

Introduction

Aggreko is committed to maintaining high standards of corporate governance. Not many public companies state that they are committed to maintaining low standards of corporate governance, so we think it might be useful to set out, as precisely as we are able, what we mean by this.

First, we mean that we take governance at all levels in the Company seriously, and we think about it. Second, it means that we do not slavishly follow the strictures and advice of every governance guru or 'expert' body, but we try to adopt those approaches that we believe are likely to work in the particular context of Aggreko's business and culture, and which promote the following:

- Transparency: giving shareholders the information they need to judge whether the executive management and the Board are doing a good job on their behalf;
- Effective decision-making, risk management and control;
- A proper balance between Executive and Non-executive Directors;
- Keeping the interests of the owners of the business aligned with, and at the front of the mind of, the people charged with managing the business; and
- The ability of the Company to hear the voice of people other than shareholders who are touched by it. Principally these are regulatory and standards bodies, employees, customers, suppliers and the communities in which we operate

being mindful of the need to keep the amount of money and time spent on activities other than those involving making money for our shareholders to an appropriate level.

Putting governance into practice

We support the Combined Code on Corporate Governance published by the Financial Reporting Council in June 2008 (the 'Code'). We consider that the Group complies and has complied throughout the year ended 31 December 2009 with all of the provisions of the Code with the exception of the Code provision that at least half of the Board, excluding the Chairman, should be independent Non-executive Directors; the reasons for this are explained in detail in the paragraph below entitled 'Non-executive Directors'. A copy of the Code is publicly available at www.frc.org.uk.

The Board

The Board currently comprises a Chairman, Chief Executive, four other Executive Directors and four Non-executive Directors; their details are set out on pages 48 and 49.

Amongst the matters reserved for decision by the full Board are strategy, acquisitions and disposals, capital projects over a defined limit, annual budgets, new Group borrowing facilities and significant changes to employee benefit schemes.

There is a defined division of responsibilities between the Non-executive Chairman and the Chief Executive. The Chairman is primarily responsible for the effective working of the Board; the Chief Executive is responsible for the operational management of the business; for developing strategy and presenting it to the Board; and for the implementation of the strategy as agreed by the Board.

Non-executive Directors

Non-executive Directors bring a wide range of experience to the Company and Nigel Northridge, David Hamill, Robert MacLeod and Russell King are considered by the Board to be independent as defined in the Code. Andrew Salvesen, who retired from the Board on 29 April 2009, had served as a Director of the Company for more than nine years and therefore was not considered to be independent by the Board for the purposes of the Code.

Nigel Northridge is the Senior Independent Director and is available to meet Shareholders if they have concerns which contact through the normal channels of Chairman, Chief Executive or Finance Director has failed to resolve or for which such contact is inappropriate.

The Code states that at least half of the Board, excluding the Chairman, should be independent Non-executive Directors. However, the Directors believe that, beyond a certain size, Boards risk becoming ineffective at control and decision-making; they certainly become more expensive as they grow larger. Ideally, in our view, the Aggreko Board works most effectively, and represents best value for shareholders, with no more than ten people sitting round the table.

Applying the 'no more than ten round the table' rule leaves nine places for Executive and Non-executive Directors. Operationally, Aggreko is organised into three regions, and the choice in terms of the number of Executive Directors sitting on the Board is two, or five.

The Board has concluded that the ability to hold to account the line managers who run the business on a daily basis, to get their input into decision-making, and to get the additional Board-level visibility which comes from having these executives as part of the Board adds real value, and is the appropriate choice. We have therefore decided not to comply with the Code in this respect only, having four Non-executive Directors, rather than the five we would need to be in line with the Code.

Board Committees

The Board has standing Audit, Nomination and Remuneration Committees, the memberships, roles and activities of which are detailed in separate reports: Audit Committee on pages 57 and 58, Remuneration Committee on pages 60 to 71 and Nomination Committee on page 59. Each Committee reports to, and has its terms of reference approved by, the Board and the minutes of the Committee meetings are circulated to, and reviewed by, the Board.

The Terms of Reference of the standing Committees of the Board are available on our website at www.aggreko.com/investors/corporategovernance.

Board meetings

The Board generally meets at least six times a year. At each meeting, the Board receives certain regular reports, for example covering current trading, treasury, and environment, health and safety. At particular points in the year, the Board reviews budgets, capital expenditure, risks and financial statements. The Board has regular updates on strategy and also reviews other topics, such as technical or legal developments, acquisition opportunities, and the competitive environment, as appropriate. Most Board meetings will have a detailed presentation by a Regional Director on the performance of their region. The Board also receives reports on how other people feel about us; they get copies of investor and analyst feedback, customer satisfaction metrics, and the results of employee surveys.

The Board generally meets in central London or at the Group head office in Glasgow, but at least one meeting each year is held at one of the Group's other locations, which gives the Directors the opportunity to review the operations and meet local management. During 2009, for example, the Board met at our Benelux hub at Moerdijk in the Netherlands and at the UK's South-eastern hub at Sutton, South London.

The attendance of Directors at meetings during 2009 is set out in the table below:

	Board Notes meetings	Audit Committee	Remun- eration Committee	Nomi- nation Committee
Number of meetings in 2009	6	3	5	2
W F Caplan	6	–	–	–
A G Cockburn	6	–	–	–
D C M Hamill	6	3	5	2
R King	5	3	4	2
R J MacLeod	6	3	5	2
N H Northridge	5	2	4	2
K Pandya	6	–	–	–
P G Rogerson	6	–	–	2
A C Salvesen	1 2(2)	–	–	1(1)
F A B Shepherd	1 2(2)	–	–	–
R C Soames	6	–	–	2
G P Walker	6	–	–	–

Note 1: Resigned on 29 April 2009 – maximum possible number of meetings to be attended shown in brackets.

The Chairman holds meetings with the Non-executive Directors without the Executive Directors present, and at least once a year the Senior Non-executive Director chairs a meeting of the Non-executive Directors without the Chairman present.

Induction, development and support

All new Directors receive a full, formal and tailored induction on joining the Board, including meetings with senior management and advisers and visits to the Group's operational locations. The Board calendar is planned to ensure that Directors are briefed on a wide range of topics throughout the year and are given the opportunity to visit sites and discuss aspects of the business with employees. We recognise that our Directors have a diverse range of experience, and so we encourage them to attend external seminars and briefings that will assist them individually.

Directors have access to independent professional advice at the Company's expense where they judge this to be necessary to discharge their responsibilities as Directors and all Directors have access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring that Board procedures are complied with.

Election of Directors

Any Director appointed by the Board is subject to election by Shareholders at the first opportunity after his appointment. Each Director must retire from office at the third Annual General Meeting at which he was last elected. Rupert Soames and George Walker were last re-elected in 2007, and so will be offering themselves for re-election at the 2010 Annual General Meeting. Non-executive Directors who have served longer than nine years (e.g. three three-year terms) are subject to annual re-election.

All of the Directors have service agreements or letters of appointment and the details of their terms are set out in the Remuneration Report on page 71. No other contract with the Company or any subsidiary undertaking of the Company in which any Director was materially interested subsisted during or at the end of the financial year.

Board performance evaluation

This year, as in previous years, the Board conducted an evaluation of its own performance through an assessment questionnaire completed by all Directors. The questionnaire asked Directors to grade areas such as the performance of the Board and its Committees, the effectiveness of the Chairman, Executive and Non-executive Directors, the monitoring of operational performance, and corporate governance, as well as leadership and culture. In this way we can compare results with previous years. A summary of conclusions was then presented to the Board. The results showed a high level of satisfaction amongst the Directors as to the effectiveness of the Board – broadly in line with 2008, but identified some issues on which we agreed the Board should concentrate for the coming year. These included our people development programme, the economic assumptions underlying our strategy and business model (as set out on pages 18 to 24), and the competitive and investment challenges flowing from environmental developments.

We have reviewed the interests declared by Directors which could conflict with those of the Company, and we are satisfied that the Board's powers to authorise potential conflicts is operating effectively.

The Independent Non-executive Directors also discussed Philip Rogerson's recent appointment as chairman of Bunzl plc and were satisfied that it should not impact on his role as Aggreko's Chairman.

Shareholders

A summary of the items to be covered at this year's Annual General Meeting is set out on page 56. The Board supports the use of this meeting as a means of communicating with private investors and encourages their participation. The Company is ready, where practicable, to enter into a dialogue with Shareholders, through analyst briefings and investor presentations. Senior executives seek to meet regularly with institutional and major Shareholders to improve their understanding of the Company and its objectives. The Senior Independent Director is available to meet Shareholders if they have concerns. In addition to attending meetings with Shareholders, the Board has sought to understand the views of investors better by commissioning regular feedback reports from the Company's stockbrokers and other advisers.

Internal control

The Board has applied Principle C.2 of the Code by establishing a continuous process for identifying, evaluating and managing the risks that are considered significant by the Group in accordance with the revised Turnbull Guidance on Internal Control published by the Financial Reporting Council. This process has been in place for the period under review and up to the date of approval of the Annual Report and Accounts. 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's monitoring framework covers a wide range of controls, including financial, operational and compliance controls together with risk management. It is based principally on reviewing reports from management and considering whether significant risks are identified, evaluated, managed and controlled and ensuring that any significant weakness thus identified is promptly remedied. The Board continues to enhance and strengthen the procedures for identifying and monitoring key areas of risk.

The Board also considers financing and investment decisions concerning the Group and monitors the policy and control mechanisms for managing treasury risk. The Group insurance programme is reviewed by the Board, which also approves self-insured exposures.

During each financial year the Audit Committee reviews the external and internal audit work programmes and considers reports from internal and external auditors on the system of internal control and any material control weaknesses. It also receives responses from management regarding the actions taken on issues identified in audit reports.

Performance reporting and information

The Group has in place a comprehensive financial review cycle, which includes a detailed annual budgeting process where business units prepare budgets for approval by the Board. The Group uses a large number of performance indicators to measure both operational and financial activity in the business. Depending on the measure these are reported and reviewed on a daily, weekly or monthly basis. In addition management in the business receive a weekly and monthly pack of indicators which are the basis of regular operational meetings, where corrective action is taken where necessary. At a group level a well-developed management accounts pack including income statements, balance sheets and a cash flow statement as well as key ratios related to capital productivity and customer satisfaction scores, are prepared and reviewed monthly by management. As part of the monthly reporting process a reforecast of the current year numbers is carried out. To ensure consistency of reporting the Group has a global ERP system and a global consolidation system as well as a

common accounting policies and procedures manual. Management monitor the publication of new reporting standards and work closely with their external auditors in evaluating the impact of these standards.

Review of effectiveness of internal control

In compliance with Provision C.2.1 of the Code, the Board reviews the effectiveness of the Group's system of internal control.

On an annual basis the Audit Committee receives a formal review that is designed to assess the application of the principal financial and operational controls operated by the Group. The review, which is based on self-assessment by senior operational management, is carried out using a risk review and control questionnaire and is intended to complement the internal and external audit procedures. There is also a comprehensive procedure for monitoring all significant risks and key risks have been identified on a risk register. The Board has considered the probability of those risks occurring and their impact, as well as the actions that would be taken in response to them if they did occur.

The Board has undertaken a specific assessment of internal control for the purpose of this Annual Report. This assessment considered all significant aspects of internal control during the year ended 31 December 2009. Accordingly, the Board is satisfied that the Group continues to have an effective system of internal control.

Corporate Social Responsibility

The Board has set policies for the Group to ensure that it operates worldwide in a safe, ethical and responsible manner, which protects the environment as well as safeguarding the health and safety of its employees, its customers and the communities in which it operates. These policies are intended to recognise, evaluate and manage responsibly environmental, health and safety risks through implementation of a comprehensive Global Environmental, Health and Safety Management System that standardises best operating practices, objectives, data collection, reporting, audits, performance indicators and goals. These policies are set out in more detail on pages 42 to 47.

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.

Share capital

On 31 December 2009 the Company had in issue 273,473,338 ordinary shares of 20p each. Details of the changes in issued share capital during the year are shown in Note 21 to the accounts.

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 Company's articles, on a show of hands every member who is present in person or by proxy at a general meeting of the Company has one vote regardless of the number of shares held by the shareholder (or represented by the proxy). On a poll every member who is present in person or by proxy has one vote for every share of which he 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.

Restrictions on voting

No member is, unless the Board otherwise decides, entitled in respect of any share held by him to vote (either personally or by proxy) at any general meeting of the Company or at any separate general meeting of the holders of any class of shares in the Company if any calls or other sums presently payable by him in respect of that share remain unpaid or if he is a person with a 0.25 percent interest (as defined in the Company's articles) and he has been served with a restriction notice (as defined in the articles) after failure to provide the Company with information concerning interests in those shares required to be provided under the Companies Acts.

The Company is not aware of any agreement between holders of securities that may result in restrictions on voting rights.

Dividends and other distributions

Subject to the provisions of the Companies Acts, the Company may by ordinary resolution from time to time declare dividends in accordance with the respective rights of the members, but no dividend can exceed the amount recommended by the Board. Subject to the provisions of the Companies Acts, the Board may pay such interim dividends as appear to the Board to be justified by the financial position of the Company and may also pay any dividend payable at a fixed rate at intervals settled by the Board whenever the financial position of the Company, in the opinion of the Board, justifies its payment. If the Board acts in good faith, it is not liable 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 Board may deduct from any dividend or other moneys payable to a member by the Company on or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise in respect of shares of the Company. The Board may also withhold payment of all or any part of any dividends or other moneys payable in respect of the Company's shares from a person with a 0.25 per cent. interest (as defined in the Company's articles) if such a person has been served with a restriction notice (as defined in the articles) after failure to provide the Company with information concerning interests in those shares required to be provided under the Companies Acts.

Variation of rights

Subject to the provisions of the Companies Acts, rights attached to any class of shares may be varied either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class (excluding any shares of that class held as treasury shares) or with the sanction of a special resolution passed at a separate general meeting of the holders of those shares. The necessary quorum applying to any such separate general meeting is two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of the class (excluding any shares of that class held as treasury shares), (but at any adjourned meeting one holder present in person or by proxy (whatever the number of shares held by him) will constitute a quorum); every holder of shares of the class present in person or by proxy (excluding any shares of that class held as treasury shares) is entitled on a poll to one vote for every share of the class held by him (subject to any rights or restrictions attached to any class of shares) and any holder of shares of the class present in person or by proxy may demand a poll.

Restrictions on transfer of securities in the Company

There are no restrictions on the transfer of securities in the Company, except that:

- certain restrictions may from time to time be imposed by laws and regulations (for example, insider trading laws); and
- pursuant to the Listing Rules of the Financial Services Authority certain employees of the Company require the approval of the Company to deal in the Company's ordinary shares.

The Company is not aware of any agreements between holders of securities that may result in restrictions on the transfer of securities.

Amendment of Articles of Association

Unless expressly specified to the contrary in the articles of association of the Company, the Company's articles of association may be amended by a special resolution of the Company's shareholders.

Appointment and replacement of Directors

Unless otherwise determined by ordinary resolution of the Company, the number of Directors (disregarding alternate Directors) is not less than two nor more than fifteen. No shareholding qualification for Directors is required. The Company or 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. The Board or any committee authorised by the Board may appoint one or more Directors to hold employment or executive office with the Company for such period (subject to the Companies Acts) and on such other terms as the Board or committee may in its discretion decide and may revoke or terminate any appointment so made.

Each Director must retire from office at the third Annual General Meeting after the Annual General Meeting at which he was last elected. Non-executive Directors who have served longer than nine years (e.g. three three-year terms) are subject to annual re-election. In addition to any power of removal conferred by the Companies Acts, the Company may by special resolution remove any Director before the expiration of his period of office. The office of a Director must be vacated if: (i) he resigns his office by notice in writing delivered to the office or tendered at a meeting of the Board; or (ii) his resignation is requested by all of the other Directors and all of the other Directors are not less than three in number; or (iii) he is or has been suffering from mental ill health or becomes a patient for any purpose of any statute relating to mental health and the Board resolves that his office is vacated; or (iv) he is absent without the permission of the Board from meetings of the Board

(whether or not an alternate Director appointed by him attends) for six consecutive months and the Board resolves that his office is vacated; or (v) he becomes bankrupt or compounds with his creditors generally; or (vi) he is prohibited by law from being a Director; or (vii) he ceases to be a Director by virtue of the Companies Acts or is removed from office pursuant to the Company's articles.

Powers of the Directors

Subject to the provisions of the Companies Acts, the Company's memorandum of association and its 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 2009 to allot relevant securities up to a nominal amount of £17,985,000. That authority will apply until the earlier of 30 June 2010 and the conclusion of the Annual General Meeting for 2010. At this year's Annual General Meeting shareholders will be asked to grant an authority to allot relevant securities (i) up to a nominal amount of £18,254,455, and (ii) comprising equity securities up to a nominal amount of £18,254,455 (after deducting from such limit any relevant securities allotted under (i)), in connection with an offer by way of a rights issue, such authority to apply until the end of next year's Annual General Meeting (or, if earlier, until 30 June 2011).

A special resolution will also be proposed to renew the Directors' power to make non-pre-emptive issues for cash in connection with rights issues and otherwise up to a nominal amount of £2,738,168.

The Company was also authorised at the Annual General Meeting held in 2009 to make market purchases of up to 27,250,000 ordinary shares. This authorisation will expire on the earlier of the conclusion of the Annual General Meeting of the Company for 2010 and 29 October 2010.

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 27,381,683 ordinary shares and sets the minimum and maximum prices which may be paid.

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

Appleby Trust (Jersey) Limited, as Trustee of the Aggreko Employees' Benefit Trust, holds 1.61% of the issued share capital of the Company as at 4 March 2010 on trust for the benefit of the employees and former employees of the Group and their dependents. 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

The Directors, having made all the relevant enquiries, consider that the Group and the Company have adequate resources at their disposal to continue their operations for the foreseeable future, and that it is therefore appropriate to prepare the accounts on a going concern basis.

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 effect on a change of control. The Directors believe these agreements to be commercially sensitive and that their disclosure would be seriously prejudicial to the Company; accordingly they do not intend disclosing specific details of these. In addition, all of the Company's share schemes contain provisions which in the event of a change of control, would result in outstanding options and awards becoming exercisable, subject to the rules of the relevant schemes.

There are no agreements between the Company and its Directors or employees providing for compensation for loss of office or employment that occurs because of a takeover bid.

Disclosure of information to the Company's Auditor

In accordance with section 418 of the Companies Act 2006 the Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information (as defined by section 418(3) of the Companies Act 2006) of which the Company's Auditor is unaware; and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

Indemnity of officers

Under Article 145 of the Company's articles of association, the Company may indemnify any Director or other officer against any liability, subject to the provisions of the Companies Acts, and the articles grant an indemnity to the Directors against any liability for the costs of legal proceedings where judgement is given in their favour.

Under the authority conferred by Article 145, 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.

Supplier payment policy

It is the Group's policy to settle the terms and conditions of payment with suppliers when agreeing each transaction, to ensure that suppliers are made aware of these terms and, in practice, provided the supplier meets its contractual obligations, to abide by them. In overall terms, the Group had approximately 63 days' credit outstanding as at the balance sheet date.

Essential contractual arrangements

The Company buys the majority of its generator engines from Cummins Limited, a subsidiary of Cummins Inc based in Columbus, Indiana, USA. The Company also relies upon their global service and support network for the supply of spare parts. The Company's relationship with Cummins is governed by a supply agreement which is regularly reviewed.

Annual General Meeting

The Company's Annual General Meeting will be held at 11.00am on Wednesday 28 April 2010 at the Radisson SAS Hotel, 301 Argyle Street, Glasgow G2 8DL.

Annual General Meeting – Special Business

Special Business comprises resolutions: to authorise the Directors to allot ordinary shares up to an aggregate amount representing approximately one third of the issued ordinary share capital of the Company, in line with guidance issued by the Association of the British Insurers; to disapply the statutory pre-emption rights of shareholders on allotment of equity securities for cash up to a limit of a total of shares with a nominal value of approximately 5% of the current issued share capital; to renew the authority of the Company to purchase its own ordinary shares as permitted under Article 7 of articles of association; to approve the calling of meetings other than Annual General Meetings on 14 days' notice; and to amend the articles of association of the Company.

Auditors

A resolution re-appointing PricewaterhouseCoopers LLP as the Company's auditor will be proposed at the Annual General Meeting.

Material share interests

As at 4 March 2010 the Company had received notifications of the following share holdings representing 3% or more of the voting rights attached to the issued ordinary share capital of the Company:

Name of Shareholder	Number of Shares	% of total voting rights
Prudential plc †	22,214,129	8.12
Black Rock	16,166,777	5.91
Mr A E H Salvesen *	13,606,921	4.98
Baillie Gifford & Co	11,804,464	4.31
Legal & General Group Plc	10,797,375	3.96

† Including direct and indirect subsidiary company interests.

* Including immediate family and trustee interests.

The Directors are not aware of any other material interests amounting to 3% or more in the share capital of the Company.

Peter Kennerley

Director of Legal Affairs and Company Secretary
4 March 2010