estimations and significant judgements

The Group uses estimates and makes judgements in the preparation of its Accounts. The most sensitive areas affecting the Accounts are discussed below.

Trade receivables

The trade receivables accounting policy is noted above and the impact of IFRS 9 is on page 99.

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 17, notably the ageing of past due but not impaired.

The management of trade receivables is the responsibility of the operating units, although they report monthly to the Group on debtor days, debtor ageing and significant outstanding debts.

1 Accounting policies continued

Trade receivables continued

At an operating unit level a credit rating is normally established for each customer based on ratings from external agencies. Where no ratings are available, cash in advance payment terms are often established for new customers. Credit limits are reviewed on a regular basis. The majority of the contracts the Group enters into are small relative to the size of the Group and, if a customer fails to pay a debt, this is dealt with in the normal course of business. However, some of the contracts the Group undertakes in developing countries in our Power Solutions Utility business are very large, and are in jurisdictions where payment practices can be unpredictable. During the year we continued to see delays in payments from a handful of customers in our Power Solutions Utility business in Africa, Yemen and Venezuela. The bad debt provision for this business unit at 31 December 2018 was $83 million (2017: $82 million). Although the overall provision was broadly in line with the prior year, reflecting the differing circumstances by customer, the bad debt provision against specific customers in Africa, Yemen and Venezuela increased by $6 million, while progress elsewhere during the year led to a reduction in provision against other customers of $5 million.

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 discussed the 15 most significant debtors in the PSU business, which accounted for 82% (2017: 78%) of the total PSU overdue debtor value at 31 December 2018 (before taking into account provisions or payment security/guarantees). At 31 December 2018, 81% (2017: 83%) of the PSU impairment provision related to these top 15 debtors. Among these debtors, the Group had a net exposure above $40 million to one customer, a net exposure between $30-$40 million to two customers, a net exposure between $20-$30 million to four customers and a net exposure of less than $20 million to each of the others. In addition to these PSU debtors, the Committee discussed the Group's overall exposure to Venezuela, which includes some outstanding balances within the PSI business. Given the current political uncertainty in Venezuela and the ongoing civil war in Yemen, the Committee considered in specific detail the Group's net exposure (including the private placement notes with PDVSA in Venezuela) of $16 million and $10 million, respectively, in each of these countries. These net exposure positions reflect a combination of bad debt provisions and payment security/guarantees representing 78% and 59% of the gross receivable value in each of Venezuela and Yemen, together with a 75% fair value adjustment against the private placement notes with PDVSA. While we believe that we remain relatively well positioned to recover these net exposure amounts when the current situation in each of the 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 as the gross debtor value plus accrued revenue, less any payment security/guarantees and bad debt provision).

Contracts are reviewed on a case by case basis to determine the customer and country risk. As a result of the rigorous approach to risk management, historically the Group has had a low level of bad debt write-offs. The Group does operate in countries, especially in our PSU business, where payments are unpredictable, where political and economic conditions mean that there is a risk of default and that risk can increase quickly, and has increased this year as set out above, therefore the Group's history in this area may not be indicative of the likely future outcome. When a trade receivable is uncollectable, it is written off against the provision for impairment of trade receivables. At 31 December 2018, the provision for impairment of trade receivables in the balance sheet was £85 million (2017: £80 million).

Taxation

Aggreko's tax charge is based on the profit for the year and the applicable tax rates in force at the balance sheet date. As well as corporation tax, Aggreko is subject to indirect taxes such as sales and employment taxes across the tax jurisdictions in which the Group operates. The varying nature and complexity of the tax laws requires the Group to review its tax positions and make appropriate judgements at the balance sheet date.

Due to the uncertain nature of the tax environment in many of the countries in which we operate, it can take some time to settle our tax position. We therefore create appropriate tax provisions for significant potential or contentious tax positions and these are measured using the most likely outcome method. Provisions are considered on an individual basis.

We continue to have an open tax issue in Bangladesh. This was appealed in 2017 and is now 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 are 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.

For other uncertain direct tax positions, excluding Bangladesh, as at 31 December 2018, we had tax provisions totalling £24 million (2017: £31 million) The movement in provisions between 2017 and 2018 is principally due to the release of a provision in respect of an historic matter (2006-2014) in Yemen, which has not moved for many years and which we do not currently believe will crystallise. The remaining provisions are principally held to manage the tax impact of various other potential historic tax exposures, largely in connection with our Power Solutions Utilities business in Africa and Latin America, and potential transfer pricing risks faced by the Group with respect to how we transact internationally within the business.

Due to the uncertainty associated with such tax positions, it is possible that at a future date, on conclusion of these open tax positions, the final outcome may vary significantly. 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 £12 million and a reduction in liabilities of around £10 million. The range of sensitivities depends upon quantification of the liability, risk of technical error and difference in approach taken by tax authorities in different jurisdictions. In addition, the recognition of deferred tax assets is dependent upon an estimation of future taxable profits available against which deductible temporary differences can be utilised.

Other areas of judgement and consideration

IFRIC 4 'Determining whether an arrangement constitutes a lease'

The Directors have considered the requirements of IFRIC 4 'Determining whether an arrangement constitutes a lease'.

IFRIC 4 requires that any arrangement that is dependent on the use of a specific asset or assets; and that conveys a right to use the asset is accounted for as a lease. The Directors, have concluded that none of the Group's contracts are dependent on the use of a specific asset or assets as the Group can swap in and out the rental fleet required to provide the services to our customers.

1 Accounting policies continued

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 which is considered a hyperinflationary environment however the impact is not material.

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

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

Liquidity, funding and capital management
The intention of Aggreko's strategy is to deliver long-term value to its shareholders 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 2018, Net Debt to EBITDA was 1.3* times (2017: 1.2 times).

The Group maintains sufficient facilities to meet its normal funding requirements over the medium term. At 31 December 2018, these facilities totalled £1,191 million in the form of committed bank facilities arranged on a bilateral basis with a number of international banks and private placement notes.

The financial covenants attached to these facilities are that EBITDA should be no less than four times interest and net debt should be no more than three times EBITDA; at 31 December 2018, these stood at 14* times and 1.3* times respectively. The Group does not expect to breach these covenants in the year from the date of approval of these financial statements.

The Group expects to be able to arrange sufficient finance to meet its future funding requirements. It has been the Group's custom and practice to refinance its facilities in advance of their maturity dates, providing that there is an ongoing need for those facilities. Net debt amounted to £686 million at 31 December 2018 and, at that date, undrawn committed facilities were £465 million. The maturity profile of the borrowings is detailed in Note 18 in the Annual Report and Accounts.

Interest rate risk
The Group's policy is to manage the exposure to interest rates by ensuring an appropriate balance of fixed and floating rates.

At 31 December 2018, £591 million of the net debt of £686 million was at fixed rates of interest resulting in a fixed to floating rate net debt ratio of 86:14 (2017: 94:6). The proportion of our debt with fixed interest rates was higher than usual at the 2018 and 2017 year ends due to some fixed rate debt maturities in the first half of 2018 and 2019.

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 (2017: £1 million). The sensitivity analysis is performed on a monthly basis and is reported to the Board.

Foreign exchange risk
The Group is subject to currency exposure on the translation of its net investments in overseas subsidiaries into Sterling. In order to reduce the currency risk arising, the Group uses direct borrowings in the same currency as those investments.

Group borrowings are predominantly drawn down in the currencies affecting the Group. 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 decreased our revenues by £112 million (2017: increased by £84 million) and operating profit by £24 million (2017: increased by £9 million) for the year ended 31 December 2018.

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 (2017: £4 million) in operating profit in terms of translation.

Currency translation also gave rise to a £24 million decrease in reserves as a result of year on year movements in the exchange rates (2017: decrease of £98 million). For every 5% movement in the US Dollar, there is an approximate impact in equity of £30 million (2017: £31 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 27.

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 102.

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.

* Calculation is on pages 141 and 142.

2 Proceeds from sale of property, plant and equipment

In the cash flow statement, proceeds from sale of PPE comprise:

	2018 £ million	2017 £ million
Net book amount	**8**	11
Profit on sale of PPE	**7**	3
Proceeds from sale of PPE	**15**	14

Profit on sale of PPE is shown within other income in the income statement.

3 Cash and cash equivalents

	2018 £ million	2017 £ million
Cash at bank and in hand	**85**	71
Bank overdrafts (Note 18)	**(9)**	(12)
Cash and cash equivalents	**76**	59

4 Segmental reporting

(A) As a result of the Group's increased sector focus we have refined our segmental reporting and reassigned all non-utility customer contracts from within our Power Solutions Utility business into Power Solutions Industrial. Accordingly the comparative figures have been restated. The impact was to reduce the previously stated Power Solutions Utility balances and results and to increase the Power Solutions Industrial balances and results by the amounts shown below.

	2017 £ million
Revenue	93
Operating profit	17
Depreciation and amortisation	17
Capital expenditure	8
Net operating assets	122
Average number of employees	454

Note 30 contains a reconciliation between previously reported segmental information and restated segmental information for the year ended 31 December 2017.

(B) Revenue by segment

	External revenue	
	2018 £ million	2017 Restated (Notes 1, 4(a)) £ million
Power Solutions		
Industrial	**424**	429
Utility	**514**	579
	938	1,008
Rental Solutions	**822**	690
Group	**1,760**	1,698

(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.

4 Segmental reporting continued

(B) Revenue by segment continued

Disaggregation of revenue

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

Revenue by geography

	2018 £ million	2017 Restated (Note 1) £ million
North America	**460**	369
UK	**106**	93
Continental Europe	**179**	136
Eurasia	**77**	85
Middle East	**148**	168
Africa	**200**	246
Asia	**166**	168
Australia Pacific	**100**	89
Latin America	**324**	344
	1,760	1,698

Revenue by sector

	31 December 2018				31 December 2017			
	PSI £ million	PSU £ million	RS £ million	Group £ million	PSI £ million	PSU £ million	RS £ million	Group £ million
Utilities	**27**	**514**	**99**	**640**	24	579	79	682
Oil & gas	**163**	–	**110**	**273**	166	-	63	229
Petrochemical & refining	**9**	–	**147**	**156**	8	-	114	122
Building services & construction	**48**	–	**151**	**199**	62	-	148	210
Events	**53**	–	**80**	**133**	37	-	66	103
Manufacturing	**32**	–	**56**	**88**	42	-	57	99
Quarrying & mining	**53**	–	**43**	**96**	55	-	35	90
Other	**39**	–	**136**	**175**	35	-	128	163
	424	**514**	**822**	**1,760**	429	579	690	1,698

(C) Profit by segment

	Operating profit	
	2018 £ million	2017 Restated (Notes 1, 4(a)) £ million
Power Solutions		
Industrial	**71**	73
Utility	**43**	70
	114	143
Rental Solutions	**105**	81
Operating profit pre-exceptional items	**219**	224
Exceptional items (Note 7)	–	(41)
Operating profit post-exceptional items	**219**	183
Finance costs – net	**(37)**	(34)
Profit before taxation	**182**	149
Taxation	**(57)**	(47)
Profit for the year	**125**	102

4 Segmental reporting continued

(D) Depreciation and amortisation by segment

	2018 £ million	2017 Restated (Note 4(a)) £ million
Power Solutions		
Industrial	**90**	89
Utility	**104**	115
	194	204
Rental Solutions	**104**	96
Group	**298**	300

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

	2018 £ million	2017 Restated (Note 4(a)) £ million
Power Solutions		
Industrial	**55**	63
Utility	**76**	175
	131	238
Rental Solutions	**109**	75
Group	**240**	313

Capital expenditure comprises additions of property, plant and equipment (PPE) of £216 million (2017: £272 million), additions of intangible assets of £10 million (2017: £5 million), acquisitions of PPE of £13 million (2017: £28 million), and acquisitions of intangible assets of £1 million (2017: £8 million).

(F) Assets/(liabilities) by segment

	Assets		Liabilities	
	2018 £ million	2017 Restated (Notes 1, 4(a)) £ million	2018 £ million	2017 Restated (Notes 1, 4(a)) £ million
Power Solutions				
Industrial	**714**	802	**(94)**	(112)
Utility	**996**	943	**(214)**	(224)
	1,710	1,745	**(308)**	(336)
Rental Solutions	**833**	765	**(76)**	(100)
Group	**2,543**	2,510	**(384)**	(436)
Tax and finance assets/(liabilities)	**59**	65	**(90)**	(86)
Derivative financial instruments	**1**	–	**(1)**	(3)
Borrowings	**–**	–	**(762)**	(711)
Retirement benefit surplus/(obligation)	**1**	–	**–**	(25)
Total assets/(liabilities) per balance sheet	**2,604**	2,575	**(1,237)**	(1,261)

(G) Average number of employees by segment

	2018 Number	2017 Restated (Notes 4(a)) Number
Power Solutions		
Industrial	**1,954**	1,834
Utility	**1,314**	1,629
	3,268	3,463
Rental Solutions	**2,759**	2,515
Group	**6,027**	5,978

4 Segmental reporting continued

(H) Geographical information

	Non-current assets	
	2018 £ million	2017 Restated (Note 4(a)) £ million
North America	**288**	253
UK	**161**	110
Continental Europe	**137**	119
Eurasia	**59**	70
Middle East	**251**	343
Africa	**153**	159
Asia	**151**	150
Australia Pacific	**70**	67
Latin America	**164**	161
	1,434	1,432

Non-current assets exclude deferred tax.

(I) Reconciliation of net operating assets to net assets

	2018 £ million	2017 Restated (Note 1) £ million
Net operating assets	**2,159**	2,074
Retirement benefit surplus/(obligation)	**1**	(25)
Net tax and finance payable	**(31)**	(21)
	2,129	2,028
Borrowings and derivative financial instruments	**(762)**	(714)
Net assets	**1,367**	1,314

5 Profit before taxation

The following items have been included in arriving at profit before taxation:

	2018 £ million	2017 £ million
Staff costs (Note 8)	**422**	401
Depreciation of property, plant and equipment	**293**	296
Amortisation of intangibles (included in administrative expenses)	**5**	4
Net gain on disposal of property, plant and equipment	**(7)**	(3)
Research costs	**1**	2
Net foreign exchange (gains)/losses [i]	**(1)**	2
Operating lease rentals payable	**38**	39

(i) The translational impact of currency on the Group's revenue and profit is discussed in the Group Performance Review on page 27.

6 Auditor's remuneration

	2018 £000	2017 £000
Audit services		
Fees payable to the Company's auditor for the audit of the Company's annual accounts and consolidated financial statements	**332**	248
Fees payable to the Company's auditor and its associates for other services:		
– the audit of the Company's subsidiaries	**1,029**	941
– other assurance related services	**43**	50
– tax compliance	**3**	9

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 (2017: £8k).

7 Exceptional items

The definition of exceptional items is contained within Note 1 of the 2018 Annual Report and Accounts. There were no exceptional items in 2018. An exceptional charge of £41 million before tax was recorded in the year to 31 December 2017 in respect of the Group's Business Priorities programme. The costs comprised £22 million of employee related costs, £8 million of professional fees and £11 million of property related costs. The employee costs related to severance costs as well as the costs of employees who were working full time on the Business Priorities programme implementation. This exceptional charge was split into Rental Solutions £13 million, Power Solutions – Industrial £11 million and Power Solutions – Utility £17 million.

8 Employees and Directors

Staff costs for the Group during the year:

	2018 £ million	2017 £ million
Wages and salaries (including severance costs)	**363**	345
Social security costs	**33**	32
Share-based payments	**10**	8
Pension costs – defined contribution plans	**14**	13
Pension costs – defined benefit plans (Note 29.A5)	**2**	3
	422	401

Key management personnel compensation
Full details of Directors' remuneration are set out in the Remuneration Report on pages 62 to 79. The key management comprises the Executive Committee as set out on page 50 as well as Non-executive Directors.

Key management compensation comprised the following:

	2018 £ million	2017 Restated £ million
Short-term employee benefits	**10**	7
Share-based payments	**2**	1
	12	8

In the prior year key management comprised Executive and Non-executive Directors. In 2018 this definition was changed to the Executive Committee members as well as Non-executive Directors. Prior year numbers have been changed to reflect this. The impact of the restatement is to increase short-term employee benefits for 2017 by £4 million and share-based payments by £1 million.

9 Net finance charge

	2018 £ million	2017 £ million
Finance cost on bank loans and overdrafts	**(37)**	(36)
Finance cost on employee benefit scheme liabilities (Note 29.A5)	**(4)**	–
	(41)	(36)
Finance income on bank balances and deposits	**1**	2
Finance income on employee benefit scheme assets (Note 29.A5)	**3**	–
	4	2

10 Taxation

	2018 £ million	Total before exceptional items 2017 Restated (Note 1) £ million	Exceptional items (Note 7) 2017 £ million	2017 Restated (Note 1) £ million
Analysis of charge in year				
Current tax expense:				
– UK corporation tax	**6**	11	(2)	9
– Overseas taxation	**62**	77	(7)	70
	68	88	(9)	79
Adjustments in respect of prior years:				
– UK	**(2)**	(2)	–	(2)
– Overseas	**(17)**	(3)	–	(3)
	49	83	(9)	74
Deferred taxation (Note 22):				
– Temporary differences arising in current year	**5**	(27)	–	(27)
– Movements in respect of prior years	**3**	–	–	–
	57	56	(9)	47

(i) Prior year exceptional items are explained in Note 7 and comprised costs of £41 million relating to our Business Priorities programme. Of these costs, £41 million were tax deductible and resulted in an exceptional tax credit of £9 million.

The tax charge relating to components of other comprehensive income is as follows:

	2018 £ million	2017 £ million
Deferred tax on hedging reserve movements	**–**	(1)
Deferred tax on retirement benefits	**(5)**	(1)
	(5)	(2)

Variances between the current tax charge and the standard 19% (2017: 19%) UK corporate tax rate when applied to profit on ordinary activities for the year are as follows:

	2018 £ million	Total before exceptional items 2017 Restated (Note 1) £ million	Exceptional items (Note 7) 2017 £ million	2017 Restated (Note 1) £ million
Profit before taxation	**182**	190	(41)	149
Tax calculated at 19% standard UK corporate tax rate	**35**	37	(8)	29
Differences between UK and overseas tax rates	**32**	30	(1)	29
Expenses not tax effected	**6**	8	–	8
Income not subject to tax	**(1)**	(3)	–	(3)
Impact of deferred tax rate changes in relation to US tax reform	**–**	(10)	–	(10)
Impact of deferred tax rate changes – non US	**1**	(1)	–	(1)
Tax on current year profit	**73**	61	(9)	52
Prior year adjustments – current tax*	**(19)**	(5)	–	(5)
Prior year adjustments – deferred tax	**3**	–	–	–
Total tax on profit	**57**	56	(9)	47
Effective tax rate	**31%**	29%	23%	31%

* The main components of the prior year credit are the release of a provision in respect of a historic matter in Yemen and other Power Solutions movements.

11 Dividends

	2018 £ million	2018 per share (p)	2017 £ million	2017 per share (p)
Final paid	**45**	**17.74**	45	17.74
Interim paid	**24**	**9.38**	24	9.38
	69	**27.12**	69	27.12

In addition, the Directors are proposing a final dividend in respect of the financial year ended 31 December 2018 of 17.74 pence per share which will utilise an estimated £45 million of Shareholders' funds. It will be paid on 24 May 2019 to shareholders who are on the register of members on 23 April 2019.

12 Earnings per share

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

	2018	2017 Restated (Note 1)
Profit for the year (£ million)	**125.4**	102.0
Weighted average number of Ordinary Shares in issue (million)	**254.8**	254.7
Basic earnings per share (pence)	**49.22**	40.04

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.

	2018	2017 Restated (Note 1)
Profit for the year (£ million)	**125.4**	102.0
Weighted average number of Ordinary Shares in issue (million)	**254.8**	254.7
Adjustment for share options	**0.2**	0.2
Diluted weighted average number of Ordinary Shares in issue (million)	**255.0**	254.9
Diluted earnings per share (pence)	**49.18**	40.01

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

	2018 £ million	2017 Restated (Note 1) £ million
Profit for the year	**125.4**	102.0
Exclude exceptional items	**–**	31.7
Profit for the year pre-exceptional items	**125.4**	133.7

An adjusted earnings per share figure is presented below.

Basic earnings per share pre-exceptional items (pence)	**49.22**	52.48
Diluted earnings per share pre-exceptional items (pence)	**49.18**	52.44

13 Goodwill

	2018 £ million	2017 £ million
Cost		
At 1 January	**184**	159
Acquisitions (Note 28)	**3**	35
Exchange adjustments	**(3)**	(10)
At 31 December	**184**	184
Accumulated impairment losses	**–**	–
Net book value	**184**	184

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

	2018 £ million	2017 £ million
Power Solutions		
Industrial	**59**	54
Utility	**22**	34
	81	88
Rental Solutions	**103**	96
Group	**184**	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 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:

	2018				2017			
	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	**161**	**8.4%**	**12.2%**	**3%**	127	8.1%	11.4%	3%
Power Solutions Utility	**147**	**8.4%**	**12.2%**	**3%**	225	8.1%	11.4%	3%
Rental Solutions	**209**	**8.4%**	**12.2%**	**3%**	177	8.1%	11.4%	3%

Values in use were determined using current year cash flows, a prudent view of the medium-term business strategy and exclude any growth capital expenditure. A terminal cash flow was calculated using a long-term growth rate of 3%. On the basis that the business carried out by all CGUs is closely related and assets can be redeployed around the Group as required, a consistent Group discount rate has been used for all CGUs.

As at 31 December 2018, 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 £1.4 billion and the lowest £236 million. Given these headroom numbers the Directors consider that there is no reasonably possible change in the key assumptions made in their impairment assessment that would give rise to an impairment.

14 Property, plant and equipment

Year ended 31 December 2018

	Freehold properties £ million	Short leasehold properties £ million	Rental fleet £ million	Vehicles, plant and equipment £ million	Total £ million
Cost					
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 (Note 28)	–	–	13	–	13
Disposals	–	–	(99)	(2)	(101)
At 31 December 2018	**92**	**23**	**3,612**	**168**	**3,895**
Accumulated depreciation					
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)
At 31 December 2018	**40**	**16**	**2,555**	**115**	**2,726**
Net book values:					
At 31 December 2018	**52**	**7**	**1,057**	**53**	**1,169**
At 31 December 2017	51	5	1,104	54	1,214

Year ended 31 December 2017

	Freehold properties £ million	Short leasehold properties £ million	Rental fleet £ million	Vehicles, plant and equipment £ million	Total £ million
Cost					
At 1 January 2017	91	22	3,475	136	3,724
Exchange adjustments	(3)	(1)	(256)	(7)	(267)
Additions	1	1	246	24	272
Acquisitions	–	–	23	5	28
Disposals	(3)	(2)	(88)	(6)	(99)
At 31 December 2017	86	20	3,400	152	3,658
Accumulated depreciation					
At 1 January 2017	36	16	2,272	91	2,415
Exchange adjustments	(2)	–	(172)	(5)	(179)
Charge for the year	3	1	275	17	296
Disposals	(2)	(2)	(79)	(5)	(88)
At 31 December 2017	35	15	2,296	98	2,444
Net book values:					
At 31 December 2017	51	5	1,104	54	1,214
At 31 December 2016	55	6	1,203	45	1,309

Assets in course of construction are included within Rental fleet.

15 Fulfilment asset

	2018 £ million	2017 £ million
Balance at 1 January	**8**	16
Capitalised in period	**44**	12
Provision created for future demobilisation costs	**3**	2
Amortised to the income statement	**(12)**	(22)
Exchange	**1**	-
Balance at 31 December	**44**	8
Analaysis of fulfilment assets		
Current	**15**	5
Non-current	**29**	3
Total	**44**	8

16 Inventories

	2018 £ million	2017 £ million
Raw materials and consumables	**226**	221
Work in progress	**3**	11
	229	232

The cost of inventories recognised as an expense within cost of sales amounted to £85 million (2017: £112 million). The write down of inventories to net realisable value amounted to £5 million (2017: £6 million).

17 Trade and other receivables

	2018 £ million	2017 £ million
Trade receivables	**587**	570
Less: provision for impairment of receivables	**(85)**	(80)
Trade receivables – net	**502**	490
Prepayments	**45**	57
Accrued income	**169**	139
Other receivables (Note (i))	**65**	84
Total receivables	**781**	770

(i) In September 2016, the Group signed £14 million of private placement notes with one customer in Venezuela (PDVSA) to progress clearing the overdue debt. This resulted in a financial instrument which replaced the net trade receivable balance. The financial instrument is booked at fair value which reflects our estimation of the recoverability of these notes. This fair value is estimated to be £4 million (2017: £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 £21 million (2017: £24 million) and deposits of £15 million (2017: £11 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:

	2018 £ million	2017 £ million
Sterling	**24**	33
Euro	**125**	110
US Dollar	**373**	348
Other currencies	**259**	279
	781	770

17 Trade and other receivables continued

Movements on the Group's provision for impairment of trade receivables are as follows:

	2018 £ million	2017 £ million
At 1 January	**80**	67
Net provision for receivables impairment	**7**	25
Utilised	**(2)**	(3)
Receivables written off during the year as uncollectable	**(2)**	(3)
Exchange	**2**	(6)
At 31 December	**85**	80

Credit quality of trade receivables

The table below analyses the total trade receivables balance per operating segment into fully performing, past due and impaired.

31 December 2018

	Fully performing £ million	**Past due £ million**	**Impaired £ million**	**Total £ million**
Power Solutions				
Industrial	56	56	11	123
Utility	53	202	64	319
	109	258	75	442
Rental Solutions	71	64	10	145
Group	**180**	**322**	**85**	**587**

31 December 2017

	Fully performing Restated £ million	Past due Restated £ million	Impaired Restated £ million	Total Restated £ million
Power Solutions				
Industrial	55	47	8	110
Utility	62	188	62	312
	117	235	70	422
Rental Solutions	67	71	10	148
Group	184	306	80	570

2017 numbers have been restated to take account of the transfer of non-utility balances from Power Solutions Utility to Power Solutions Industrial.

Ageing of past due but not impaired trade receivables

	2018 £ million	2017 £ million
Less than 30 days	**72**	90
Between 30 and 60 days	**50**	36
Between 60 and 90 days	**38**	24
Greater than 90 days	**162**	156
	322	306

The Group assesses credit quality as explained below:

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. The effectiveness of this credit process has meant that the Group has historically had a low level of bad debt in this business. Receivables written off during the year as uncollectable as a percentage of total gross debtors was 2% (2017: nil%).

17 Trade and other receivables continued

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.

To date the Group has also had a low level of bad debt in the Power Solutions Utility business.

The total trade receivables balance as at 31 December 2018 for our Power Solutions Utility business was £319 million (2017: £312 million). Within this balance, receivable balances totalling £32 million (2017: £41 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 £287 million (2017: £271 million) is deemed to be either acceptable or payment cover is not obtainable in a cost-effective manner.

Rental Solutions

This business is similar to the Power Solutions Industrial business above and the management of trade receivables is similar. Again the Group has historically had a low level of bad debt in the Rental Solutions business. Receivables written off during the year as uncollectable as a percentage of total gross debtors was 1% (2017: 2%).

18 Borrowings

	2018 £ million	2017 £ million
Non-current		
Bank borrowings	**134**	103
Private placement notes	**493**	481
	627	584
Current		
Bank overdrafts	**9**	12
Bank borrowings	**115**	72
Private placement notes	**20**	55
	144	139
Total borrowings	**771**	723
Cash at bank and in hand	**(85)**	(71)
Net borrowings	**686**	652

Overdrafts and borrowings are unsecured.

(i) Maturity of financial liabilities

The maturity profile of the borrowings was as follows:

	2018 £ million	2017 £ million
Within 1 year, or on demand	**144**	139
Between 1 and 2 years	**104**	79
Between 2 and 3 years	**157**	26
Between 3 and 4 years	**11**	146
Greater than 5 years	**355**	333
	771	723

18 Borrowings continued

(ii) Borrowing facilities

The Group has the following undrawn committed floating rate borrowing facilities available at 31 December 2018 in respect of which all conditions precedent had been met at that date:

	2018 £ million	2017 £ million
Expiring within 1 year	**–**	77
Expiring between 1 and 2 years	**276**	64
Expiring between 2 and 3 years	**100**	383
Expiring between 3 and 4 years	**89**	50
Expiring between 4 and 5 years	**–**	50
	465	624

19 Trade and other payables

	2018 £ million	2017 Restated (Note 1) £ million
Trade payables	**134**	160
Other taxation and social security payable	**15**	16
Other payables	**99**	78
Accruals	**115**	127
Deferred income	**8**	29
	371	410

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

20 Provisions

	Business Priorities Programme £ million
At 1 January 2018	8
Utilised	(6)
Exchange adjustments	–
At 31 December 2018	**2**
Analysis of total provisions	
Current	2
Non-current	–
Total	**2**

The provisions for the implementation of the Business Priorities programme are generally in respect of depot closure costs. The provision is expected to be fully utilised by the end of 2019.

21 Demobilisation provision

	2018 £ million	2017 £ million
Balance at 1 January	**10**	11
New provisions	**4**	9
Utilised	**(4)**	(10)
Exchange	**1**	–
Balance at 31 December	**11**	10
Analysis of demobilisation provision		
Current	**6**	9
Non-current	**5**	1
Total	**11**	10

22 Deferred tax

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**

31 December 2017

	At 1 January 2017 £ million	Credit/(debit) to income statement 2017 £ million	Debit to other comprehensive income 2017 £ million	Deferred tax in relation to acquisition 2017 £ million	Exchange differences 2017 £ million	At 31 December 2017 £ million
Fixed asset temporary differences	(71)	32	–	(2)	1	(40)
Retirement benefit obligations	5	–	(1)	–	–	4
Overseas tax on unremitted earnings	(1)	1	–	–	–	–
Tax losses	40	(8)	–	–	–	32
Derivative financial instruments	1	–	(1)	–	–	–
Other temporary differences	22	2	–	–	–	24
	(4)	27	(2)	(2)	1	20

A deferred tax liability of £1 million (2017: £nil) 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 £15 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 £31 million (2017: £23 million) of which £27 million (2017: £21 million) relates to carried forward tax losses and £4 million (2017: £2 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 £23 million (2017: £32 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 2018			31 December 2017		
	Assets £ million	**Liabilities £ million**	**Net £ million**	Assets £ million	Liabilities £ million	Net £ million
Fixed asset temporary differences	**15**	**(59)**	**(44)**	12	(52)	(40)
Retirement benefit obligations	**–**	**–**	**–**	4	–	4
Overseas tax on unremitted earnings	**–**	**(1)**	**(1)**	–	–	–
Tax losses	**30**	**–**	**30**	32	–	32
Other temporary differences	**23**	**(6)**	**17**	24	–	24
Total	**68**	**(66)**	**2**	72	(52)	20
Offset of deferred tax positions	**(32)**	**32**	**–**	(30)	30	–
Net deferred tax	**36**	**(34)**	**2**	42	(22)	20

The net deferred tax asset due after more than one year is £2 million (2017: asset of £20 million).

23 Share capital

	2018 Number of shares	2018 £000	2017 Number of shares	2017 £000
(i) Ordinary Shares of $4^{329}/_{395}$ pence (2017: $4^{329}/_{395}$ pence)				
At 1 January and 31 December	**256,128,201**	**12,378**	256,128,201	12,378
(ii) Deferred Ordinary Shares of $6^{18}/_{25}$ pence (2017: $6^{18}/_{25}$ pence)				
At 1 January and 31 December	**182,700,915**	**12,278**	182,700,915	12,278
(iii) Deferred Ordinary Shares of $^{1}/_{775}$ pence (2017: $^{1}/_{775}$ pence)				
At 1 January and 31 December	**18,352,057,648**	**237**	18,352,057,648	237
(iv) Deferred Ordinary Shares of $9^{84}/_{775}$ pence (2017: $9^{84}/_{775}$ pence)				
At 1 January and 31 December	**188,251,587**	**17,147**	188,251,587	17,147
(v) Deferred Ordinary Shares of $^{1}/_{306125}$ pence (2017: $^{1}/_{306125}$ pence)				
At 1 January and 31 December	**573,643,383,325**	**19**	573,643,383,325	19
Total		**42,059**		42,059

The rights and obligations attached to shares is described on pages 80 to 81.

24 Treasury shares

	2018 £ million	2017 £ million
Treasury shares	**(17)**	(7)

Interests in own shares represents the cost of 1,949,676 of the Company's Ordinary Shares (nominal value $4^{329}/_{395}$ pence). Movement during the year was as follows:

	2018 Number of shares	2017 Number of shares
1 January	**527,373**	1,048,816
Purchase of shares	**1,601,295**	–
Long-term Incentive Plan maturity	**–**	(1,698)
Deferred shares and restricted stock	**(178,992)**	(519,745)
31 December	**1,949,676**	527,373

These shares represent 0.8% of issued share capital as at 31 December 2018 (2017: 0.2%).

These shares were acquired by a Trust in the open market using funds provided by Aggreko plc to meet obligations under the Long-term Incentive 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 2018 was £14 million (2017: £4 million).

25 Capital commitments

	2018 £ million	2017 £ million
Contracted but not provided for (property, plant and equipment)	**19**	32

26 Operating lease commitments – minimum lease payments

	2018 £ million	2017 £ million
Commitments under non-cancellable operating leases expiring:		
Within one year	**29**	20
Later than one year and less than five years	**67**	53
After five years	**21**	25
Total	**117**	98

27 Investments in subsidiaries

The subsidiary undertakings of Aggreko plc at 31 December 2018, 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, Qunintalao Escola de Enfermagem, Bairro Morro Bento III, District of Samba, Luanda, Angola
Aggreko Argentina S.R.L.	Argentina	465, 2D, Av. L.N. Alem, Buenos Aires, 1001, Argentina
Aggreko 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 Belgium NV	Belgium	7, Smallandlaan, Antwerpen, 2660, Belgium
Aggreko Energia Locacao de Geradores Ltda	Brazil	3500, Av. das Américas, – Ed Toronto 2000 – 6° Andar – Barra da Tijuca, Rio de Janeiro, 22640-102, Brazil
Aggreko Cameroon S.R.L.	Cameroon	Centre des Affaires Flatters, Rue Flatters, BP 4999, Bonanjo, Doula, Cameroon
Aggreko Canada Inc	Canada	199, Bay Street, Suite 2800, Commerce Court West, Toronto, ON, M5L1A9, Canada
Younicos Energy Services Ltd	Canada	95 Foundry Street, Suite 300, Moncton NB, E1C 5H7, Canada
Aggreko Financial Holdings Limited +	Cayman Islands	89, Nexus Way, Camana Bay, PO Box 31106, Grand Cayman, KY1-1205, Cayman Islands
Aggreko Chile Limitada	Chile	Galvarino 9450, Parque Industrial Buenaventura, Quilicura, Region Metropolitana, Santiago, Chile
Aggreko (Shanghai) Energy Equipment Rental Company Limited	China	Building 16, No 99 HuaJia Road, SongJiang District, Shanghai, 201611, China
Aggreko Colombia SAS	Colombia	Parque Industrial Gran Sabana Vereda Tibitoc Lote M Unidad 67-A, Tocancipa, Colombia
Aggreko Power Solutions Colombia SA ESP	Colombia	Parque Industrial Gran Sabana, Carretera Snrto Zipaquira Lote 67, Tocancipa – Cundinamarca, Colombia
Aggreko Costa Rica S.A.	Costa Rica	Centro Corporativo Forum I, Torre G, Piso 1, Santa Ana, San José, Costa Rica
Aggreko Cote d'Ivoire S.A.R.L.	Cote d'Ivoire	Vridi Canal – Base Centrale thermique à gaz, Abidjan, Cote d'Ivoire
Aggreko 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 DRC S.P.R.L.	Democratic Republic of the Congo	50, Avenue Goma-Commune de la Gombe, Kinshasa
Aggreko Dominican Republic SRL	Dominican Republic	Paseo de los Locutores No. 53, Santo Domingo, Dominican Republic
Aggreko Energy Ecuador CIA	Ecuador	E 2324, Rumipamba y Av. Amazonas, Quito, NA, Ecuador
Aggreko Finland Oy	Finland	Hatanpaan Valtatie 13, Tampere, Finland
Aggreko France SARL	France	5, Rue Boole, Saint-Michel sur Orge, 91240, France
Aggreko Gabon S.A.R.L.	Gabon	Residence Du Golf, Libreville, BP: 4568, Gabon
Aggreko Deutschland GmbH	Germany	Barbarastraße 62, 46282 Dorsten, Germany
Younicos GmbH	Germany	Am Studio 16, 12489 Berlin, Germany
Aggreko Hong Kong Limited	Hong Kong	Lots 1845 and 1846 in DD125 Ho Tsuen, Yuen Long, N.T. Hong Kong, SAR, 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

27 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 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 Africa Limited	Mauritius	c/o Abax Corporate Services Ltd, 6th Floor, Tower A, 1 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 (Pty) Ltd	Namibia	344 Independence Avenue, Windhoek, Namibia
Aggreko (NZ) Limited	New Zealand	Level 8, 188 Quay Street, Auckland, 1010, New Zealand
Aggreko Projects Limited	Nigeria	27 Festival Road, Victoria Island, Lagos, Nigeria
Aggreko Gas Power Generation Limited ++++	Nigeria	27 Festival Road, Victoria Island, Lagos, Nigeria
Aggreko Norway AS	Norway	44, Dragonveien, Bygg 31, Oslo, Norway
Aggreko Energy Rentals Panama SA	Panama	Patton, Moreno & Asvat offices in Capital Plaza Building, 8th floor, Roberto Motta y Costa del Este Avenue, Panama, PA, 507, Panama
Aggreko Generator Rentals (PNG) Limited	Papua New Guinea	c/- Ashurst PNG, Level 4, Mogoru Moto Building, Champion Parade, Port Moresby, National Capital District, Papua New Guinea
Aggreko Peru S.A.C.	Peru	Avenida Elmer Faucett 4800, Callao, Peru
Aggreko Energy Rental Solutions Inc	Philippines	Unit 1101, Picadily Star Building, 4th Avenue, 27th Street Bonifacio Global City, Taguig City, 1634, Philippines
Aggreko Polska Spolka Zorganiczana	Poland	Fort Ordona 6 street, Czosnow, 05-152, Poland
Graciolica Lda	Portugal	Estrada Velha Do Quitadouro, Ilha da Graciosa, 9880 315 Santa Cruz da Graciosa, Portugal
Aggreko South East Europe S.R.L.	Romania	Soseaua de Centura 7A, Tunari, Ilfov, 077180, Romania
Aggreko Eurasia LLC	Russia	Building 1, House 8, 2nd km Stariy Tobolsky Trakt, Tyumen, 625000, Russian Federation
Aggreko Rwanda Limited	Rwanda	1st Floor, Omega House, Boulevard de los, Nyarugenge, Rwanda
Aggreko Senegal S.A.R.L.	Senegal	Route De Ngor 29912, Dakar, Senegal
Aggreko (Singapore) PTE Limited	Singapore	8B Buroh Street, Singapore, 627532
Milman International PTE LTD	Singapore	8B Buroh Street, Singapore, 627532
Aggreko Energy Rental South Africa (Proprietary) Limited	South Africa	2 Eglin Road, Sunninghill, 2157, South Africa
Aggreko South Korea Limited	South Korea	Unit 3203 S-Trenue, 37 Gukjegeumyung-ro 2-gil, Yeongdeungpo-gu, Seoul, Republic of Korea
Aggreko Iberia SA	Spain	35-37, Avinguda Torre Mateu, Pol.Industrial Can Salvatella, Barbera del Valles, 08210, Spain
Aggreko Sweden AB	Sweden	Box 16285, Stockholm, 103 25, Sweden
Aggreko Energy Rentals Tanzania Limited	Tanzania	Ubungo Plaza Unit 209, 2nd Floor, PO Box 158, Dar Es Salaam, Tanzania
Aggreko (Thailand) Limited	Thailand	Central World, 29th Floor, Rama I Road, Pathumwan Sub-district, Pathumwan District, Bangkok, Thailand
Aggreko Americas Holdings B.V. +	The Netherlands	Amstelveenseweg 760, 1081 JK Amsterdam, Netherlands

27 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	5/7 Sweet Briar Road, St. Clair, Trinidad and Tobago
Aggreko Enerji ve Isi Kontrol Ticaret Anonim Sirketi	Turkey	EGS Business Park B2 Blok Kat:6 D:227 Yeşilköy, Bakırköy, Istanbul, Turkey
Aggreko Middle East Limited FZE	UAE	E-LOB Office No E2-112F-40, PO Box 52462, Hamriyah Free Zone, Sharjah, United Arab Emirates
Aggreko Events Services Limited	UK	120 Bothwell Street, Glasgow, G2 7JS, Scotland, United Kingdom
Aggreko Finance Limited +	UK	120 Bothwell Street, Glasgow, G2 7JS, Scotland, United Kingdom
Aggreko Holdings Limited +	UK	120 Bothwell Street, Glasgow, G2 7JS, Scotland, United Kingdom
Aggreko International Projects Holdings Limited +	UK	120 Bothwell Street, Glasgow, G2 7JS, Scotland, United Kingdom
Aggreko International Projects Limited***	UK	120 Bothwell Street, Glasgow, G2 7JS, Scotland, United Kingdom
Aggreko Pension Scheme Trustee Limited	UK	120 Bothwell Street, Glasgow, G2 7JS, Scotland, United Kingdom
Aggreko Russia Finance Limited ++	UK	120 Bothwell Street, Glasgow, G2 7JS, Scotland, United Kingdom
Aggreko UK Finance Limited ++	UK	120 Bothwell Street, Glasgow, G2 7JS, Scotland, United Kingdom
Aggreko UK Limited	UK	Overburn Avenue, Dumbarton, G82 2RL, Scotland, United Kingdom
Aggreko US Limited	UK	120 Bothwell Street, Glasgow, G2 7JS, Scotland, United Kingdom
Aggreko Generators Limited ++++	UK	120 Bothwell Street, Glasgow, G2 7JS, Scotland, United Kingdom
Aggreko Luxembourg Holdings	UK	120 Bothwell Street, Glasgow, G2 7JS, Scotland, United Kingdom
Dunwilco (680) Limited ++++	UK	120 Bothwell Street, Glasgow, G2 7JS, Scotland, United Kingdom
Golden Triangle Generators Limited	UK	Aggreko House Orbital 2, Voyager Drive, Cannock, Staffordshire, WS11 8XP, England, United Kingdom
Aggreko Ukraine LLC	Ukraine	77, 709, Sichovyh Strilstiv 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

* Joint venture: Aggreko ownership is 49%, remainder is held by RedMed.

** Registered in Cyprus.

*** Administered from Dubai and registered in the UK.

\+ Intermediate holding companies.

++ Finance company.

+++ The financial year end of Aggreko Energy Rental India Private Limited is 31 March due to local taxation requirements.

++++ Dormant company.

28 Acquisitions and investments

A Contact Electric Rentals (A Contact)
On 15 February 2018 the Group completed the acquisition of the business and assets of A Contact.

The acquisition furthers Aggreko's leadership position in the speciality rental market and long-term growth strategy to excel through specialised rental solutions. A Contact specialises in the rental of medium and high voltage electrical distribution equipment in North America.

The revenue and operating profit included in the consolidated income statement from 15 February 2018 to 31 December 2018 contributed by A Contact was £10 million and £4 million respectively. Had A Contact been consolidated from 1 January 2018, the consolidated income statement for the year ended 31 December 2018 would show revenue and operating profit of £1,760 million and £219 million respectively.

The acquisition method of accounting has been adopted and the goodwill arising on the purchase has been capitalised. Acquisition related costs of £0.3 million have been expensed in the period and are included within administrative expenses in the income statement.

Goodwill represents the value of synergies arising from the integration of the acquired business. Synergies include combining A contact's specialised equipment with Aggreko's to offer extended benefits to our customers.

Included within this maximum consideration is £3 million which was deposited into an escrow account as contingent consideration and security against any issues with the assets acquired. The escrow period is eighteen months from date of acquisition, with 50% to be released twelve months after the acquisition date and the remaining balance eighteen months after the acquisition date. No claims have been identified to date and the Directors have assessed the fair value of the consideration as £3 million.

Generator Hire Service (GHS)
On 31 May 2018 the Group completed the acquisition of the business and assets of GHS in Australia.

GHS specialises in general rental equipment and it strengthens Aggreko's leadership position in the events sector.

The revenue and operating profit included in the consolidated income statement from 31 May 2018 to 31 December 2018 contributed by GHS was £0.9 million and £0.2 million respectively. Had GHS been consolidated from 1 January 2018, the consolidated income statement for the year ended 31 December 2018 would show revenue and operating profit of £1,760 million and £219 million respectively.

The acquisition method of accounting has been adopted and the goodwill arising on the purchase has been capitalised. Acquisition related costs of £0.2 million have been expensed in the period and are included within administrative expenses in the income statement.

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

The details of the transactions and the fair value of assets acquired in the two acquisitions are shown in the table below:

	A Contact £ million	GHS £ million	Total £ million
Property, plant and equipment	11	2	13
Intangible assets	1	–	1
Inventory	6	–	6
Trade and other receivables	1	–	1
Net assets acquired	19	2	21
Goodwill	2	1	3
Consideration per cash flow	21	3	24

Investment in Origami Energy Limited (Origami)
On 21 March 2018 the Group acquired a 14% share in Origami for a consideration of £9 million. Origami was founded in 2013 and has developed intelligent software that optimises the revenue earning capability of grid connected assets. This investment extends Aggreko's capability in evolving energy markets and supports our distributed energy strategy.

29 Notes to the Group Accounts – appendices

29.A1 Accounting policies

Derivative financial instruments

The activities of the Group expose it directly to the financial risks of changes in forward foreign currency exchange rates and interest rates. The Group uses forward foreign exchange contracts, and interest rate swap contracts to hedge these exposures. The Group does not use derivative financial instruments for speculative purposes.

Derivatives are initially recorded and subsequently measured at fair value, which is calculated using standard industry valuation techniques in conjunction with observable market data. The fair value of interest rate swaps is calculated as the present value of estimated future cash flows using market interest rates and the fair value of forward foreign exchange contracts is determined using forward foreign exchange market rates at the reporting date. The treatment of changes in fair value of derivatives depends on the derivative classification. The Group designates derivatives as hedges of highly probable forecasted transactions or commitments ('cash flow hedge').

In order to qualify for hedge accounting, the Group is required to document in advance the relationship between the item being hedged and the hedging instrument. The Group is also required to document and demonstrate an assessment of the relationship between the hedged item and the hedging instrument, which shows that the hedge will be highly effective on an ongoing basis. This effectiveness testing is re-performed at each period end to ensure that the hedge remains highly effective.

Cash flow hedges

Changes in the fair value of derivative financial instruments that are designated, and effective, as hedges of future cash flows are recognised directly in equity and any ineffective portion is recognised immediately in the income statement. If the cash flow hedge is of a firm commitment or forecasted transaction that subsequently results in the recognition of an asset or a liability then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in equity are included in the initial measurement of the asset or liability. For hedges of transactions that do not result in the recognition of an asset or a liability, amounts deferred in equity are recognised in the income statement in the same period in which the hedged item affects net profit and loss.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise.

Hedge accounting is discontinued when the hedging instrument no longer qualifies for hedge accounting. At that time any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the income statement.

Overseas net investment hedges

Certain foreign currency borrowings are designated as hedges of the Group's overseas net investments, which are denominated in the functional currency of the reporting operation.

Exchange differences arising from the retranslation of the net investment in foreign entities and of borrowings are taken to equity on consolidation to the extent the hedges are deemed effective. All other exchange gains and losses are dealt with through the income statement.

Share-based payments

IFRS 2 'Share-based Payment' has been applied to all grants of equity instruments. The Group issues equity-settled share-based payments to certain employees under the terms of the Group's various employee-share and option schemes. Equity-settled share-based payments are measured at fair value at the date of the grant. The fair value determined at the grant date of equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on an estimate of the shares that will ultimately vest. Fair value is measured using the Black-Scholes option-pricing model.

Own shares held under trust for the Group's employee share schemes are classed as Treasury shares and deducted in arriving at Shareholders' equity. No gain or loss is recognised on disposal of Treasury shares. Purchases of own shares are disclosed as changes in Shareholders' equity.

Leases

Leases where substantially all of the risks and rewards of ownership are not transferred to the Group are classified as operating leases. Rentals under operating leases are charged against operating profit on a straight-line basis over the term of the lease.

Dividend distribution

Dividend distribution to the Company's Shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's Shareholders. Interim dividends are recognised when paid.

29 Notes to the Group Accounts – appendices continued

29.A2 Other intangible assets

Year ended 31 December 2018

	Customer relationships and non-compete agreements £ million	Development expenditure £ million	Technology £ million	Total £ million
Cost				
At 1 January 2018	56	10	3	69
Acquisitions (Note 28)	1	–	–	1
Additions	–	10	–	10
Exchange adjustments	1	4	–	5
At 31 December 2018	**58**	**24**	**3**	**85**
Accumulated amortisation				
At 1 January 2018	38	–	–	38
Charge for the year	4	–	1	5
Exchange adjustments	–	–	–	–
At 31 December 2018	**42**	–	**1**	**43**
Net book values				
At 31 December 2018	**16**	**24**	**2**	**42**
At 31 December 2017	18	10	3	31

Amortisation charges in the year mainly comprised amortisation of assets arising from business combinations and have been recorded in administrative expenses.

Year ended 31 December 2017

	Customer relationships and non-compete agreements £ million	Development expenditure £ million	Technology £ million	Total £ million
Cost				
At 1 January 2017	56	5	–	61
Acquisitions	5	–	3	8
Additions	–	5	–	5
Exchange adjustments	(5)	–	–	(5)
At 31 December 2017	56	10	3	69
Accumulated amortisation				
At 1 January 2017	37	–	–	37
Charge for the year	4	–	–	4
Exchange adjustments	(3)	–	–	(3)
At 31 December 2017	38	–	–	38
Net book values				
At 31 December 2017	18	10	3	31
At 31 December 2016	19	5	–	24

Amortisation charges in the year mainly comprised amortisation of assets arising from business combinations and have been recorded in administrative expenses.

29 Notes to the Group Accounts – appendices continued

29.A3 Borrowings

(i) Interest rate risk profile of financial liabilities

The interest rate profile of the Group's financial liabilities at 31 December 2018, after taking account of the interest rate swaps used to manage the interest profile, was:

				Fixed rate debt	
	Floating rate £ million	**Fixed rate £ million**	**Total £ million**	**Weighted average interest rate %**	**Weighted average period for which rate is fixed Years**
Currency:					
US Dollar	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	–	–
As at 31 December 2018	**180**	**591**	**771**		

				Fixed rate debt	
	Floating rate £ million	Fixed rate £ million	Total £ million	Weighted average interest rate %	Weighted average period for which rate is fixed Years
Currency:					
US Dollar	7	610	617	4.0	5.9
Mexican Pesos	17	–	17	–	–
Russian Roubles	10	–	10	–	–
Brazil Reals	10	–	10	–	–
Indonesian Rupiah	17	–	17	–	–
Indian Rupees	10	–	10	–	–
Other currencies	42	–	42	–	–
As at 31 December 2017	113	610	723		

The floating rate financial liabilities principally comprise debt which carries interest based on different benchmark rates depending on the currency of the balance and are normally fixed in advance for periods between one and three months.

The weighted average interest rate on fixed debt is derived from the fixed leg of each interest rate swap and coupons applying to fixed rate private placement notes.

The effect of the Group's interest rate swaps is to classify £79 million (2017: £74 million) of borrowings in the above table as fixed rate. The notional principal amount of the outstanding interest rate swap contracts at 31 December 2018 was £79 million (2017: £74 million).

(ii) Interest rate risk profile of financial assets

	Cash at bank and in hand £ million
Currency:	
US Dollar	22
Russian Roubles	9
Other currencies	54
As at 31 December 2018	**85**

29 Notes to the Group Accounts – appendices continued

29.A3 Borrowings continued

	Cash at bank and in hand £ million
Currency:	
US Dollar	26
Other currencies	45
As at 31 December 2017	71

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.

29.A4 Financial instruments

As stated in our accounting policies Note 29.A1 on page 124 the activities of the Group expose it directly to the financial risks of changes in foreign currency exchange rates and interest rates. The Group uses forward foreign exchange contracts and interest rate swap contracts to hedge these exposures. The movement in the hedging reserve is shown in the Statement of Changes in Equity.

(i) Fair values of financial assets and financial liabilities

The following table provides a comparison by category of the carrying amounts and the fair values of the Group's financial assets and financial liabilities at 31 December 2018. 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.

	2018		2017	
	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	**(144)**	**(144)**	(139)	(139)
Non-current borrowings	**(627)**	**(627)**	(584)	(584)
Cash at bank and in hand	**85**	**85**	71	71
Derivative financial instruments held:				
Interest rate swaps	**–**	**–**	(2)	(2)
Net forward foreign currency contracts	**–**	**–**	(1)	(1)
Trade receivables	**502**	**502**	490	490
PDVSA private placement notes	**4**	**4**	4	4
Trade payables	**(134)**	**(134)**	(160)	(160)

(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 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.

29 Notes to the Group Accounts – appendices continued

29.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. The fair value of these borrowings were as follows:

	2018 £ million	2017 £ million
US Dollar	**604**	610
Euro	**61**	–

A foreign exchange loss of £46 million (2017: gain of £55 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 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 2017

	<1 year £ million	1-5 years £ million	>5 years £ million	Total £ million
Total borrowings	139	251	333	723
Effect of interest rate swaps and other fixed rate debt	(55)	(222)	(333)	(610)
	84	29	–	113

As at 31 December 2018 and 31 December 2017, 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 104.

The effective interest rates at the balance sheet date were as follows:

	2018	2017
Bank overdrafts	**9.4%**	12.1%
Bank borrowings	**3.8%**	4.9%
Private placement	**3.9%**	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 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**

As at 31 December 2017

	<1 year £ million	1-2 years £ million	2-5 years £ million	>5 years £ million
Borrowings	140	80	192	444
Derivative financial instruments	1	2	–	–
Trade and other payables	162	–	–	–
	303	82	192	444

No trade payable balances have a contractual maturity greater than 90 days.

29 Notes to the Group Accounts – appendices continued

29.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 2018

	<1 year £ million
Forward foreign exchange contracts – cash flow hedges	
Outflow	**(114)**
Inflow	**114**
	–

As at 31 December 2017

	<1 year £ million
Forward foreign exchange contracts – cash flow hedges	
Outflow	(141)
Inflow	140
	(1)

All of the Group's forward foreign currency exchange contracts are due to be settled within one year of the balance sheet date.

29.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 2018 was £12 million (2017: £11 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 2014 using the Attained Age method to determine the level of contributions to be made by the Group. The actuaries adopted a valuation basis linked to market conditions at the valuation date. Assets were taken at market value. The major actuarial assumptions used were:

Return on investments	3.6%
Growth in average pay levels	4.8%
Increase in pensions	3.2%

At the valuation date, the market value of the Scheme's assets (excluding AVCs) was £92 million which was sufficient to cover 92% of the benefits that had accrued to members, after making allowances for future increases in earnings.

As part of the valuation at 31 December 2014, the Company and the Trustee agreed upon a Schedule of Contributions and a Recovery Plan. Company contributions for benefits building up in the future increased from 35.9% to 41.0% on 1 February 2016. To address the Scheme deficit the Company has already made additional contributions of £1.25 million in 2015, 2016, 2017 and 2018 and plans to make further additional contributions of £1.25 million each year until 2022. Employee contributions are 6% of pensionable earnings.

The Group has the right to a refund of any pension surplus at the end of the Scheme and as such has not recognised an additional liability in accordance with IFRIC 14.

The Scheme closed to all new employees joining the Group after 1 April 2002. New employees are given the option to join a defined contribution scheme. Contributions of £2 million were paid to this defined contribution scheme during the year (2017: £2 million). There are no outstanding or prepaid balances at 31 December 2018.

29 Notes to the Group Accounts – appendices continued

29.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 2018	31 Dec 2017
Rate of increase in salaries	**3.7%**	4.9%
Rate of increase in pensions in payment	**3.2%**	3.1%
Rate of increase in deferred pensions	**3.4%**	3.4%
Discount rate	**3.0%**	2.6%
Inflation assumption	**3.4%**	3.4%
Longevity at age 65 for current pensioners (years)		
Men	**22.4**	24.3
Women	**24.5**	26.9
Longevity at age 65 for future pensioners (years)		
Men	**24.0**	26.9
Women	**26.6**	29.7

The assets in the Scheme were:

Equities	**Value at 31 Dec 2018 £ million**	Value at 31 Dec 2017 £ million
– UK equities	**9**	10
– Overseas equities	**12**	13
– Diversified growth	**8**	8
– Absolute return	**1**	8
Index-linked bonds	**43**	49
Bonds	**19**	19
Cash	**5**	2
Total	**97**	109

The amounts included in the balance sheet arising from the Group's obligations in respect of the Scheme are as follows:

	2018 £ million	2017 £ million
Fair value of assets	**97**	109
Present value of funded obligations	**(96)**	(134)
Asset/(liability) recognised in the balance sheet	**1**	(25)

29 Notes to the Group Accounts – appendices continued

29.A5 Pensions continued

Movement in defined benefit liability during the year:

	Defined benefit obligation		Fair value of Scheme assets		Net defined benefit surplus/(liability)	
	2018 £ million	2017 £ million	**2018 £ million**	2017 £ million	**2018 £ million**	2017 £ million
Balance at 1 January	**(134)**	(135)	**109**	105	**(25)**	(30)
Included in the income statement						
Service cost	**(2)**	(2)	**–**	–	**(2)**	(2)
Interest cost	**(4)**	(4)	**–**	–	**(4)**	(4)
Interest income	**–**	–	**3**	3	**3**	3
	(6)	(6)	**3**	3	**(3)**	(3)
Included in the statement of comprehensive income						
Remeasurements						
– Effects of changes in demographic assumptions	**15**	–	**–**	–	**15**	–
– Effect of changes in financial assumptions	**13**	2	**–**	–	**13**	2
– Effect of experience adjustments	**5**	–	**–**	–	**5**	–
– Return on plan assets (excluding interest income)	**–**	–	**(7)**	3	**(7)**	3
	33	2	**(7)**	3	**26**	5
Other						
Employer contributions	**–**	–	**3**	3	**3**	3
Benefits paid	**11**	5	**(11)**	(5)	**–**	–
	11	5	**(8)**	(2)	**3**	3
Balance at 31 December	**(96)**	(134)	**97**	109	**1**	(25)

The service cost includes £0.3 million in relation to the guaranteed minimum pension (GMP) requirements.

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 2018 with a suitable insurer. This amount represents the amount that would be required to settle the Scheme liabilities at 31 December 2018 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 2018 is around £132 million which gives a Scheme shortfall on a buyout basis of approximately £35 million.

29 Notes to the Group Accounts – appendices continued

29.A5 Pensions continued

Cumulative actuarial gains and losses recognised in equity

	2018 £ million	2017 £ million
At 1 January	**58**	63
Actuarial gains recognised in the year	**(26)**	(5)
At 31 December	**32**	58

The actual return on Scheme assets was a loss of £7 million (2017: gain of £3 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 £13 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 £12 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 £3 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.

	2018 £ million	2017 £ million
Defined benefit obligation by participant status		
Actives	**31**	59
Deferreds	**34**	47
Pensioners	**31**	28
	96	134

The duration of the liabilities is approximately 25 years.

Expected cash flows in future years

Expected employer contributions for the year ending 31 December 2019 are £3 million. Expected total benefit payments: approximately £2 million per year for the next 10 years.

30 Segmental disclosures: Reconciliation of previously reported to restated results

Year ended 31 December 2017

Revenue

	As reported £ million	IFRS 15 Impact PSU/PSI £ million	Mob/demob £ million	Rehire £ million	Restated £ million
Power Solutions					
Industrial	340	93	–	(4)	429
Utility	670	(93)	2	–	579
	1,010	–	2	(4)	1,008
Rental Solutions	720	–	–	(30)	690
Group	1,730	–	2	(34)	1,698

Operating profit

	As reported £ million	IFRS 15 Impact PSU/PSI £ million	Mob/demob £ million	Restated £ million
Power Solutions				
Industrial	55	17	1	73
Utility	93	(17)	(6)	70
	148	–	(5)	143
Rental Solutions	81	–	–	81
Group	229	–	(5)	224

Depreciation and amortisation

	As reported £ million	PSU/PSI £ million	Restated £ million
Power Solutions			
Industrial	72	17	89
Utility	132	(17)	115
	204	–	204
Rental Solutions	96	–	96
Group	300	–	300

Capital expenditure on property, plant & equipment and intangible assets

	As reported £ million	PSU/PSI £ million	Restated £ million
Power Solutions			
Industrial	55	8	63
Utility	183	(8)	175
	238	–	238
Rental Solutions	75	–	75
Group	313	–	313

30 Segmental disclosures: Reconciliation of previously reported to restated results continued

Assets

	As reported £ million	IFRS 15 Impact PSU/PSI £ million	Mob/demob £ million	Restated £ million
Power Solutions				
Industrial	628	170	4	802
Utility	1,109	(170)	4	943
	1,737	–	8	1,745
Rental Solutions	765	–	–	765
Group	2,502	–	8	2,510

Liabilities

	As reported £ million	IFRS 15 Impact PSU/PSI £ million	Mob/demob £ million	Restated £ million
Power Solutions				
Industrial	(61)	(48)	(3)	(112)
Utility	(263)	48	(9)	(224)
	(324)	–	(12)	(336)
Rental Solutions	(100)	–	–	(100)
Group	(424)	–	(12)	(436)

Note: As well as a change in operating assets there is also a £1 million decrease in corporation tax payable.

Average number of employees

	As reported	PSU/PSI	Restated
Power Solutions			
Industrial	1,380	454	1,834
Utility	2,083	(454)	1,629
	3,463	–	3,463
Rental Solutions	2,515	–	2,515
Group	5,978	–	5,978

As at 31 December 2018

	Notes	2018 £ million	2017 £ million
Fixed assets			
Property, plant and equipment	35	**29**	25
Investments	36	**752**	730
Retirement benefit surplus	29 A.5	**1**	–
		782	755
Current assets			
Other receivables	37	**706**	790
Cash and cash equivalents		**7**	6
Deferred tax asset		–	5
Current tax asset		**13**	17
		726	818
Creditors: amounts falling due within one year			
Borrowings	38	**(101)**	(82)
Other payables	39	**(347)**	(384)
Derivative financial instruments		**(1)**	(1)
Provisions		–	(1)
Net current assets		**277**	350
Total assets less current liabilities		**1,059**	1,105
Creditors: amounts falling due after one year			
Borrowings	38	**(627)**	(584)
Derivative financial instruments		–	(2)
Retirement benefit obligation	29.A5	–	(25)
Net assets		**432**	494
Shareholders' equity			
Share capital	23	**42**	42
Share premium		**20**	20
Treasury shares		**(17)**	(7)
Capital redemption reserve		**13**	13
Hedging reserve		–	(2)
Retained earnings		**374**	428
Total Shareholders' equity		**432**	494

The financial statements on pages 135 to 140 were approved by the Board of Directors on 6 March 2019 and signed on its behalf by:

K Hanna
Chairman

H Drewett
Chief Financial Officer

For the year ended 31 December 2018

	2018 £ million	2017 £ million
(Loss)/profit for the year	**(14)**	64
Other comprehensive income/(loss)		
Items that will not be reclassified to profit or loss		
– Remeasurement of retirement benefits	**26**	5
– Taxation on remeasurement of retirement benefits	**(5)**	(1)
Items that may be reclassified subsequently to profit or loss		
– Cash flow hedges	**2**	2
– Taxation on cash flow hedges	**–**	(1)
Other comprehensive income for the year (net of tax)	**23**	5
Total comprehensive income for the year	**9**	69

For the year ended 31 December 2018

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
Total comprehensive income for the year ended 31 December 2018	**–**	**–**	**–**	**–**	**2**	**7**	**9**
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**	**–**	**374**	**432**

As at 31 December 2017

	Attributable to equity holders of the Company						
	Ordinary Share capital £ million	Share premium account £ million	Treasury shares £ million	Capital redemption reserve £ million	Hedging reserve £ million	Retained earnings £ million	Total equity £ million
Balance at 1 January 2017	42	20	(14)	13	(3)	428	486
Profit for the year	–	–	–	–	–	64	64
Other comprehensive income/(loss):							
Fair value gains on interest rate swaps (net of tax)	–	–	–	–	1	–	1
Remeasurement of retirement benefits (net of tax)	–	–	–	–	–	4	4
Total comprehensive income for the year ended 31 December 2017	–	–	–	–	1	68	69
Transactions with owners:							
Employee share awards	–	–	–	–	–	8	8
Issue of Ordinary Shares to employees under share option schemes	–	–	7	–	–	(7)	–
Dividends paid during 2017	–	–	–	–	–	(69)	(69)
	–	–	7	–	–	(68)	(61)
Balance at 31 December 2017	42	20	(7)	13	(2)	428	494

For the year ended 31 December 2018

31 Company accounting policies

31.1 Basis of preparation

These financial statements have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101).
The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities (including derivative instruments) at fair values in accordance with the Companies Act 2006.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payment' (details of the number and weighted-average exercise prices of share options, and how the fair value of goods or services received was determined).
- IFRS 7, 'Financial Instruments: Disclosures'.
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities).
- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:
  - Paragraph 79(a)(iv) of IAS 1;
  - Paragraph 73(e) of IAS 16 'Property, plant and equipment';
  - Paragraph 188(e) of IAS 38 'Intangible assets' (reconciliations between the carrying amount at the beginning and end of the period).
- The following paragraphs of IAS 1, 'Presentation of financial statements':
  - 10(d) (statement of cash flows);
  - 10(f)(a) (statement of financial position as at the beginning of the preceding period);
  - 16 (statement of compliance with all IFRS);
  - 38A (requirement for minimum of two primary statements, including cash flow statements);
  - 38B-D (additional comparative information);
  - 40A-D (requirements for a third statement of financial position);
  - 111 (cash flow statement information); and
  - 134-136 (capital management disclosures).
- IAS 7, 'Statement of cash flows'.
- Paragraph 30 and 31 of IAS 8, 'Accounting policies, changes in accounting estimates and errors' (requirements for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation).
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.

31.1.1 Going concern

Given the going concern disclosures in the Group Accounts on page 96, the Directors consider it appropriate to adopt the going concern basis of accounting in preparing these financial statements.

31.1.2 Changes in accounting policy and disclosures

New and amended standards adopted by the Company
There are no new standards that are effective for the first time this year that have a material impact on the Company.

IFRIC 23 'Uncertainty over income tax treatments"
IFRIC 23 comes in to effect from 1 January 2019. Management has assessed the impact of this change and this is expected to be immaterial.

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 124 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 101

Impairment of property, plant and equipment – refer to page 101

Foreign currencies – refer to page 101

Derivative financial instruments – refer to page 124

Borrowings – refer to page 102

Taxation – refer to page 103

Leases – refer to page 124

Employee benefits – refer to page 102

32 Critical accounting estimates and assumptions

Taxation
This is explained in Note 1 to the Group Accounts on page 103.

33 Dividends

Refer to Note 11 of the Group Accounts.

34 Auditor's remuneration

	2018 £000	2017 £000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**332**	248
Fees payable to the Company's auditor and its associates for other services:		
– other assurance related services	**32**	46

35 Property, plant and equipment

	Total £ million
Cost	
At 1 January 2018	36
Additions	**10**
At 31 December 2018	**46**
Accumulated depreciation	
At 1 January 2018	11
Charge for the year	**6**
At 31 December 2018	**17**
Net book values:	
At 31 December 2018	**29**
At 31 December 2017	25

The property, plant and equipment of the Company comprise vehicles, plant and equipment.

36 Investments

	£ million
Cost of investments in subsidiary undertakings:	
At 1 January 2018	730
Additions	**24**
Net impact of share-based payments	**(2)**
At 31 December 2018	**752**

Details of the Company's subsidiary undertakings are set out in Note 27 to the Group Accounts. The Directors believe that the carrying value of the investments is supported by their underlying net assets.

The additional investment was in Aggreko Holdings Limited to allow it to invest in Aggreko. Rest of the World Holdings B.V. which then invested in Aggreko Energia Locacas de Geradores Ltd.

37 Other receivables

	2018 £ million	2017 £ million
Amounts due from subsidiary undertakings	**699**	783
Other receivables	**7**	7
	706	790

38 Borrowings

	2018 £ million	2017 £ million
Non-current		
Bank borrowings	**134**	103
Private placement notes	**493**	481
	627	584
Current		
Bank overdrafts	**2**	1
Bank borrowings	**79**	26
Private placement notes	**20**	55
	101	82
Total borrowings	**728**	666

The bank overdrafts and borrowings are all unsecured.

(i) Maturity of financial liabilities
The maturity profile of the borrowings was as follows:

	2018 £ million	2017 £ million
Within 1 year, or on demand	**101**	82
Between 1 and 2 years	**104**	79
Between 2 and 3 years	**157**	26
Between 3 and 4 years	**11**	146
Greater than 5 years	**355**	333
	728	666

(ii) Borrowing facilities
The Company has the following undrawn committed floating rate borrowing facilities available at 31 December 2018 in respect of which all conditions precedent had been met at that date:

	2018 £ million	2017 £ million
Expiring within 1 year	**–**	77
Expiring between 1 and 2 years	**276**	64
Expiring between 2 and 3 years	**100**	383
Expiring between 3 and 4 years	**89**	50
Expiring between 4 and 5 years	**–**	50
	465	624

39 Other payables

	2018 £ million	2017 £ million
Amounts owed to subsidiary undertakings	**324**	367
Accruals and other income	**23**	17
	347	384

40 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 loss for the financial year of the Company was £14 million (2017: profit of £64 million).

Adjusted return on average capital employed (ROCE)

Definition:
Calculated by dividing operating profit pre-exceptional items for a period by the average net operating assets at 1 January, 30 June and 31 December.

Calculation:

	Accounts reference	2018 £ million	2017 Restated (Note 1) £ million
Operating profit pre-exceptional items	Income statement	**219**	224
Average net operating assets			
1 January	Note 4 of 2018 and 2017 Accounts	**2,074**	2,124
30 June	Refer to Note (a) below	**2,123**	2,071
31 December	Note 4 of 2018 and 2017 Accounts	**2,159**	2,074
Average (i.e. total of 1 Jan, 30 June and 31 Dec divided by 3)		**2,119**	2,090
ROCE (operating profit pre-exceptional items divided by net average operating assets)		**10.3%**	10.7%
Note (a):			
Per June 2018 Interim Accounts			
Note 4 (F)			
Assets		**2,491**	2,479
Liabilities		**(368)**	(408)
Net operating assets		**2,123**	2,071

Adjusted earnings before interest, taxes, depreciation and amortisation (EBITDA)

Calculation:

	Accounts reference	2018 £ million	2017 Restated (Note 1) £ million
Operating profit pre-exceptional items (Earnings Before Interest and Taxation)	Income statement	**219**	224
Depreciation	Note 5	**293**	296
Amortisation	Note 5	**5**	4
EBITDA		**517**	524

Adjusted interest cover: EBITDA divided by net finance costs

Calculation:

	Accounts reference	2018	2017 Restated (Note 1)
EBITDA (£ million)	Per above	**517**	524
Net finance cost (£ million)	Income statement	**37**	34
Interest cover (times)		**14**	15

Adjusted net debt to EBITDA

Calculation:

	Accounts reference	2018	2017 Restated (Note 1)
Net debt (£ million)	Cash flow statement	**686**	652
EBITDA (£ million)	Per above	**517**	524
Net debt/EBITDA (times)		**1.3**	1.2

Adjusted dividend cover

Definition:

Basic earnings per share (EPS) pre-exceptional items divided by full year declared dividend.

Calculation:

	Accounts reference	2018	2017 Restated (Note 1)
Basic EPS pre-exceptional items (pence)	Note 12	**49.22**	52.48
Full year declared dividend			
Interim dividend (pence)	Note 11	**9.38**	9.38
Final dividend (pence)	Note 11	**17.74**	17.74
		27.12	27.12
Dividend cover (times)		**1.8**	1.9

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 25 April 2019 at 11.00am to consider and, if thought fit, pass the resolutions set out below. Resolutions 16 to 19 (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 2018.

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 76 of the Annual Report and Accounts for the year ended 31 December 2018.

Resolution 3
To declare a final dividend on the Company's Ordinary Shares of 17.74 pence per share.

Resolution 4
To re-elect Ken Hanna as a Director of the Company.

Resolution 5
To re-elect Chris Weston as a Director of the Company.

Resolution 6
To re-elect Heath Drewett as a Director of the Company.

Resolution 7
To re-elect Dame Nicola Brewer as a Director of the Company.

Resolution 8
To re-elect Barbara Jeremiah as a Director of the Company.

Resolution 9
To re-elect Uwe Krueger as a Director of the Company.

Resolution 10
To re-elect Diana Layfield as a Director of the Company.

Resolution 11
To re-elect Ian Marchant as a Director of the Company.

Resolution 12
To re-elect Miles Roberts as a Director of the Company.

Resolution 13
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 14
To authorise the Audit Committee of the Board to determine the remuneration of the Company's auditor.

Resolution 15
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 2020 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 16
That if resolution 15 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 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 sub-paragraph (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 2020 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 17
That if resolution 15 is passed, in addition to any authority granted pursuant to resolution 16 proposed at the Annual General Meeting, the Directors 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(1) 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(1) 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 Disapplying 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 2020 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 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 2020 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 19
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
6 March 2019

Registered office:
Aggreko plc
8th Floor
120 Bothwell Street
Glasgow G2 7JS
Scotland
United Kingdom

Registered in Scotland
number: SC177553

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. 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). 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 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).

7 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).

8 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 close of business on Tuesday 23 April 2019 (or, if the Annual General Meeting is adjourned, at close of business 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.

9 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.

10 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**.

11 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.

12 Members resolution

Under Section 338 and Section 338A of the Companies Act 2006, 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 14 March 2019, 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.

13 Voting rights

As at 5 March 2019 (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 $4\frac{329}{395}$ pence each, carrying one vote each; 188,251,587 Deferred Shares of $9\frac{84}{775}$ pence each, 18,352,057,648 Deferred Shares of $\frac{1}{775}$ pence each, 182,700,915 Deferred Shares of $6\frac{18}{25}$ pence each and 573,643,383,325 Deferred Shares of $\frac{1}{306125}$ pence each. 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 5 March 2019 were 256,128,201 votes.

14 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 his/her proxy will need to ensure that both he/she, and his/her proxy, comply with their respective disclosure obligations under the UK Disclosure and Transparency Rules.

15 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.

16 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 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 15 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 16 to 19 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 2018 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 76 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 2018. The full Directors' Remuneration Policy is available on **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 17.74 pence per Ordinary Share for the year ended 31 December 2018. If shareholders approve the recommended final dividend, it will be paid on 24 May 2019 to all Ordinary Shareholders who are on the register of members on 23 April 2019.

Re-election of Directors (Resolutions 4 to 12)

Resolutions 4 to 12 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 re-election are set out on pages 48 to 49 of this document and are also available to view online at **www.plc.aggreko.com**. The Board also confirms that, following a formal performance evaluation, each of the Directors standing for 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 re-election of the Directors proposed.

External auditor (Resolutions 13 and 14)

These resolutions deal with the re-appointment of KPMG LLP as auditors of the Company and the authorisation of the Audit Committee to determine their remuneration.

Authority to allot shares (Resolution 15)

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 $4\frac{329}{395}$ pence each). This amount represents approximately one third of the issued Ordinary Share capital of the Company as at 5 March 2019, being the latest practicable date prior to the publication of this circular. As at 5 March 2019, 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 2020 (the latest date by which the Company must hold an Annual General Meeting in 2020) or the conclusion of the Annual General Meeting of the Company to be held in 2020.

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 16 and 17)

Resolution 16 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 $4^{329}/_{395}$ pence each), being approximately 5% of the issued Ordinary Share capital of the Company as at 5 March 2019, being the latest practicable date prior to the publication of this circular. This resolution also disapplies statutory pre-emption rights to the extent necessary to facilitate rights issues.

Resolution 17 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 5 March 2019) 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 2020 or on 30 June 2020, whichever is the earlier. The Directors intend to seek renewal of this power at subsequent Annual General Meetings.

Purchase of Own Shares (Resolution 18)

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 5 March 2019, being the latest practicable date prior to the publication of this circular) 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 5 March 2019, there were options over Ordinary Shares 5,918,821 in the capital of the Company which represented 2.3% 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 2.6% of the Company's issued Ordinary Share capital.

Notice of general meetings (Resolution 19)

Under the Companies Act 2006, 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

18 April 2019
Ex-dividend date – Final dividend

23 April 2019
Record date to be eligible for the final dividend

25 April 2019
Annual General Meeting

24 May 2019
Final dividend payment for the year to 31 December 2018

30 July 2019
Half year results announcement for the year to 31 December 2019

6 September 2019
Ex-dividend date – Interim dividend

7 September 2019
Record date to be eligible for the interim dividend

4 October 2019
Interim dividend payment for the year to 31 December 2019

Our website

Provides access to share price and dividend information as well as sections on managing your shareholding online, corporate governance and other investor relations information.

To access the website, please visit **www.plc.aggreko.com**

Managing your shares online

Shareholders can manage their holding online by registering to use our share portal at **https://shares.aggreko.com**. This service is provided by our Registrar, Link Asset Services, giving quick and easy access to your shareholding, allowing you to manage all aspects of your shareholding online, with a useful FAQ section.

Electronic communications

We encourage shareholders to consider receiving their communications electronically. Choosing to receive your communications electronically means you receive information quickly and securely and allows us to communicate in a more environmentally friendly and cost-effective way. You can register for this service online using our share portal.

Payment of dividends

We encourage shareholders to have dividends paid directly into their bank accounts as this has a number of advantages, including ensuring efficient payment to receive cleared funds on the payment date.

If shareholders would like to receive their dividends directly to their bank account, they should contact our Registrar, Link Asset Services. UK shareholders may also register using the share portal.

Overseas shareholders may 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.

Changes of address

To avoid missing important correspondence relating to your shareholding, it is important that you inform our Registrar, Link Asset Services, of your new address as soon as possible.

Sharegift

If you have a very small shareholding that is uneconomical to sell, you may want to consider donating it to Sharegift (Registered Charity no. 10526886), a charity that specialises in the donation of small, unwanted shareholdings to good causes. You can find out more by visiting **www.sharegift.org** or by calling +44 (0) 207 930 3737.

Shareholder queries

Our share register is maintained by our Registrar, Link Asset Services. Shareholders with queries relating to their shareholding should contact Link Asset Services directly. For more general queries, shareholders can look at our website at **www.plc.aggreko.com**

Unsolicited mail and shareholder fraud

Shareholders are advised to be wary of unsolicited mail or telephone calls offering free advice, to buy shares at a discount or offering free company reports. To find more detailed information on how shareholders can be protected from investment scams visit **www.fca.org.uk/consumers/scams/investment-scams/share-fraud-and-boiler-room-scams**

Our Registrar

Link Asset Services
The Registry,
34 Beckenham Road
Beckenham
Kent
BR3 4TU
United Kingdom

Share portal: **https://shares.aggreko.com**
Website: **www.linkassetservices.com**
Email: **enquiries@linkgroup.co.uk**
Telephone: **0371 664 0300***

- Calls are charged at the standard geographic rate and will vary by provider. Calls outside the 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 publication is produced by a CarbonNeutral company and Carbon Balanced with World Land Trust.

Balancing is delivered by World Land Trust, an international conservation charity, who offset carbon emissions through the purchase and preservation of high conservation value land.

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_2 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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www.aggreko.com