

Thursday 16 September

AGGREKO plc

**INTERIM RESULTS
FOR THE SIX MONTHS TO 30 JUNE 2004**

Aggreko plc, the world leader in the supply of temporary power, temperature control and oil-free compressed air services, announces its interim results for the six months to 30 June 2004.

The Group's reported trading performance has been heavily influenced by movements in exchange rates, in particular the weak US dollar, and by reductions in the volume of fuel passed through our books at nil margin in Sri Lanka. The combined impact of these movements was to reduce reported revenue by £13.7 million and trading profit by £0.3 million.

Group revenues, excluding Sri Lankan fuel, grew by 2.6% in constant currency, against a reported decline of 5.4%. On the same basis, revenues in North America and International grew by 7.0% and 4.6% respectively, whilst revenues in Europe declined by 3.4%.

	Six months to 30 June 2004	Six months to 30 June 2003	Movement As reported	Constant Currency excl. Sri Lankan fuel
Group turnover	£150.8m	£159.3m	(5.4%)	2.6%
North America	£46.5m	£49.1m	(5.2%)	7.0%
Europe	£49.8m	£52.1m	(4.5%)	(3.4%)
International (excl Sri Lanka fuel)	£53.0m	£51.2m	3.3%	4.6%
Trading profit *	£16.7m	£17.8m	(6.0%)	(4.0%)
Profit before tax *	£15.6m	£17.2m	(9.3%)	
Earnings per share *	3.97	4.37	(9.3%)	
Dividend per share	2.25p	2.20p	+2.3%	

* Pre-exceptional items

Highlights

- Good progress on implementing strategy review.
- North America revenues grew 7.0% in constant currency, and 13.4% on a like-for-like basis. Profits sharply up; trading margin increased from 1.1% to 7.0%.
- Demand continues to be weak in Europe; constant currency revenues were down 3.4%. Regional profitability fell.
- International revenues, excluding Sri Lanka fuel, grew 4.6% in constant currency. On a like-for-like basis, however, revenues grew 11.7% and trading profit by 16%.
- Previously announced exceptional costs of £13.7m relating to implementation of new strategy.
- Dividend per share increased 2.3% to 2.25p.

Rupert Soames, Chief Executive of Aggreko commented:

“We are pleased with the progress made by the company in the first half, in particular in our North American business where there has been a sharp turnaround in business performance. Our International business is also making good progress, and our strategy of building presence in new territories has taken an important step forward with the winning of our first utility project in Brazil.

“The restructuring of our service network into a hub-and-spoke configuration is progressing in line with expectations. The centralised administration centre for the UK opened ahead of schedule, and our newest centre in Aachen - which will serve Benelux and Germany - opens this month. The depot re-structuring in North America is substantially complete, and our new ERP system in Benelux is working well.

“We expect that profit before tax for the full year will be at least £38 million, which was the level achieved last year on a constant currency basis.”

- ENDS -

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Note: “Constant currency” refers to the impact of translating the 30 June 2003 results of our overseas businesses into sterling at the 2004 average exchange rates. “Like-for-like” takes account of service-centre closures in North America and transactional currency effects in International.

CHAIRMAN'S STATEMENT

Overview and Strategy Update

Aggreko made good progress on several fronts during the first half, which was notable for a sharp improvement in the performance of our North American business and the completion of our Strategy Review, which was presented to investors in early March. This review has been well received both inside and outside the company, and sets out a clear path for putting Aggreko into a position from which it can deliver sustainable growth. The review identified two main elements: the geographic and market diversification of our international power projects business, and the implementation of a new operating model within our local businesses.

The implementation of the review has necessitated significant changes to the structure, operating processes, and management team of the business. To give an illustration of the scale of this change, of the 80 most senior managers within Aggreko, over half are now in new roles, or have been newly recruited into the company. Whilst managing and responding to these changes has put people at all levels of the organisation under considerable pressure, they have responded magnificently and have worked hard to maintain the market-leading levels of customer service for which Aggreko is rightly renowned.

We believe it will take up to two years to implement the changes envisaged in the Strategy Review; good progress has been made so far, but major challenges still lie ahead. The new Enterprise Resource Planning (ERP) system will be rolled out throughout the local business; the hub-and-spoke model, and in particular the implementation of centralised administration and call handling, will take time to bed in; premises suitable for the new operating model have to be acquired and old ones disposed of. We remain confident that the course we have set ourselves is the right one, and that execution of the strategy overall is progressing as expected.

Trading

The Group's trading performance in sterling terms has been heavily influenced by movements in exchange rates and, in particular, the weakening in the US\$ from an average rate in the first half of 2003 of £1 : \$1.61 to an average of £1 : \$1.82 in the first half of 2004. Group revenue, in constant currency¹ and excluding Sri Lankan fuel, increased by 2.6%; but, after translational exchange movements and a reduction in volumes of Sri Lankan fuel (which the company passes on to the customer at no margin), reported revenue, at £150.8 million, showed a decline of 5.4% compared with the first half of 2003.

Group pre-tax profits before exceptional items fell by 9.3% to £15.6 million, causing earnings per share before exceptional items to fall by 9.3% to 3.97 pence. Exceptional costs of £13.7 million relating to the reorganisation associated with our new strategy were taken in the first half, out of a total anticipated charge of £15 million. Group pre-tax profits and earnings per share after exceptional items were £1.9 million and 0.49 pence respectively.

During the first six months of the year Aggreko's capital expenditure amounted to £27.8 million compared with £42.1 million in the same period last year. It is expected that capital expenditure for the full year will be in the region of £60 million, broadly in line with depreciation and at a level similar to last year. Net debt reduced during the

¹ *Constant currency takes account of the impact of translational exchange movements in respect of our overseas businesses.*

period by £2 million to £97.9 million at the period end; this compares with £131.8 million at 30 June 2003.

During the first half, Aggreko concluded the refinancing of £200 million of debt facilities with five leading international banks. The new bi-lateral multi-currency facilities have a range of maturities up to 7 years with key financial covenants being unchanged from the previous arrangements.

In the light of Aggreko's strong financial position, underlined by interest cover before exceptional items in excess of 9 times, the Board has decided to declare an interim dividend of 2.25 pence which represents a 2.3% increase over the interim dividend paid in 2003. This interim dividend will be paid on 19 November 2004 to shareholders on the Register at 22 October 2004, with an ex-dividend date of 20 October 2004.

Outlook

In the second half, our International business continues to trade strongly although, as always, the full-year performance will be dependent on the timing of new contracts and on extensions to existing contracts. A number of military contracts have already been extended, and we expect full year revenue from this sector to be at a similar level to 2003. We continue to strengthen our capability in our new markets in Asia and South America. Our local business in the Middle East is very busy, largely as a result of the buoyant local construction sector.

In North America, the benefits of the cost reduction exercise undertaken in the first half and work arising from recent hurricanes have partially offset the effect of generally cool temperatures in the early summer months, which reduced the demand for both temperature control equipment and power. On a like-for-like basis, we expect the North American business to continue to perform ahead of last year in the second half.

Weak market conditions in Europe have been compounded by a noticeably cooler summer than last year. Furthermore, it is within the European business that the most far-reaching organisational changes have been implemented and, as was expected, these have caused some disruption to our operations. The outlook is for a difficult second half in Europe although, by the end of the period, we expect to see some of the benefits arising from the restructuring.

Overall, we now expect that profit before tax for the full year will be at least £38 million, which was the level achieved last year on a constant currency basis.

Philip G Rogerson
Chairman

16 September 2004

Operating and Financial Review

All figures below are before the impact of exceptional items unless otherwise stated.

Introduction

The performance of Aggreko's business during the period has been mixed, with a marked improvement in North America, underlying growth in International, but a sharp fall in profits in Europe. Overall, better underlying progress has been made than is apparent from the headline numbers, which have been impacted by the year-on-year movement in both exchange rates and in the volumes of Sri Lankan fuel. Revenue, stated in constant currency and excluding Sri Lankan fuel, increased by 2.6% and, on the same basis, trading profit pre-exceptional items decreased by 4.0%.

Group Revenue	2004	2003	Change %
	£m	£m	
As reported	150.8	159.3	(5.4%)
Translational currency impact		(6.8)	
Constant currency	150.8	152.5	(1.1%)
Sri Lankan Fuel	(1.5)	(6.9)	
Constant currency excluding Sri Lankan Fuel	149.3	145.6	2.6%
Group Trading Profit*	2004	2003	Change %
	£m	£m	
As reported	16.7	17.8	(6.0%)
Translational currency impact		(0.3)	
Constant currency	16.7	17.5	(4.0%)

*pre-exceptional items

The performance of each of our regions is described below.

North America

Our North American business had an excellent first half after several periods of reducing profits. The turnaround in the performance of the business has been encouraging.

North America	2004	2003	Change %
	£m	£m	
As reported			
Revenue	46.5	49.1	(5.2%)
Trading Profit *	3.3	0.6	525.9%
In local currency	\$m	\$m	%
Revenue	84.8	79.1	7.2%
Trading Profit *	6.0	0.9	607.4%

*pre-exceptional items

Revenue for the six months ended 30 June 2004 of \$84.8 million was 7.2% ahead of the previous period. This growth was achieved despite the closure of eight of our fifty-nine locations in North America, which in the previous year had accounted for

\$5.5 million of revenue and \$1.0 million of profit. On a like-for-like basis, excluding service centre closures, revenue grew by \$10.0 million, or 13.4%. The business performance was enhanced by several large military contracts during the first half. Notwithstanding the impact of these contracts, underlying base business also grew and management remained focused on winning new business at a time when a number of service centres were being closed, headcount was being reduced and major changes to the operating structure were being implemented.

In terms of business mix, rental revenue grew 5% and services revenue grew 13%; the military contracts in particular pulled through a high level of value-added services. Power revenue for the first half was 10% ahead of prior year – again, mainly attributable to the military contracts. Temperature control revenue for the first half was 1% behind last year, whilst oil-free air revenue was 4% ahead of the prior year.

Costs were reduced early in the year, as a result of closing under-performing service centres and by reducing overheads; headcount at 30 June 2004 was 18% below the prior year. The management team was substantially re-organised and, of the seven General Managers - each of whom has operational responsibility for an area of North America - four have been recruited into the company within the last six months. This has greatly strengthened the team of people leading the business forward. The service centre closures allowed redeployment of substantial amounts of fleet to areas where it could be better used and improvements were also made to working capital, most notably on stock.

Higher revenue and lower costs resulted in trading profit pre-exceptional items increasing from \$0.9 million to \$6.0 million, and in the trading margin improving from 1.1% in 2003 to 7.0% in 2004.

Overall, we have made a good start to implementing our strategy in North America. The hub-and-spoke network is developing, and preparations will begin in the Autumn for a phased roll-out of our new ERP system in 2005.

Europe

As reported in our June trading update, our European business had a poor first half. Not only was demand weak, but the business, as expected, suffered from a degree of operational disruption as we rolled out the new hub-and-spoke organisation and structure.

Europe	2004	2003	Change %
As reported	£m	£m	
Revenue	49.8	52.1	(4.5%)
Trading Profit *	2.0	5.7	(64.8%)
In local currency	€m	€m	%
Revenue	74.0	75.9	(2.6%)
Trading Profit *	3.0	8.4	(64.1%)

*pre-exceptional items

The UK business has implemented the centralisation of all the administration and call handling functions, but has had to do so based on our legacy IT software prior to implementing the new ERP system. This has necessitated managing the operations

of the business with many complex manual procedures, resulting in some operational disruption. On the positive side, the new National Rental Centre was taken into service ahead of schedule and this is now providing 24-hour, 7-day service, which is increasingly popular with our customers. Overall, the level of disruption we have had is no more than would be reasonable to expect in implementing a change of this magnitude.

In Benelux, which has been the test-bed of our new ERP system, the final production version went live in July, on schedule, and has been a considerable success. Our new National Rental Centre in Aachen, which will handle all calls and the administration of contracts in Benelux and Germany, is in the process of being commissioned and will go live at the end of September. The French equivalent will be in operation by the end of the year.

Revenue for the first six months of €74.0 million was 2.6% behind the prior period. Revenue grew in Southern Europe (France, Italy, Spain), but declined in the Central (Germany, Benelux) and Northern European (UK, Ireland, Nordic) businesses. Across Europe as a whole, rental revenue declined by 2.8% and services by 2.3%. In terms of product mix, power rental revenue declined by 3%, temperature control was flat against last year, and oil-free air (which is a small part of our business in Europe) declined by 10%.

Operating expenses in Europe increased by 4.2%, or €2.0 million, against the prior year. Of this increase, €1.7 million relates to an increased depreciation charge resulting from new equipment ordered by the business in the first half of 2003, but mainly delivered in the second half of last year. In terms of headcount, the lengthy consultation procedures mandated in Continental Europe, and the need to run with duplicated resources for a period in the existing service centres and in the National Rental Centres in the UK and Benelux, meant that little financial benefit accrued to the business in the first half from a reduction in headcount. In North America, whilst the majority of leavers had left the business by the end of January, in Europe most people did not leave until well into the second quarter.

As a result of lower revenue and increased costs, trading profit pre-exceptional items declined by €5.4 million, or 64.1%, and trading profit margin decreased from 11.1% to 4.1%.

Weak market conditions, along with the operational difficulties which are inevitable in such a large and complex restructuring exercise, will continue to make Europe a challenging business to manage in the second half. We are confident, however, that the customer service and financial benefits which we will gain from the new hub-and-spoke structure will provide a strong base from which to develop our European business.

International

Aggreko's International business performed well during the first half although because of the movement in the US dollar and the reduced volume of fuel shipments in Sri Lanka, this is not reflected in the reported numbers.

Revenue	2004	2003	Change %
	£m	£m	
As reported	54.5	58.1	(6.3%)
Translational currency impact		(0.6)	
Constant currency	54.5	57.5	(5.3%)
Sri Lankan Fuel	(1.5)	(6.9)	
Constant currency excluding Sri Lankan Fuel	53.0	50.6	4.6%
 Trading Profit	 2004	 2003	 Change %
	£m	£m	
As reported	11.4	11.5	(0.7%)
Translational currency impact		(0.1)	
Constant currency	11.4	11.4	(0.0%)

Revenue for the first half was 6.3% behind the prior year on a headline basis but, allowing for translational currency effects as well as reduced volumes of Sri Lankan fuel (which flows through our books at no margin), revenue grew by 4.6%. Reported trading profit decreased by 0.7%; in constant currency, trading profit was at the same level as the prior year.

As well as the translational currency impact, there was a significant negative transactional currency effect amounting to £3.2 million of revenue and £1.6 million of trading profit. Taking account of all currency effects, and on a like-for-like basis, the revenue of the International business grew 11.7% and trading profit 16.0%.

The International power projects business had a good first half. A number of important military contracts in the Middle East and elsewhere were renewed. We continue to serve our customers to a very high standard in the most demanding locations and the Aggreko employees who support these operations deserve the highest praise. Elsewhere, the Sri Lankan power utility, CEB, contracted with us for additional capacity in March, and we also provided power to the Saudi Electricity Company throughout the period. In South America, we remain focused on building our reputation for operational excellence and our current 30 MW installation in Venezuela is running well. A second utility project for 20 MW has recently been signed in Brazil. Throughout South America, Africa and Asia we have won a number of smaller contracts, which are helping to advance our strategy of market and geographic diversification of the business. In time, this will reduce the dependence of our International business on a small number of large customers.

Our local businesses in the Middle East and Australia also performed well. Having enjoyed an extraordinarily good year in 2003, with a large amount of military support work throughout the Gulf, the management of the Middle East business switched their focus towards the burgeoning construction market in the region as local military work declined. As a consequence, revenue has been maintained at a very high level, albeit at somewhat reduced margins. In Australia, we continue to gain market share and the business was assisted by a particularly long, hot summer which drove demand for both power and temperature control. New management and a reorganisation of our Singapore business contributed towards a sharp improvement in performance in that business.

Capital Expenditure

Our initiative to improve the effectiveness of capital expenditure has yielded good results. First, spending has been smoothed over the year, rather than being focused in the first half, and this contributed to improvements in efficiency at our assembly operation in Dumbarton as well as helping to achieve a reduction in our net debt. Secondly, improvements in specification and procurement enabled us to achieve savings in the capital costs of our rental equipment. On a like-for-like basis, our first half 2004 build cost us £3 million less than the equivalent build in 2003.

Financial Review

Overview

The profit and loss account for the six months ended 30 June 2004 is summarised below:

	6 months ended 30/6/04	6 months ended 30/6/04	6 months ended	Year ended
	Post-exceptional items	Pre- exceptional items	30/6/03	31/12/03
	£ million	£ million	£ million	£ million
Revenue	150.8	150.8	159.3	331.8
Operating profit	3.7	17.4	19.6	44.7
Profit before tax	1.9	15.6	17.2	40.1
Taxation	(0.6)	(5.0)	(5.5)	(12.8)
Profit for the financial period	1.3	10.6	11.7	27.3

Earnings per Share

Basic earnings per share for the period of 3.97 pence represent a decrease of 9.3% over the 2003 figure of 4.37 pence. Basic earnings per share for the period including the impact of exceptional items were 0.49 pence compared to 4.37 pence last year.

Exceptional Items

An exceptional charge of £13.7 million in respect of our restructuring programme has been recognised in the six months ended 30 June 2004.

Shareholders' Funds

Shareholders' funds decreased by £11.6 million in the six months ended 30 June 2004 to £174.3 million, represented by the net assets of the Group of £272.2 million before net debt of £97.9 million. The movements in shareholders' funds are analysed in Table 1 below:

Table 1: Movements in Shareholders' Funds	£ million	£ million
As at 1 January 2004		185.9
Profit for the financial period (1)	1.3	
Dividend (2)	<u>(6.0)</u>	
Retained loss		(4.7)
Purchase of own shares held under trust		(3.3)
Credit in respect of employee share awards		0.1
Exchange		<u>(3.7)</u>
As at 30 June 2004		<u>174.3</u>

(1) Profit for the financial period includes exceptional items of £13.7 million.

(2) The proposed interim dividend for 2004 is 2.25 pence per ordinary share (2003: 2.20 pence).

Cashflow and Net Debt

EBITDA (Earnings before Interest, Taxes, Depreciation, and Amortisation) excluding exceptional items, for the first six months of 2004 amounted to £46.4 million, down 3.9% on 2003. EBITDA including exceptional items amounted to £32.7 million. The net cash inflow from operating activities during the period totalled £42.4 million (2003 : £39.7 million). This funded capital expenditure of £27.8 million, which was down

£14.3 million on the same period in 2003. Net debt decreased by £2.0 million during the period and, at £97.9 million, is £33.9 million lower than at 30 June 2003.

Financial Position

As a result of the decrease in net debt, gearing (net debt as a percentage of equity) at 30 June 2004 reduced to 56% from 73% at 30 June 2003.

The net interest charge for the period was £1.8 million, a decrease of £0.6 million on the same period in 2003, reflecting the lower level of net debt during the period. Interest cover pre-exceptional items remains strong at 9.6 times, compared to 8.2 times at 30 June 2003. Based on the proposed interim dividend of 2.25 pence per share, dividend cover excluding exceptional items is 1.8 times (0.2 times including exceptional items) compared with 2.0 times at 30 June 2003.

The current forecast of the effective tax rate for the full year, which has been used in the interim accounts, is 32.0% and is unchanged from the same period last year.

Currency Translation

The net overall impact of exchange rates on currency translation for the six months ended 30 June 2004 was to reduce revenue and operating profit by £6.8 million and £0.3 million respectively. In addition to the translation impact in the North American business, the year-on-year weakening of the US dollar, (highlighted in Table 2 below), impacted our international power projects business, due to a significant proportion of its revenue being denominated in US dollars. Set out in Table 2 are the principal exchange rates affecting the Group's overseas profits and net assets.

Table 2
(per £ sterling)

	2004		2003	
	Average	Period End	Average	Period End
Principal Exchange Rates				
United States Dollar	1.82	1.83	1.61	1.67
Euro	1.49	1.49	1.46	1.45
Other Operational Exchange Rates				
UAE Dirhams	6.69	6.72	5.92	6.12
Australian Dollar	2.47	2.57	2.60	2.45

(Source: Reuters)

International Financial Reporting Standards

The Group is making good progress in our project to ensure that we will be in position to meet with the forthcoming requirement to prepare our accounts under International Financial Reporting Standards.

Rupert Soames
Chief Executive
16 September 2004

Angus G. Cockburn
Finance Director