# Chairman's Statement

**Philip Rogerson**
Chairman

## Introduction

In the face of the deteriorating global economic backdrop, Aggreko has proved very resilient, delivering another strong performance in 2008 with sharply increased revenue and profits as well as improved margins and returns on capital employed. Reported revenue of £946.6 million (2007: £693.2 million) was 36.6% higher than 2007 while underlying revenue, in constant currency[1] and excluding pass-through fuel[2], increased by 25.6%. Profit before tax increased by 52.9% to £190.0 million (2007: £124.2 million) and earnings per share increased by 50.9% to 45.77 pence (2007: 30.33 pence). Return on average capital employed improved by 1.8 percentage points to 28.5%.

Our North American and European businesses performed well in the face of challenging economic conditions, while our Local businesses in the Middle East, Asia, Australasia and Latin America continued to deliver good growth. Our International Power Projects business delivered an exceptional performance during the year and, in the fourth quarter, put on rent a record 300MW of new power projects. The highlight of the year was the faultless delivery of over 140MW of temporary power and 480 kilometres of cable to 37 venues for the Beijing Olympics. This project was one of the largest temporary power contracts ever awarded, with people and equipment being deployed from around the world to support it.

1 Constant currency takes account of the impact of translational exchange movements in respect of our businesses which operate in currency other than sterling.
2 Pass-through fuel revenue relates to two contracts in Sri Lanka and Uganda in our International Power Projects business where we provide fuel on a pass-through basis.

## Strategy

Aggreko's strategy is to deliver attractive returns to shareholders, excellent service to customers, and rewarding careers to our employees by being the leading global provider of temporary power and temperature control. We focus on growing our business organically, supported by fleet investment and geographic expansion, but we will also make acquisitions where we feel they can add value. We made good progress on both fronts in 2008. To drive organic growth, we increased total capital investment in the year to £265.2 million (2007: £180.6 million), the equivalent of 2.3 times depreciation; we opened new service centres in Chile, South Africa and Russia; and we acquired businesses in Canada and India.

In last year's strategy update, we said that we believed the business could deliver on average double digit revenue and earnings growth over the period 2007-2012; as part of this plan, we anticipated spending about £1 billion on fleet capex over the same timescale. We still believe this to be a reasonable aspiration, although as we said at the time progress towards this objective will not be in a smooth line; inevitably there will be peaks and troughs from year to year. 2008 was clearly a peak year in terms of growth and rate of investment that positions us well for the rest of the plan period.

We also said that our target was based on the assumption that the macro-economic conditions then prevailing would continue. This assumption has been challenged by recent events, and Aggreko's stance will have to be more cautious as we navigate our way through the uncharted waters of a global economic crisis. A number of features of Aggreko's business model will help us in this task.

First, power and temperature control are utility services, without which it is impossible to have any sort of developed business or consumer activity; keeping the lights on and the wheels of industry and commerce turning is a high priority for our customers. While lower economic activity may reduce overall demand for power and temperature control, it equally means that investment in new permanent capacity will be reduced. In developing countries in particular, financing new or replacement power generation and transmission capacity has become extremely difficult. In the meantime, the installed infrastructure continues to age, which will lead to more frequent breakdowns and blackouts.

Secondly, our global distribution allows us to move existing fleet and capital investment to wherever demand is strongest. We are not overly dependent on any one sector or geographical market.

Thirdly, we can flex our fleet investment to respond to increasing or decreasing levels of demand; we have the financing in place to invest aggressively if we see opportunities; and equally we have a young and well-maintained fleet that we can keep operational with relatively low levels of investment if demand falls. In terms of fleet capital expenditure, we expect to invest around £195 million in 2009, which is about £60 million less than 2008; due to currency movements, this is £25 million higher than the indication we gave in our December Trading Statement.

## Funding

Notwithstanding the very substantial increase in capital expenditure in 2008, Aggreko's financial position remains strong with net debt to EBITDA (Earnings before Interest Tax Depreciation & Amortisation) of 1.1 times (2007: 0.9 times) at 31 December 2008 compared to our bank covenant of 3 times. Interest cover, measured on an EBIT (Earnings before Interest & Tax) basis, also remains strong at 13.9 times (2007: 11.7 times), and well within our covenant of 3 times cover. We also have plenty of headroom against our facilities: net debt at the year end stood at £364.0 million (2007: £202.6 million), against committed bank facilities of £510.4 million. Since the year end the Group has refinanced or replaced £158.9 million of facilities due to mature in September 2009 with new facilities totalling £195.0 million, as a result of which the Group now has ample facilities to support its anticipated funding requirements. The next tranche of debt which the Group will need to refinance matures in 2011.

## Dividend

The Board is recommending a final dividend of 6.28 pence per ordinary share which, when added to the interim dividend of 3.80 pence, gives a total for the year of 10.08 pence, a 25.0% increase on 2007. At this level, the dividend would be covered 4.5 times. Subject to approval by shareholders, the final dividend will be paid on 15 May 2009 to ordinary shareholders on the register as at 17 April 2009, with an ex-dividend date of 15 April 2009.

## Employees

Once again I have been extremely impressed by the commitment and professionalism of all our employees, especially in this challenging economic environment. On behalf of the Board I would like to thank all our employees for the contribution they have made to Aggreko's success in 2008.

## Board Changes and Adjustments to Regional Structure

Since our last Annual Report we have announced the retirement of three members of the Board and the appointment of two new Directors.

Andrew Salvesen has indicated his desire to step down from the Board at the AGM in April 2009. Andrew joined the Board in 1997, and his wise counsel has made a significant contribution to the development of the Group.

Roy McGlone retired as a Director on 1 September 2008. Roy joined the Board in September 2002, and was appointed Chairman of the Audit Committee in December 2002. During his time on the Board, we have all benefited from Roy's considerable business experience. I am pleased to say that Robert MacLeod has succeeded him as Chairman of the Audit Committee.

In October we also announced that Derek Shepherd, aged 66, would retire at the AGM in April 2009. Derek has worked for the company for over 20 years, and has served on the Board since 1997. For the last 10 years, Derek has been responsible for Aggreko International, and, under his leadership, it has become a major business with revenue rising from £35 million to over £500 million and operating profit increasing from £7 million to £130 million. Derek's contribution to the success of Aggreko has been considerable and we wish him a long and happy retirement.

Derek has been succeeded in his role by Kash Pandya, who joined the Board in 2005 and, over the last three years, has led the turnaround in the performance of our European Region. At the same time, Aggreko is taking steps to rebalance and strengthen the regional structure of the Group. The Middle East local business, currently part of Aggreko International, is being merged with our European local business to create a Europe and the Middle East region. To manage this enlarged region, Bill Caplan joined the Group in November 2008 as

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Managing Director, Europe and the Middle East, and as an Executive Director. Bill has spent the last 18 years working for United Parcel Service (UPS) in Pittsburgh, London, Shanghai and Singapore. He has extensive experience managing complex multi-site businesses, operating in an environment where excellence in logistics and customer service are essential.

I am also delighted to welcome Russell King, who joined the Board as an independent Non-Executive Director on 2 February 2009. Russell is Chief Strategy Officer of Anglo American PLC where he has worked since 2001. Previously, he spent over 20 years in senior roles at ICI, gaining world-wide experience in its fertiliser, petrochemical and paint businesses.

### Outlook for 2009

The Group's performance has been very strong in the first two months of the year, and well ahead of 2008. International Power Projects has nearly 40% more capacity on rent than a year ago, and about 12 months forward order cover at the current revenue run-rate. Encouragingly, the level of enquiries remains strong; in the period November 2008-January 2009 we quoted for power projects in 40 countries for an aggregate generating capacity significantly higher than in the comparable period in the prior year. We expect, however, that the rate of growth in this business will start to attenuate, if only because of our reduced rate of fleet investment. As always, we are carefully managing the key risks in this business; the current economic circumstances will heighten these risks, and in particularly those related to payment and customer behaviour.

Most of Aggreko's Local businesses have had a good start to the year. In North America, the Presidential Inauguration and the Super Bowl as well as continued remediation work following last year's hurricane season have meant that the business is currently performing well ahead of the prior year. Revenues in our new Europe and the Middle East region are running slightly above the prior year, in part helped by storms in France and Spain, for which we have deployed over 800 generators to support customers. While demand in some parts of the Middle East is noticeably weaker, in others it remains strong, and our business in the area is trading ahead of last year. Our other Local businesses are, in aggregate, trading at similar levels to last year.

It is always difficult at this early stage to come to a definitive view of the likely outcome of the year, and never more so than in the current economic environment. We have made a very strong start to 2009 and expect to make good progress on both a headline and constant-currency basis in the first half of 2009. The outlook for the second half is less certain and will depend on how the macro-economic environment develops over the coming months. Comparatives will also be tough in the second half, as we had the benefit in 2008 of both exceptionally high storm revenues in North America and the Beijing Olympics. Our current judgement is that, on a constant-currency basis, trading in 2009 should be at similar levels to 2008. Given that over 70% of our earnings are in US dollars, if we achieve this trading performance, and if the sterling : US dollar rate stays at today's level for the rest of the year, reported results would show substantial growth over 2008.

Philip Rogerson

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**Chairman**
5 March 2009