

A personal perspective from our CEO



The work underway across the business is beginning to take effect



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

Chris Weston
 Chief Executive Officer

A REVIEW OF 2016

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

2016

Jan

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

Feb



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

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

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

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

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

Apr

2016 revenue in Argentina £130m



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

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

A personal perspective from our CEO continued

May

Russia 2016 Adjusted revenue growth of 28%¹

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

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

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



Gas installation at Taylakovskoye oil field in Western Siberia



Medium speed HFO leaving our Manufacturing facility in Dumbarton

Jun

HFO market opportunity 2GW

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

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

¹ Excludes the impact of currency.

Some of our fixed site generators in Argentina



Aug

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

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

Sep



Our order intake for the year is over 1GW



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

Aggreko employees on site in Mozambique

A personal perspective from our CEO continued

Oct

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

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



An oil facility powered by Aggreko in North America

BE TOGETHER

BE EXPERT

BE DYNAMIC

BE INNOVATIVE

#ALWAYSORANGE

Our updated values framework, Always Orange

Nov

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

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