

**Aggreko plc**  
**PRELIMINARY RESULTS**  
**FOR THE TWELVE MONTHS TO 31 DECEMBER 2008**

Aggreko plc, the world leader in the supply of temporary power and temperature control, announces its preliminary results for the twelve months to 31 December 2008.

	2008 post- intangible asset amortisation	2008 pre- intangible asset amortisation	2007 pre- intangible asset amortisation	Movement pre- intangible asset amortisation	
				As reported	Constant Currency
Group revenue	£946.6m	£946.6m	£693.2m	36.6%	26.2%
Trading profit <sup>(1)</sup>	£200.6m	£202.2m	£134.2m	50.6%	37.4%
Profit before tax	£190.0m	£191.6m	£125.5m	52.6%	
Earnings per share	45.77p	46.16p	30.65p	50.6%	
Dividends per share	10.08p	10.08p	8.06p	25.0%	

1) Trading profit represents operating profit before gain on sale of property, plant and equipment.

2) All figures below are stated before amortisation of intangible assets arising from business combinations (2008: £1.6m pre-tax, £1.0m post-tax; 2007: £1.3m pre-tax, £0.9m post-tax) as management believe that the exclusion of such items provides a better comparison of business performance.

**Highlights:**

- Another set of record results
  - Revenue increased by 37% (26% in constant currency)
  - Trading profit up 51% (37% in constant currency)
  - Earnings per share up 51%
  - Return on capital employed up 2pp to 29%
- Dividends increased by 25% to 10.08p
- Local business revenue, in constant currency, increased by 18% and trading profit by 34%
- International Power Projects revenue, in constant currency and excluding fuel, increased by 44% and trading profit by 44%
- £256m invested in new fleet (2007: £172m)
- Successfully refinanced or replaced £160m of debt due in September 2009 with new facilities totalling £195m
- Interest cover 14x (2007 : 12x)
- Very strong start to 2009
- Outlook for 2009 well ahead of market expectations at current exchange rates

**Philip Rogerson, Chairman, commented:**

“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.”

“In terms of the outlook for 2009, we have made a very strong start to the year, well ahead of 2008, and expect to make good progress on both a headline and constant-currency basis in the first half. The outlook for the second half is less certain and will depend on how the macro-economic environment develops over the coming months. 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.”

**Rupert Soames, Chief Executive, commented:**

“Aggreko delivered another strong performance in 2008. We made good progress against our strategy, and delivered excellent operating results, with impressive revenue growth as well as improved margins and returns on capital employed.”

“Amongst our Local businesses, our North American and European units performed well in the face of challenging economic conditions, while our operations 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 300 MW of new power projects. The highlight was the faultless delivery of over 140 MW 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.”

Regional performance metrics:

	Revenue millions		Change %	Trading Profit millions*		Change %
	2008	2007		2008	2007	
North America	\$386.2	\$337.1	15%	\$85.6	\$73.0	17%
Europe	£186.7	£167.9	11%	£25.7	£21.4	20%
International Local business	\$346.6	\$233.1	49%	\$94.5	\$49.6	91%
International Power Projects excl fuel	\$524.1	\$362.8	44%	\$143.6	\$99.2	44%

\* Trading profit is before amortisation of intangible assets arising from business combinations

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## CHAIRMAN'S STATEMENT

### 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<sup>1</sup> and excluding pass-through fuel<sup>2</sup>, 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 300 MW of new power projects. The highlight of the year was the faultless delivery of over 140 MW 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.

### 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

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<sup>1</sup> Constant currency takes account of the impact of translational exchange movements in respect of our businesses which operate in currency other than sterling.

<sup>2</sup> 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.

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 for 2009, we expect to invest around £195 million, 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 & Middle East region. To manage this enlarged region, Bill Caplan joined the Group in November 2008 as Managing Director, Europe & 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 particular 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 & 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 G Rogerson  
Chairman  
5 March 2009

## REVIEW OF TRADING

### Group Trading Performance

Despite the deteriorating macro-economic environment, Aggreko delivered another strong performance in 2008. We made good progress against our strategy and delivered excellent operating results, with impressive revenue growth as well as improved margins and returns on capital employed.

	2008 £m	2007 £m	Movement	
			As reported	Constant Currency
Revenue	<b>946.6</b>	693.2	36.6%	26.2%
Revenue excl pass-through fuel	<b>861.9</b>	633.8	36.0%	25.6%
Trading profit <sup>(1)</sup>	<b>200.6</b>	132.9	50.9%	37.7%
Operating profit	<b>204.8</b>	135.9	50.7%	37.5%
Net interest expense	<b>(14.8)</b>	(11.7)	(26.6)%	
Profit before tax	<b>190.0</b>	124.2	52.9%	
Taxation	<b>(67.3)</b>	(43.5)	(54.7)%	
Profit after tax	<b>122.7</b>	80.7	52.0%	
Basic earnings per share (pence)	<b>45.77</b>	30.33	50.9%	

(1) Trading profit represents operating profit before gain on sale of property, plant and equipment.

As reported, Group revenue at £946.6 million (2007: £693.2 million) was 36.6% higher than 2007, while Group trading profit of £200.6 million (2007: £132.9 million) was 50.9% ahead of 2007. This delivered an increase in Group trading margin from 19.2% in 2007 to 21.2% in 2008. Return on capital employed, measured as operating profit divided by average net operating assets, improved by 1.8 percentage points to 28.5% (2007: 26.7%). On an underlying basis, excluding the impact of the currency movements and the pass-through fuel, the impact of which is set out below, Group revenue grew by 25.6% (2007: 34.0%) and trading profit by 37.9% (2007: 64.9%). On the same basis trading margin was 22.9% (2007: 20.6%).

Group profit before tax increased by 52.9% to £190.0 million (2007: £124.2 million); profit after tax was £122.7 million (2007: £80.7 million), an increase of 52.0%. Earnings per share grew 50.9% to 45.77 pence (2007: 30.33 pence).

The weakening of sterling during the year, particularly against the US Dollar and the Euro, had a material impact on the results of the Group with reported revenue increasing by £57.1 million and trading profit by £12.8 million as a consequence of currency movements. Currency translation also gave rise to a £99.0 million increase in net assets.

The Group reports separately revenue from two large contracts where we manage fuel on a pass-through basis on behalf of our customers. The reason for the separate reporting is that the revenue is entirely dependent on fuel prices and volumes of fuel consumed, and these can be very volatile and may distort the view of the performance of the underlying business. In 2008, higher fuel prices and increased volumes drove revenue from these contracts to £84.7 million (2007: £59.4 million) and generated a trading profit of £2.9 million (2007: £2.2 million).

The Group's growth was made possible by a significant increase in the rate of investment in new fleet during the year: fleet investment increased by £84 million to £256.4 million, representing 97% of total capital expenditure of £265.2 million (2007: £180.6 million). Capital expenditure represented 229% (2007: 195%) of the depreciation charge. In addition, we acquired £5.1 million of property, plant and equipment as part of the Power Plus acquisition. Notwithstanding this substantial increase in fleet capacity, capital productivity – expressed as the ratio of revenue (excluding pass-through fuel) to gross rental assets – increased from 74% to 76%.

EBITDA (earnings before interest, taxes, depreciation and amortisation) for the year amounted to £322.6 million, up 40.1% on 2007. Net debt at 31 December 2008 was £161.4 million higher than the previous year; £77.0 million of this increase was as a consequence of currency movements, and the major part of the balance was due to increased levels of capital expenditure.

### **Corporate Activity**

In 2008 Aggreko undertook a number of corporate initiatives to strengthen the business.

In August 2008 we announced that we had acquired the assets and trading contracts of Power Plus Rentals and Sales Ltd and those of several associated companies ("Power Plus"). Power Plus is a fast-growing business which has a leading position in the provision of temporary power in the Athabasca Oil Sands in Alberta and Saskatchewan. This area is benefiting from significant investment by the oil majors and others in the development of reserves; for several years, Aggreko has been winning small amounts of business in the Oil Sands, and we have been looking to find ways to accelerate our growth. We believe that the acquisition of Power Plus is the best way of achieving our objective.

In the financial year ending in July 2008, Power Plus had unaudited revenue of CN\$10.6 million (£5.4 million) and EBIT of CN\$5.1 million (£2.6 million). The value of fleet and other assets that we acquired, after fair value adjustments, was CN\$20.5 million (£10.5 million). The purchase consideration, paid in cash, comprises a fixed element of CN\$31.0 million (£15.9 million) and further payments of up to a maximum of CN\$7.7 million (£4.0 million) dependent on financial performance over the next three years. This acquisition will deliver a number of benefits to Aggreko:

- It gives Aggreko a leading position in an important part of the Oil & Gas market
- It extends our expertise in designing equipment for, and operating in, extremely cold environments
- The acquisition reinforces our ability to serve Oil & Gas customers on a global basis
- It strengthens Aggreko's position in Canada, where we already have service centres in Sarnia, Toronto and Edmonton. In May 2008, Aggreko was made Official Supplier of Power and Temperature Control for the 2010 Winter Olympic Games in Vancouver.

In the first six months following the acquisition, the new business has performed well and is ahead of plan.

In November 2008 we announced, and on 1 January 2009 we completed, the acquisition of the power rental business of Cummins India Ltd for a total cash consideration of INR300 million (£4.2 million). The business acquired had revenue in 2008 of INR202 million (£2.9 million) and net assets at 31 December 2008 of INR96 million (£1.4 million). This investment means that we will have achieved our strategic objective of having operations in each of the four largest developing countries in the world (the others being Brazil, Russia and China). While the business we have acquired is small, it gives us a valuable platform which we can use to grow our operations in India – a market in which there is a chronic shortage of reliable power.

Also in November 2008, we announced the sale, subject to regulatory approval, of our European oil-free air businesses to Atlas Copco for a total consideration, payable in cash on completion, of €14.6 million (£11.6 million). In 2008 the European oil-free air business earned revenue of €8.3 million and had net assets of €5.0 million. Oil-free air (OFA) is the smallest of our product groups, and, while we have a large and successful OFA rental business in North America in which we will continue to invest, we do not believe that our European OFA businesses has the scale to warrant further investment. The sale of the Continental European OFA business was completed in December 2008, and as a result a gain of €2.6 million was recognised in the Group income statement. The sale of our Northern European oil-free air business was completed in March 2009, and a gain of €6.6 million will be recognised in the Group income statement in 2009.

### Regional Trading Performance as reported in £ million

		Revenue			Trading Profit		
Management Group	Geography / Line of business	2008 £ million	2007 £ million	Change %	2008 £ million	2007 £ million	Change %
<b>Local Business</b>							
North America	USA & Canada	207.5	168.3	23.2%	44.9	35.6	25.9%
Europe	Northern Europe	82.0	80.8	1.5%	11.9	9.8	21.2%
Europe	Continental Europe	104.7	87.1	20.3%	13.7	11.5	18.9%
International:Local Businesses	Middle East, Asia-Pacific, South America	186.2	116.4	60.0%	50.4	24.5	106.3%
<b>Sub-total Local Business</b>		<b>580.4</b>	<b>452.6</b>	<b>28.2%</b>	<b>120.9</b>	<b>81.4</b>	<b>48.5%</b>
<b>International Power Projects</b>							
International	International Power Projects excl. pass-through fuel	281.5	181.2	55.4%	76.8	49.3	55.7%
International	Pass-through fuel	84.7	59.4		2.9	2.2	
<b>Sub-total International Power Projects</b>		<b>366.2</b>	<b>240.6</b>	<b>52.2%</b>	<b>79.7</b>	<b>51.5</b>	<b>54.8%</b>
<b>Group</b>		<b>946.6</b>	<b>693.2</b>	<b>36.6%</b>	<b>200.6</b>	<b>132.9</b>	<b>50.9%</b>
	North America	207.5	168.3	23.2%	44.9	35.6	25.9%
	Europe	186.7	167.9	11.2%	25.6	21.3	19.9%
	International	552.4	357.0	54.8%	130.1	76.0	71.3%
<b>Group</b>		<b>946.6</b>	<b>693.2</b>	<b>36.6%</b>	<b>200.6</b>	<b>132.9</b>	<b>50.9%</b>
	Group excluding pass-through fuel	861.9	633.8	36.0%	197.7	130.7	51.2%

The performance of each of these regions is described below:

### Local business: North America

	<b>2008</b>	2007	Change
	<b>\$ million</b>	\$ million	%
Revenue	<b>386.2</b>	337.1	14.6%
Trading profit	<b>83.6</b>	71.4	17.1%

In spite of the poor macro-economic environment, our North America business produced a robust performance in 2008. Revenue increased by 14.6% to \$386.2 million and trading profit increased by 17.1% to \$83.6 million. Trading margin was slightly up on last year at 21.6% (2007: 21.2%).

This performance arose in part because we had a very good year for storm revenue. Aggreko North America has made a large investment in fleet and infrastructure to be able to support customers in the wake of major storms, and in years of significant storm activity, such as 2008, this investment can yield material amounts of revenue. On average, storm-related revenue in North America runs at around \$10 million per year; in 2006 and 2007 storm revenue were far below the average, but, in 2008, they were around \$26 million. We also had a very strong year in our Cooling Tower business as a result of breakdowns on customer sites. Encouragingly, even without these factors, the underlying business grew over the year, which was a good achievement in the circumstances..

In terms of business mix, rental revenue grew 11.9% and services revenue grew 21.1%, helped by higher fuel and freight charges. Power rental revenue for 2008 was 8.6% ahead of the prior year while temperature control revenue for the year was 21.3% ahead of last year reflecting the strength of our Cooling Tower business and the continued growth of our process services business which provides more complex temperature control solutions. Oil-free air rental revenue was 1.3% down on the prior year.

Revenue in most of the areas increased on prior year with strong growth in South Texas, although markets were weaker in the West and Southeast areas. In the first few months following the acquisition of Power Plus in Canada, the new business has performed ahead of plan, which contributed to a strong performance from our Canadian area.

Given the economic backdrop we believe that 2009 could be a tough year for our North American business and the comparatives in the second half will be particularly difficult, given the strong storm revenues in 2008. However, the business has got off to a good start, and in the first two months of the year has been trading well ahead of the prior year. In part, this is due to work caused by storms in 2008 carrying through into 2009, but we have also enjoyed strong revenue from our events business, with the Presidential Inauguration in January and the Super Bowl in February.

### Local business: Europe

	<b>2008</b>	2007	Change
	<b>£ million</b>	£ million	%
Revenue	<b>186.7</b>	167.9	11.2%
Trading profit	<b>25.6</b>	21.3	19.9%

## Northern Europe

	<b>2008</b>	2007	Change
	<b>£ million</b>	£ million	%
Revenue	<b>82.0</b>	80.8	1.5%
Trading profit	<b>11.9</b>	9.8	21.2%

## Continental Europe

	<b>2008</b>	2007	Change
	<b>€ million</b>	€ million	%
Revenue	<b>132.1</b>	127.3	3.7%
Trading profit	<b>17.3</b>	16.8	2.5%

The European business had a solid year in a challenging economic environment, with revenue increasing by 11.2% to £186.7 million and trading profit increasing by 19.9% to £25.6 million. Trading margin increased slightly to 13.7% (2007: 12.7%). The weakening of the Pound against the Euro during the year had a material impact on total Europe results and stripping out this currency impact revenue increased 2.2% and trading profit increased 6.8%; we also took £1.3 million of a redundancy provision in the year, without which underlying growth, in constant currency, in trading profit was 12%.

Revenue in Northern Europe (which comprises our businesses in the UK, Ireland and the Nordic countries) of £82.0 million was 1.5% ahead of the prior year with a strong performance from Scotland and Norway partially offset by decreases in Ireland, UK South East and UK Central. Sector performance was mixed with good growth in Oil & Gas and Utilities offset by a decline in contracting and manufacturing.

Rental revenue decreased by 4.7%, with power decreasing by 7.2%, but temperature control increasing by 1.8%. Revenue from oil-free air increased by 12.9%. Services revenue, which mainly comprises fuel and transport, grew by 10.7%. Tight cost control, and improving the terms of some existing contracts, helped the trading margin increase to 14.5% (2007:12.1%).

Revenue in Continental Europe was 3.7% ahead of 2007 at €132.1 million with trading profit of €17.3 million being 2.5% ahead of last year. Trading margin was in line with last year at 13.1%. Rental revenue decreased by 0.3%, while services revenue grew by 11.4%. Within rental revenue, power decreased by 3.5%, oil-free air decreased by 21.6%, but temperature control increased by 8.3%. Benelux, Germany and Italy all traded well in the year; however revenue in Spain and France decreased year on year. Sector performance was mixed with increases in the Events and Contracting sectors offset by a decrease in utilities.

During the year we successfully provided temporary power to the eight sites for the UEFA 2008 European Football Championship in Austria and Switzerland. In total this project involved a team of 80 people installing and maintaining 40 generators, 14 MW of temperature control equipment and 150km of electrical cable.

In November we announced that, as from 1 January, the operations of our Local business in the Middle East would be integrated with those of the European region, to create a new region to be called Europe and Middle East.

In 2009 the region is likely to be adversely affected by the deteriorating macro-economic environment, and it will also lose about £1.8 million of contribution from the Oil-Free Air business, the disposal of

which was announced in December 2008. In the first two months of 2009, the region is trading at similar levels to last year, helped by storms in France and Spain in late January, for which we mobilised over 800 generators. In the Middle East, trading is currently ahead of last year; demand in some areas, notably Dubai, is sharply down, but others are still showing good growth.

#### Local business: Aggreko International

	<b>2008</b>	2007	Change
	<b>\$ million</b>	\$ million	%
Revenue	<b>346.6</b>	233.1	48.7%
Trading profit	<b>93.9</b>	49.0	91.8%

Aggreko International's Local businesses produced another excellent performance in 2008. In aggregate, year on year revenue grew by 48.7% to \$346.6 million and trading profit grew 91.8% to \$93.9 million; trading margin was 27.1% as against 21.0% in 2007. The performance was helped by the contract for the provision of temporary power for the Beijing Olympics; total revenue from the Beijing Olympics in the year was \$41 million. This was one of the largest and most complex temporary power contracts ever undertaken, and our team executed it flawlessly with over 140MW of power and 480 kilometres of cable installed in 37 venues, supporting broadcasting to over 4 billion viewers world-wide.

Excluding the Beijing Olympics, rental revenue in Aggreko International's Local business increased by 29.9% and services revenue grew by 35.4%. Within rental revenue, power increased by 35.1% and temperature control by 3.0%.

Aggreko International's Local businesses operate in the Middle East, Singapore, China, Australia, New Zealand and Central & South America; as from the end of 2008, the Middle East Local business has been merged with our European business, to create a new region called Europe and the Middle East. In 2008, all of our depots in the Middle East business grew their revenue, with particularly strong performances in Qatar, Abu Dhabi, Oman and Bahrain. During the second half of 2008, demand weakened in Dubai but this was more than offset by increased demand in other areas. In Australia, our power business performed well, driving increased revenue while effective cost control led to margins improving sharply; demand from utilities was strong, although our temperature control business was weaker than we would have liked. Our Local businesses in Brazil, Chile and Mexico continued to show robust growth with revenue increasing 76%. Our business in Singapore had an excellent year, with strong growth in revenue and profit, and, from small beginnings, we are now making some progress in China.

These businesses represent an important part of our long-term strategy, and we will continue to invest in them to build our distribution and brand. Importantly, they provide an infrastructure for, and share expertise and fleet with, our International Power Projects business. Oil, gas, shipping and mining together form a large proportion of Aggreko International's Local business and we expect to see some reduction in these sectors in 2009.

#### International Power Projects: Aggreko International

	<b>2008</b>	2007	Change
	<b>\$ million</b>	\$ million	%
Revenue (excluding pass-through fuel)	<b>524.1</b>	362.8	44.4%
Trading profit (excluding pass-through fuel)	<b>143.5</b>	99.1	44.8%

Our International Power Projects business delivered another excellent performance, with revenue and profits (excluding pass-through fuel) increasing by 44.4% and 44.8% respectively. Trading margin was in line with last year at 27.4%.

As expected, utilisation was slightly down on prior year but still ran at very high levels. During the year the business operated in 55 countries, and signed contracts for 45 new projects including 60MW in Chile, 50MW in Kenya, 50MW in Uganda and 40MW in Bangladesh. All areas increased revenue over the prior year with significant growth in the Middle East, Africa and South America. Our military business had a very strong year, with revenue up 30%; our business in the Caribbean also showed strong growth. Over 65% of International Power Projects' revenue in 2008 came from utilities; military projects represented about 18% of revenue, and oil & gas and mining together contributed about 12%.

Revenue from gas-powered generation grew significantly in the year and increased by 82%. During the year we signed contracts with new customers in Asia, Africa and the Middle East and we now have a fleet of over 200MW. This is good progress for a product that we only introduced into the fleet three years ago, and we believe that it will become an increasingly important part of our product portfolio.

Our International Power Projects business started 2009 with 19,000 megawatt-months of committed capacity, equivalent to about 12 months revenue at the current run-rate. At the year end, the International Power Projects fleet, at over 2,600 MW, was 36% larger than the previous year-end and the business had 40% more megawatts on rent than at the start of 2008. 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 particular those related to payment and customer behaviour.

## DETAILED FINANCIAL REVIEW

### Critical Accounting Policies

The Group's significant accounting policies are set out in Note 1 to the Group's Annual Report & Accounts.

Preparation of the consolidated financial statements requires Directors to make estimates and assumptions that affect the reported amounts in the consolidated financial statements and accompanying notes. Actual outcomes could differ from those estimated.

The Directors believe that the accounting policies discussed below represent those which require the greatest exercise of judgement. The Directors have used their best judgement in determining the estimates and assumptions used in these areas but a different set of judgements could result in material changes to our reported results. The discussion below should be read in conjunction with the full statement of accounting policies, set out in Note 1 to the Group's Annual Report & Accounts.

#### *Property, plant and equipment*

Rental fleet accounts for around 93% (£699 million) of the net book value of property, plant and equipment used in our business; equipment in the rental fleet is typically depreciated over a period between 8 and 10 years. The annual depreciation charge relates to the estimated service lives allocated to each class of asset. Asset lives are reviewed regularly and changed if necessary to reflect current thinking on their remaining lives in light of technological change, prospective economic utilisation and the physical condition of the assets.

#### *Intangible assets*

In accordance with IFRS 3 'Business Combinations', goodwill arising on acquisition of assets and subsidiaries is capitalised and included in intangible assets. IFRS 3 also requires the identification of other acquired intangible assets. The techniques used to value these intangible assets are in line with internationally used models but do require the use of estimates and forecasts which may differ from actual outcomes. Future results are impacted by the amortisation period adopted for these items and, potentially, by any differences between forecast and actual outcomes related to individual intangible assets. The amortisation charge for intangible assets in 2008 was £1.9 million (2007:£1.6 million). Included in this charge was £1.6 million related to the amortisation of intangible assets arising from the GE-ER and Power Plus acquisitions (2007: £1.3 million).

Goodwill of £53.0 million (2007: £38.0 million) is not amortised, but is tested annually for impairment and carried at cost less accumulated impairment losses. The impairment review calculations require the use of forecasts related to the future profitability and cash generating ability of the acquired assets.

#### *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 varieties of defined contribution schemes.

Under IAS 19: 'Employee Benefits', Aggreko has recognised a pre tax pension deficit of £8.0 million at 31 December 2008 (2007: £8.1 million) with the lower than expected returns on Scheme assets offset

by additional contributions made by the Company during the year of £4.0 million in line with the Recovery Plan for the Scheme agreed after the actuarial valuation at 31 December 2005.

The main assumptions used in the IAS 19 valuation for the previous two years are shown in Note 27 of the Annual Report & Accounts. The sensitivities regarding the discount rate and longevity assumptions are shown in the table below.

<b>Assumptions</b>	<b>Change in assumption</b>	<b>Indicative effect on the scheme's liabilities</b>
Discount rate	Increase / decrease by 0.5pp	Decrease by 13.6% / increase by 16.5%
Longevity	Increase by 1 year	Increase by 2.3%

#### *Taxation*

Aggreko's tax charge is based on the profit for the year and tax rates in force at the balance sheet date. Estimation of the tax charge requires an assessment to be made of the potential tax treatment of certain items which will only be resolved once finally agreed with the relevant tax authorities.

#### *Trade receivables*

Trade receivables are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts. An allowance is recorded for the difference between the carrying amount and the recoverable amount where there is objective evidence that the Group will not be able to collect all amounts due. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default, or large and old outstanding balances are considered indicators that the trade receivable is impaired. When a trade receivable is uncollectible it is written off against the allowance account for trade receivables.

#### **Currency Translation**

The volatility of exchange rates during the year had a material impact on the results of the Group with revenue and trading profit increasing by £57.1 million and £12.8 million respectively. Currency translation also gave rise to a £99.0 million increase in net assets as a result of year on year movements in the exchange rates. Set out in the table below are the principal exchange rates affecting the Group's overseas profits and net assets.

(per £ sterling)	<b>2008</b>		<b>2007</b>	
	<b>Average</b>	<b>Year End</b>	<b>Average</b>	<b>Year End</b>
<b>Principal Exchange Rates</b>				
United States Dollar	1.86	1.48	2.00	1.99
Euro	1.26	1.05	1.46	1.36
<b>Other Operational Exchange Rates</b>				
UAE Dirhams	6.84	5.42	7.35	7.33
Australian Dollar	2.19	2.16	2.39	2.27

*(Source: Reuters)*

## Interest

The net interest charge for the year was £14.8 million, an increase of £3.1 million on 2007, reflecting the higher level of average net debt during the year. Interest cover, measured on an EBIT basis, remains strong and increased to 13.9 times from 11.7 times in 2007.

## Effective Tax Rate

The effective tax rate for the full year is 35.4% and is in line with the prior year.

## Dividends

If the proposed final dividend of 6.28 pence is agreed by shareholders, it will result in a full year dividend of 10.08 pence per ordinary share, giving dividend cover of 4.54 times (2007: 3.76 times).

## Cashflow

The net cash inflow from operations during the year totalled £276.1 million (2007: £230.2 million). This funded capital expenditure of £265.2 million, which was £84.6 million higher than in 2007. Net debt at 31 December 2008 was £161.4 million higher than the previous year; £77.0 million of this increase was as a consequence of currency movements, and the major part of the balance was due to increased levels of capital investment. As a result of the increase in net debt, gearing (net debt as a percentage of equity) at 31 December 2008 increased to 78% from 69% at 31 December 2007 while net debt to EBITDA increased to 1.13x (2007: 0.88x).

A working capital outflow of £48.3 million in the year was largely driven by the rapid growth of the business. In terms of the elements of working capital, inventory balances grew slightly ahead of quarter four revenue, on a constant currency basis, reflecting the growth in projects sites of our International Power Projects business, along with increased inventory at our Manufacturing facility in Dumbarton in preparation for our planned 2009 build activity. Accounts receivable balances also grew slightly ahead of revenue; at the year end, Group Debtor days were 63, as opposed to 60 for the prior year. Accounts payables also grew ahead of revenue reflecting activity levels at our Manufacturing facility.

## Net Operating Assets

The net operating assets of the Group (including goodwill) at 31 December 2008 totalled £951.8 million, up £397.8 million on 2007. The main components of net operating assets are:-

£ million	2008	2007	Movement	
			Headline	Const Curr.
Rental Fleet	<b>698.5</b>	401.8	73.8%	34.7%
Property, Plant	<b>53.5</b>	42.8	25.0%	8.0%
Inventory	<b>98.6</b>	60.0	64.3%	32.2%
Net Trade Debtors	<b>189.4</b>	114.7	65.1%	30.1%

A key measure of Aggreko's performance is the return (expressed as operating profit) generated from average net operating assets (ROCE). We calculate the average net operating assets for a period by taking the average of the net operating assets as at 1 January, 30 June and 31 December; this is the basis on which we report our calculations of ROCE. The average net operating assets in 2008 were £719.4 million, up 41.4% on 2007. In 2008 the ROCE increased to 28.5% compared with 26.7% in 2007. A geographic analysis of our returns on net operating assets is set out in the table below:

	2008	2007
Europe	18.9%	16.2%
International	33.0%	33.8%
North America	26.2%	25.4%
Group	28.5%	26.7%

### Acquisition of Power Plus Rentals

On 19 August 2008 the Group acquired substantially all the assets and business of Power Plus. The purchase consideration, paid in cash, comprises a fixed element of CN\$31.0 million (£15.9 million) and further payments of up to a maximum of CN\$7.7 million (£4.0 million) dependent on financial performance over the next three years. The fair value of net assets acquired was £10.5 million resulting in goodwill of £5.4 million.

### Shareholders' Equity

Shareholders' equity increased by £171.5 million to £464.8 million, represented by the net assets of the Group of £828.8 million before net debt of £364.0 million. The movements in shareholders' equity are analysed in the table below:

Movements in Shareholders' Equity	£ million	£ million
As at 1 January 2008		293.3
Profit for the financial year	122.7	
Dividend (1)	<u>(23.7)</u>	
Retained earnings		99.0
New share capital subscribed		1.6
Purchase of own shares held under trust		(13.2)
Credit in respect of employee share awards		7.8
Actuarial losses on retirement benefits		(4.0)
Currency translation difference		99.0
Movement in hedging reserve		(21.7)
Other (2)		<u>3.0</u>
As at 31 December 2008		<u>464.8</u>

(1) Reflects the final dividend for 2007 of 5.02 pence per share (2007: 4.19 pence) and the interim dividend for 2008 of 3.80 pence per share (2007: 3.04 pence) that were paid during the year.

(2) Other mainly includes tax on items taken directly to reserves.

The £122.7 million of post-tax profit in the year represents a return of 26.4% on shareholders' equity (2007: 27.5%).

### 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.

#### *Capital management*

The Group's objective with respect to managing capital is to maintain a balance sheet structure that is efficient in terms of providing long term returns to shareholders and one that safeguards the Group's financial position through economic cycles. If appropriate, the Group can choose to adjust its capital structure by varying the amount of dividends paid to shareholders, by returning capital to shareholders, by issuing new shares, or by adjusting the level of capital expenditure.

#### *Liquidity and funding*

The Group maintains sufficient facilities to meet its normal funding requirements over the medium term. These facilities are primarily in the form of committed bank facilities totalling £510.4 million at 31 December 2008, arranged on a bilateral basis with a number of international banks. The financial covenants attached to these facilities are that operating profit should be no less than 3 times interest and net debt should be no more than 3 times EBITDA. The Group does not consider that these covenants are restrictive to its operations. 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. The maturity profile of the borrowings is detailed in Note 17 in the Annual Report & Accounts with the next maturity not due until 2011. The facilities now in place are currently anticipated to be ample for meeting the Group's requirements for the foreseeable future.

Net debt amounted to £364.0 million at 31 December 2008 and at that date un-drawn committed facilities were £141.1 million.

#### *Interest rate risk*

The Group's policy is to minimise the exposure to interest rates by ensuring an appropriate balance of fixed and floating rates. The Group's primary funding is at floating rates through its bank facilities. In order to manage the associated interest rate risk, the Group uses interest rate swaps to vary the mix of fixed and floating rates. At 31 December 2008, £227.5 million of the net debt of £364.0 million was at fixed rates of interest resulting in a fixed to floating rate net debt ratio of 63:37.

#### *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 principal currencies used by the Group, namely US Dollar, Euro, Sterling and Canadian Dollar.

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.

### *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.

### *Management of trade receivables*

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. Some of the contracts undertaken in our International Power Projects business are substantial, and 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; these include securing advance payments, bank guarantees and various types of insurance. On the largest contracts, all such arrangements are approved at Group level. Contracts are reviewed on a case by case basis to determine the customer and country risk.

### *Insurance*

The Group operates a policy of buying cover against the material risks 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 risks and uncertainties. Our job is to mitigate and manage these risks, and the Board has developed a formal risk management process. Set out below are some of the principal risks and uncertainties which we believe could adversely affect us, potentially impacting the employees, operations, revenue, profits, cash flows or assets of the Group. This list is not exhaustive – there are many things that could go wrong in an operation as large and geographically diverse as ours – and the list might change as something that seems immaterial today assumes greater importance tomorrow.

### **Economic conditions**

There is a link in our business between demand for our services and levels of economic activity; this link is particularly evident in the Local business. If GDP growth slows, demand for rental equipment is likely to slow even faster, and the operational gearing inherent in our business models means that variations in demand can lead to much larger variations in profitability. We also have some businesses which, by their nature, are exposed to particular sectors – for instance our Australian business is highly dependent on mining activity, and a large proportion of our Middle East business comes from construction.

We mitigate this risk in a number of ways. First, having a global footprint is a great advantage because we can move both existing rental fleet and new investment from low-growth economies to higher-growth environments; for example, we have moved fleet from Europe and North America to the Middle East, and part of the fleet used to perform the Beijing Olympics came from Europe and North

America. Secondly, we try to ensure that, as they grow, our businesses build a customer-base which is as diverse as possible, to reduce sectoral exposure. In the Middle East, for instance, we are investing in our temperature control business which in time will reduce our exposure to construction; in North America we have special initiatives in place to develop our business in under-penetrated sectors. Thirdly, in the event of a more generalised downturn in demand, we can quickly reduce capital expenditure. Given the large depreciation element in the business' cost base (£116 million in 2008), reducing capital expenditure below depreciation makes the business very cash generative which, in turn, will reduce debt and interest cost.

Another economic factor to consider is the price of fuel, which is usually the single greatest element in the cost of running a generator. Over the last few years, the price of fuel has been extremely volatile, but this does not seem to have any noticeable impact on people's willingness to rent; people rent generators because they need power, not because it is a cheap way of generating electricity. The major impact on our business of the oil-price is that, at times when it has been high, it has produced huge wealth in oil-producing countries which has been re-cycled into infrastructure investment, which has in turn stimulated demand for our services. If the oil-price is persistently low – by which we mean under \$40 per barrel – we would expect to see an adverse impact on our business in oil-producing countries.

Exchange rate fluctuations can have a material impact on our performance: the Group's asset values, earnings and cash flows are influenced by a wide variety of currencies owing to the geographic diversity of the Group's customers and areas of operation. The majority of the Group's revenue and costs are denominated in US dollars. The relative value of currencies can fluctuate widely and could have a material impact on the Group's asset values, costs, earnings, debt levels and cash flows.

## **Political**

The Group operates in over 100 countries around the world, including Africa, Asia and South America. In some jurisdictions there are significant risks of political instability which can result in civil unrest, equipment seizure, renegotiation or nullification of existing agreements, changes in laws, taxation policies or currency restrictions. Any of these could have a damaging effect on the profitability of our operations in a country.

Prior to undertaking a contract in a new country, we carry out a risk assessment process to consider risks to our people, assets and to payments. The safety of our employees is always our first concern. If the level of risk is considered unsatisfactory we will decline to participate in any contract; where there are potential issues, we develop detailed contingency plans. Our greatest exposure lies in our International Power Projects business, and they perform risk assessments on a contract-by-contract basis. The Group uses a wide range of tools and techniques to manage financial risk, including insurances, bonds, guarantees and cash advances.

## **Failure to collect payments**

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. However, some of the contracts the Group undertakes in developing countries are substantial, and 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; these include securing advance payments, guarantees and various types of insurance. As a result of the rigorous approach to risk management, the Group has historically had a low level of bad debt. However, while the rapid growth in our International Power Projects business makes it less likely that any bad debt would be material to the Group's balance sheet, the increased number of

contracts and countries we operate in increases the likelihood of a loss and make it inevitable that at some stage a major customer will default on us. This could have a noticeable impact on earnings in a particular reporting period.

## **Events**

The business is, by nature, driven by events. People hire generators because some event or need makes it essential. Aggreko's revenues, cashflows and profits can be influenced significantly by external events as evidenced in the past by hurricanes in North America or by the contracts to supply power to military camps in the Middle East. These events are, by their nature, difficult to predict and, combined with the high operational gearing inherent in our business, can lead to volatility in terms of performance. By developing the business globally as well as by increasing and broadening the Group's revenue base, the impact of a single event on the overall Group will reduce. Additionally, the ability to move equipment around the world allows the Group to adjust to changes in utilisation caused by any changes in demand.

## **Failure to conduct business dealings with integrity and honesty**

Some of the countries in which the Group operates have a reputation for corruption and, given that many of our contracts involve large sums of money, we are at risk of being accused of bribery and other unethical behaviour. The first and most important way of avoiding this risk is to ensure that people, both inside and outside the Group, know that Aggreko does not engage in, and will not tolerate, bribery, corruption or unethical behaviour. We have a strict Ethics Policy, a copy of which is available on our website [www.aggreko.com](http://www.aggreko.com). Rather than just publishing it, we get every employee to sign it when they join the business; every consultant acting on our behalf agrees to abide by it, and every consultancy or agency agreement has an explicit term stating that the agreement will be terminated immediately if the consultant or agent does not abide by our policy. The Group has a comprehensive and detailed set of procedures, approved by the Board, which governs the appointment of agents and sales consultants, all of whom are subject to due diligence investigations by third-party investigators. Payments made to agents and sales consultants are subject to audit by both internal and external auditors.

## **Acquisitions**

It is part of our strategy to acquire businesses in our core market which can add value to Aggreko. In the last five years, we have acquired three small businesses – the temperature control business of Prime Energy in the USA, the assets and business of Power Plus Rentals & Sales Ltd in Canada and, since the year end, the power rental business of Cummins, India - and one large global business - GE Energy Rentals. We are well aware that buying businesses can be risky; in our business, the greatest areas of risk are:-

- Over-paying
- Acquiring liabilities we do not know about or understand
- Failing to integrate effectively

We mitigate these risks by having a rigorous acquisition process, which is overseen by the Board. All acquisitions are subject to detailed financial modelling, using different scenarios, so we can understand the likely returns in various circumstances. We undertake detailed due diligence, particularly on the operational side, and we look for extensive warranties and covenants from vendors. Finally, we have a well-developed and effective acquisition integration model as demonstrated by the success of the GE ER integration.

## **Operational Incidents**

The business of the group involves transporting, installing and operating large amounts of heavy equipment, which produces lethal voltages or very high pressure air, and involves the use of millions of litres of fuel which could cause serious damage to the environment. Every day, we manage the risks associated with this business, and we have carefully designed procedures to minimise the risk of an accident. However, if these procedures are not followed, accidents can happen and might result in injury to people, claims against the Group, and damage to its reputation and its chances of winning and retaining contracts.

The Group has a proactive operational culture that puts health and safety at the top of its agenda in order to reduce the likelihood of an accident. We work very closely with our customers, employees and Health & Safety authorities, to evaluate and assess major risks to ensure that health and safety procedures are rigorously followed. The Group has developed health and safety KPI's which are reviewed by the Board on a regular basis.

## **Competition**

Aggreko operates in a highly competitive business. The barriers to entry are low and, in every major market in which we operate, competitors are constantly entering or leaving the market. We welcome this competition as it keeps us sharp and also helps to grow the overall rental market which, in many countries, is under-developed.

We monitor competitor activity carefully, but ultimately our only protection from suffering material damage to our business by competitors is to work relentlessly to provide our customers with a high quality and differentiated service proposition at a price that they believe provides good value.

## **Product technology & emissions regulation**

The majority of Aggreko's fleet is diesel-powered, and some of our equipment is over ten years old. As part of the increasing focus on environmental issues, countries are introducing legislation related to permissible levels of emissions and this has the potential to affect our business. Our engines are sourced from major manufacturers who, in turn, have to develop products which conform to legislation, so we are dependent on them being able to respond to legislation. We also have to be aware that when we buy a generator, we want to be able to rent it for its useful life and to be able to move it between countries.

To mitigate these risks, we adopt a number of strategies. First, we retain considerable in-house expertise on engine technology and emissions – so we have a good understanding of these issues. Secondly, we have very close relationships with engine manufacturers, so we get good forward visibility of their product development pipeline. And when new products appear – particularly those with improved emissions performance – we try to introduce them into the fleet as quickly as possible, to ensure that over time our fleet evolves to ever-better levels of emissions performance. An example of this is the significant investment we have made in the development of our gas-fuelled technology: these engines have significantly reduced emissions compared with other fuel types. Thirdly, if emissions-compliance becomes such an issue that it begins to impact our business in a material way in some territories, our global footprint will be a major advantage as it gives us numerous options for the re-deployment of our fleet.

## **People**

Aggreko knows that it is people that make the difference between great performance and mediocre performance. This is true at all levels within the business. We are keenly aware of the need to attract the right people, establish them in their roles and manage their development. As a framework for people development, we have in place a talent management programme which covers most of the management population. Under this programme, we try to identify the development needs of each individual from the outset, as well as identifying successor candidates for senior roles. We have also worked with one of the world's leading business schools to develop and deliver a tailor-made group wide management education programme.

Another risk is that competitors seek to recruit our key personnel. For many years, Aggreko has been a target for recruitment and we manage this on a daily basis. We actually regard it as a compliment that so many companies want to recruit our people. The main mitigation for this is to make sure that people enjoy working for Aggreko, that they feel that they are recognised, cared for, and have challenging and interesting jobs. Reward is also an important part of the equation, and there can be little doubt that our policy of rewarding people well for good performance, and of having a successful Long-Term Incentive Plan, has acted as a powerful retention tool.

## **Information Technology**

Our business involves high transaction volumes, complex logistics, and the need to track thousands of assets on hundreds of sites. We are therefore heavily dependent on the resilience of both the application software (we use an ERP system called Movex) and of the data-processing and network infrastructure. A serious failure in this area would immediately and materially affect our business.

The Group has a detailed disaster recovery plan in place which is tested on a regular basis. Our main data centre in Glasgow has high levels of resilience built into it, and we also have a physically separate third-party disaster-recovery site. Additionally, we now have a second data centre operational in Dubai which will allow the Group to continue processing data in the event of a major incident.

## **Investor Relations and Market Abuse**

The Group's reputation and/or share price could suffer due to inappropriate or inadequate engagement with investors. For example, we might fail to communicate consistent, co-ordinated messages to investors or fail to provide adequate information on performance and events in the business. Since, inevitably, management is in possession of market-sensitive information from time to time, the business is at risk from market abuse and insider dealing.

Our approach to this is to recognise that investors have legitimate interests in the Group's business, and that shareholder value will be enhanced by timely, clear, open, honest and transparent communication with markets and investors. Accordingly, the Group's Chief Executive and Finance Director co-ordinate all communications with markets and investors, and controls are in place to make sure that all Group communication – corporate, regional and local – is consistent and co-ordinated. The Group also applies very clear rules to prevent market abuse and insider dealing.

## **Accounting and Treasury/Major fraud**

There is a risk that fraud or accounting discrepancies may occur if the financial and operational control framework is inadequate. This may distort the reported results. In order to mitigate this risk, significant work has been undertaken to put in place a robust control framework. Additionally, a

strong Internal Audit function reviews the operation of this control framework and reports regularly to the Audit Committee. The risk is also mitigated by recruiting and developing a strong finance function which is focused on ensuring the accuracy and integrity of the reported results.

## **Liquidity**

The nature of our business model is that, in periods of growth, we consume cash; this is because we can only grow by increasing the rate of investment in fleet assets beyond the rate of depreciation. Conversely, in periods of weaker demand, we would normally hold back fleet investment, at which point the business will become highly cash-generative. Another feature of our business is that we are rich in tangible assets, which means that financial institutions are happy to lend to us on competitive terms. By financing increases in fleet through debt, we enhance the returns we make on shareholders' equity.

The availability of bank finance at competitive rates is therefore an important element in our ability to grow the Group's revenues without recourse to shareholders. Being of a generally conservative disposition, the Group has a policy of keeping a wide margin of safety between forecast financing requirements and committed debt facilities: at 31 December 2008, Aggreko had interest cover of 14x and net debt to EDITDA of 1.13x. Net debt was £364.0 million with 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. The maturity profile of the borrowings is detailed in Note 17 in the Annual Report & Accounts with the next maturity not due until 2011. The facilities now in place are currently anticipated to be ample for meeting the Group's requirements for the foreseeable future.

## **Shareholder information**

Our website can be accessed at [www.Aggreko.com](http://www.Aggreko.com). This contains a large amount of information about our business, including a range of charts and data, which can be down loaded for easy analysis. The website also carries copies of recent investor presentations, as well as Stock Exchange announcements.

Rupert Soames  
Chief Executive

Angus Cockburn  
Finance Director  
5 March 2009

**Group Income Statement**  
for the year ended 31 December 2008

	Notes	2008 £ million	2007 £ million
Revenue	1	946.6	693.2
Cost of sales		<u>(409.5)</u>	<u>(315.9)</u>
<b>Gross Profit</b>		537.1	377.3
Distribution costs		<u>(221.3)</u>	(163.6)
Administrative expenses		<u>(115.2)</u>	(80.8)
Other income		<u>4.2</u>	<u>3.0</u>
<b>Operating profit</b>	1	204.8	135.9
Net finance costs			
- Finance cost		<u>(15.3)</u>	(13.2)
- Finance income		<u>0.5</u>	<u>1.5</u>
<b>Profit before taxation</b>		<u>190.0</u>	124.2
Taxation:	2		
- UK		<u>(18.3)</u>	(13.8)
- Overseas		<u>(49.0)</u>	<u>(29.7)</u>
<b>Profit for the year</b>		<u>122.7</u>	<u>80.7</u>
<b>Dividends paid in the year</b>	3	<u>(23.7)</u>	<u>(19.2)</u>
<b>Dividends per share (pence)</b>	3	<u>8.82</u>	<u>7.23</u>
<b>Earnings per share (pence)</b>			
Basic	4	<u>45.77</u>	<u>30.33</u>
Diluted	4	<u>45.56</u>	<u>30.02</u>

The above results relate to continuing operations and all profit for the period is attributable to equity shareholders of the Company.

**Group Statement of Recognised Income and Expense**  
for the year ended 31 December 2008

	2008 £ million	2007 £ million
<b>Profit for the year</b>	122.7	80.7
Actuarial losses on retirement benefits	<u>(4.0)</u>	(0.1)
Movement in deferred tax on pension liability	1.1	-
Cashflow hedges (net of deferred tax)	<u>(21.7)</u>	(4.6)
Net exchange gains offset in reserves	<u>99.0</u>	<u>5.6</u>
<b>Total recognised income for the financial year</b>	<u>197.1</u>	<u>81.6</u>

**Group Balance Sheet**  
as at 31 December 2008

	Notes	2008 £ million	2007 £ million
<b>Non-current assets</b>			
Goodwill	5	53.0	38.0
Other intangible assets	6	16.6	10.0
Property, plant and equipment	7	752.0	444.6
Deferred tax asset	13	4.8	2.4
		<u>826.4</u>	<u>495.0</u>
<b>Current assets</b>			
Inventories	8	98.6	60.0
Trade and other receivables	9	272.7	165.4
Derivative financial instruments		-	0.1
Cash and cash equivalents		15.3	9.8
Current tax assets		1.7	2.4
		<u>388.3</u>	<u>237.7</u>
<b>Total assets</b>		<u>1,214.7</u>	<u>732.7</u>
<b>Current liabilities</b>			
Borrowings	10	(167.7)	(0.2)
Derivative financial instruments		(15.9)	(2.1)
Trade and other payables	11	(252.9)	(172.6)
Current tax liabilities		(49.9)	(24.8)
Provisions	12	-	(1.3)
		<u>(486.4)</u>	<u>(201.0)</u>
<b>Non-current liabilities</b>			
Borrowings	10	(211.6)	(212.2)
Derivative financial instruments		(19.1)	(2.7)
Deferred tax liabilities	13	(24.6)	(14.7)
Retirement benefit obligation		(8.0)	(8.1)
Provisions	12	(0.2)	(0.7)
		<u>(263.5)</u>	<u>(238.4)</u>
<b>Total liabilities</b>		<u>(749.9)</u>	<u>(439.4)</u>
<b>Net assets</b>		<u>464.8</u>	<u>293.3</u>
<b>Shareholders' equity</b>			
Share capital	14	54.4	54.2
Share premium	16	10.2	8.8
Treasury shares	15	(20.5)	(10.5)
Capital redemption reserve	16	0.1	0.1
Hedging reserve (net of deferred tax)	16	(25.1)	(3.4)
Foreign exchange reserve	16	79.9	(19.7)
Retained earnings	16	365.8	263.8
<b>Total shareholders' equity</b>		<u>464.8</u>	<u>293.3</u>

The financial statements on pages x to x were approved by the Board of Directors on 5 March 2009 and were signed on its behalf by:

**P G Rogerson**  
Chairman

**A G Cockburn**  
Finance Director

**Group Cash Flow Statement**  
for the year ended 31 December 2008

	Notes	2008 £ million	2007 £ million
<b>Cash flows from operating activities</b>			
Cash generated from operations	(i)	276.1	230.2
Tax paid		<u>(39.6)</u>	<u>(21.4)</u>
Net cash generated from operating activities		<u>236.5</u>	<u>208.8</u>
<b>Cash flows from investing activities</b>			
Acquisitions (net of cash acquired)		(15.9)	(0.4)
Purchases of property, plant and equipment (PPE)		<u>(265.2)</u>	<u>(180.6)</u>
Proceeds from sale of PPE		9.0	8.1
Net cash used in investing activities		<u>(272.1)</u>	<u>(172.9)</u>
<b>Cash flows from financing activities</b>			
Net proceeds from issue of ordinary shares		1.3	1.8
Increase in long-term loans		185.7	66.0
Repayment of long-term loans		<u>(107.1)</u>	<u>(62.6)</u>
Net movement in short-term loans		4.9	(7.1)
Interest received		0.5	1.5
Interest paid		<u>(14.6)</u>	<u>(12.8)</u>
Dividends paid to shareholders		<u>(23.7)</u>	<u>(19.2)</u>
Purchase of treasury shares		<u>(13.2)</u>	<u>(4.2)</u>
Sale of own shares by Employee Benefit Trust		0.9	-
Net cash from/(used in) financing activities		<u>34.7</u>	<u>(36.6)</u>
<b>Net decrease in cash and cash equivalents</b>			
Cash and cash equivalents at beginning of the year		9.6	10.0
Exchange gain on cash and cash equivalents		1.6	0.3
<b>Cash and cash equivalents at end of the year</b>		<u>10.3</u>	<u>9.6</u>

**Reconciliation of net cash flow to movement in net debt**  
for the year ended 31 December 2008

	Notes	2008 £ million	2007 £ million
Decrease in cash and cash equivalents		(0.9)	(0.7)
Cash (inflow)/outflow from movement in debt		<u>(83.5)</u>	<u>3.7</u>
Changes in net debt arising from cash flows		<u>(84.4)</u>	3.0
Exchange losses		<u>(77.0)</u>	<u>(0.4)</u>
Movement in net debt in period		<u>(161.4)</u>	2.6
Net debt at beginning of period		<u>(202.6)</u>	<u>(205.2)</u>
<b>Net debt at end of period</b>	10	<u>(364.0)</u>	<u>(202.6)</u>

**Notes to the Group Cash Flow Statement**  
for the year ended 31 December 2008

**(i) Cashflow from operating activities**

	<b>2008</b>	2007
	<b>£ million</b>	£ million
Profit for the year	<b>122.7</b>	80.7
Adjustments for:		
Tax	<b>67.3</b>	43.5
Depreciation	<b>115.9</b>	92.8
Amortisation of intangibles	<b>1.9</b>	1.6
Interest income	<b>(0.5)</b>	(1.5)
Interest expense	<b>15.3</b>	13.2
Profit on sale of PPE (see below)	<b>(4.2)</b>	(3.0)
Share based payments	<b>7.8</b>	4.6
Changes in working capital (excluding the effects of exchange differences on consolidation):		
Increase in inventories	<b>(20.4)</b>	(18.6)
Increase in trade and other receivables	<b>(51.7)</b>	(13.4)
Increase in trade and other payables	<b>23.8</b>	34.7
Net movements in provisions for liabilities and charges	<b>(1.8)</b>	(4.2)
Net retirement benefit cost	<b>—</b>	(0.2)
<b>Cash generated from operations</b>	<b><u>276.1</u></b>	<u>230.2</u>

In the cash flow statement, proceeds from sale of PPE comprise:

	<b>2008</b>	2007
	<b>£ million</b>	£ million
Net book amount	<b>4.8</b>	5.1
Profit on sale of PPE	<b><u>4.2</u></b>	<u>3.0</u>
Proceeds from sale of PPE	<b><u>9.0</u></b>	<u>8.1</u>

**Notes to the Accounts**  
for the year ended 31 December 2008

**Note 1**  
**Segmental reporting**

**(a) Revenue by segment**

	Total revenue		Inter-segment revenue		External revenue	
	2008 £ million	2007 £ million	2008 £ million	2007 £ million	2008 £ million	2007 £ million
Northern Europe	82.0	80.8	-	-	82.0	80.8
Continental Europe	104.7	87.2	-	0.1	104.7	87.1
North America	207.7	168.5	0.2	0.2	207.5	168.3
Middle East, Asia-Pacific, South America	186.7	116.8	0.5	0.4	186.2	116.4
<b>Local Business</b>	<b>581.1</b>	<b>453.3</b>	<b>0.7</b>	<b>0.7</b>	<b>580.4</b>	<b>452.6</b>
<b>International Power Projects</b>	<b>366.2</b>	<b>240.8</b>	<b>-</b>	<b>0.2</b>	<b>366.2</b>	<b>240.6</b>
Eliminations	(0.7)	(0.9)	(0.7)	(0.9)	-	-
<b>Group</b>	<b>946.6</b>	<b>693.2</b>	<b>-</b>	<b>-</b>	<b>946.6</b>	<b>693.2</b>

- 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.
- ii) International Power Projects (IPP) is a global segment administered from Dubai. At the end of 2008 and 2007 the assets of the International Power Projects segment are predominantly located in the Middle East, Asia-Pacific, South America and Africa.
- iii) In accordance with how management monitors the business the results and net assets of the Beijing Olympics are now included in the local business in the Middle East, Asia-Pacific and South America segment instead of IPP as previously reported. Comparative figures for capital expenditure, assets and liabilities have been restated by £4.8 million, £4.9 million and £1.0 million respectively. There has been no impact on any other comparative figures.

**(b) Profit by segment**

	Trading profit pre intangible asset amortisation		Amortisation of intangible assets arising from business combinations		Trading profit	
	2008 £ million	2007 £ million	2008 £ million	2007 £ million	2008 £ million	2007 £ million
Northern Europe	11.9	9.8	-	-	11.9	9.8
Continental Europe	13.8	11.6	(0.1)	(0.1)	13.7	11.5
North America	46.0	36.4	(1.1)	(0.8)	44.9	35.6
Middle East, Asia-Pacific, South America	50.7	24.8	(0.3)	(0.3)	50.4	24.5
<b>Local Business</b>	<b>122.4</b>	<b>82.6</b>	<b>(1.5)</b>	<b>(1.2)</b>	<b>120.9</b>	<b>81.4</b>
<b>International Power Projects</b>	<b>79.8</b>	<b>51.6</b>	<b>(0.1)</b>	<b>(0.1)</b>	<b>79.7</b>	<b>51.5</b>
<b>Group</b>	<b>202.2</b>	<b>134.2</b>	<b>(1.6)</b>	<b>(1.3)</b>	<b>200.6</b>	<b>132.9</b>

	Gain/(loss) on sale of PPE		Operating Profit	
	2008 £ million	2007 £ million	2008 £ million	2007 £ million
Northern Europe	0.4	0.2	12.3	10.0
Continental Europe	2.2	0.7	15.9	12.2
North America	1.1	1.0	46.0	36.6
Middle East, Asia-Pacific, South America	(0.2)	0.2	50.2	24.7
<b>Local Business</b>	<b>3.5</b>	<b>2.1</b>	<b>124.4</b>	<b>83.5</b>
<b>International Power Projects</b>	<b>0.7</b>	<b>0.9</b>	<b>80.4</b>	<b>52.4</b>
<b>Group</b>	<b>4.2</b>	<b>3.0</b>	<b>204.8</b>	<b>135.9</b>
Finance costs – net			(14.8)	(11.7)
<b>Profit before taxation</b>			<b>190.0</b>	<b>124.2</b>
Taxation			(67.3)	(43.5)
<b>Profit for the year</b>			<b>122.7</b>	<b>80.7</b>

**(c) Depreciation and amortisation by segment**

	2008 £ million	2007 £ million
Northern Europe	10.5	10.5
Continental Europe	15.4	13.0
North America	26.8	23.6
Middle East, Asia-Pacific, South America	21.9	16.1
<b>Local Business</b>	<b>74.6</b>	<b>63.2</b>
<b>International Power Projects</b>	<b>43.2</b>	<b>31.2</b>
<b>Group</b>	<b>117.8</b>	<b>94.4</b>

**Note 1**  
**Segmental reporting (continued)**

**(d) Capital expenditure on property, plant and equipment and intangible assets by segment**

	<b>2008</b>	2007
	<b>£ million</b>	Restated £ million
Northern Europe	<b>20.3</b>	10.0
Continental Europe	<b>12.8</b>	14.0
North America	<b>40.8</b>	27.9
Middle East, Asia-Pacific, South America	<b>54.2</b>	37.0
<b>Local Business</b>	<b>128.1</b>	88.9
<b>International Power Projects</b>	<b>147.6</b>	96.6
<b>Group</b>	<b>275.7</b>	185.5

Capital expenditure comprises additions of property, plant and equipment (PPE) of £265.2 million (2007: £180.6 million), acquisitions of PPE of £5.1 million (2007: £4.9 million) and acquisitions of intangible assets of £5.4 million (2007: £nil).

**(e) Assets/(liabilities) by segment**

	Assets		Liabilities	
	<b>2008</b>	2007	<b>2008</b>	2007
	<b>£ million</b>	Restated £ million	<b>£ million</b>	Restated £ million
Northern Europe	<b>73.4</b>	67.8	<b>(17.0)</b>	(15.5)
Continental Europe	<b>135.2</b>	107.4	<b>(28.0)</b>	(24.3)
North America	<b>257.2</b>	163.3	<b>(28.4)</b>	(19.6)
Middle East, Asia-Pacific, South America	<b>204.9</b>	125.7	<b>(33.7)</b>	(27.1)
<b>Local Business</b>	<b>670.7</b>	464.2	<b>(107.1)</b>	(86.5)
<b>International Power Projects</b>	<b>537.5</b>	263.6	<b>(149.3)</b>	(87.3)
<b>Group</b>	<b>1,208.2</b>	727.8	<b>(256.4)</b>	(173.8)

Segment assets include goodwill, property, plant and equipment, intangible assets, inventory, receivables and operating cash. Segment liabilities comprise operating liabilities. They exclude taxation, the retirement benefit obligation and corporate borrowings.

**(f) Average number of employees by segment**

	<b>2008</b>	2007
	<b>number</b>	number
Northern Europe	<b>396</b>	366
Continental Europe	<b>463</b>	419
North America	<b>883</b>	828
Middle East, Asia-Pacific, South America	<b>600</b>	446
<b>Local Business</b>	<b>2,342</b>	2,059
<b>International Power Projects</b>	<b>881</b>	648
<b>Group</b>	<b>3,223</b>	2,707

**(g) Segmental revenue by location of customer**

	<b>2008</b>	2007
	<b>£ million</b>	£ million
UK	<b>68.3</b>	65.6
Continental Europe	<b>118.4</b>	102.3
North America	<b>207.5</b>	168.3
Middle East	<b>166.9</b>	116.9
Australasia	<b>65.3</b>	41.4
Africa	<b>201.9</b>	137.4
South America	<b>53.2</b>	23.8
Other	<b>65.1</b>	37.5
<b>Total</b>	<b>946.6</b>	693.2

**(h) Reconciliation of net operating assets to net assets**

	<b>2008</b>	2007
	<b>£ million</b>	£ million
Net operating assets	<b>951.8</b>	554.0
Retirement benefit obligation	<b>(8.0)</b>	(8.1)
Net tax and finance payable	<b>(69.7)</b>	(35.7)
	<b>874.1</b>	510.2
Borrowings and derivative financial instruments	<b>(409.3)</b>	(216.9)
<b>Net assets</b>	<b>464.8</b>	293.3



**Note 3**  
**Dividends**

	2008 £ million	2008 per share (p)	2007 £ million	2007 per share (p)
Final paid	13.5	5.02	11.1	4.19
Interim paid	<u>10.2</u>	<u>3.80</u>	<u>8.1</u>	<u>3.04</u>
	<u>23.7</u>	<u>8.82</u>	<u>19.2</u>	<u>7.23</u>

In addition, the directors are proposing a final dividend in respect of the financial year ended 31 December 2008 of 6.28 pence per share which will absorb an estimated £16.9 million of shareholders' funds. It will be paid on 15 May 2009 to shareholders who are on the register of members on 17 April 2009.

**Note 4**  
**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.

	2008	2007
Profit for the year (£ million)	<u>122.7</u>	<u>80.7</u>
Weighted average number of ordinary shares in issue (million)	<u>268.2</u>	<u>266.2</u>
Basic earnings per share (pence)	<u>45.77</u>	<u>30.33</u>

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.

	2008	2007
Profit for the year (£ million)	<u>122.7</u>	<u>80.7</u>
Weighted average number of ordinary shares in issue (million)	<u>268.2</u>	266.2
Adjustment for share options (million)	<u>1.2</u>	<u>2.8</u>
Diluted weighted average number of ordinary shares in issue (million)	<u>269.4</u>	<u>269.0</u>
Diluted earnings per share (pence)	<u>45.56</u>	<u>30.02</u>

**Note 5**  
**Goodwill**

	<b>2008</b>	2007
	<b>£ million</b>	£ million
<b>Cost</b>		
At 1 January	<b>38.0</b>	37.8
Acquisitions (Note 17)	<b>5.4</b>	-
Exchange adjustments	<b>9.6</b>	<u>0.2</u>
<b>At 31 December</b>	<b><u>53.0</u></b>	<u>38.0</u>
<b>Accumulated impairment losses</b>	<b><u>-</u></b>	<u>-</u>
<b>Net book value</b>	<b><u>53.0</u></b>	<u>38.0</u>

**£ million**

**Goodwill impairment tests**

Goodwill has been allocated to cash generating units (CGUs) as follows:

Northern Europe	2.8
Continental Europe	9.4
North America	33.1
Middle East, Asia-Pacific, South America	<u>6.1</u>
<b>Local Business</b>	51.4
<b>International Power Projects</b>	<u>1.6</u>
<b>Group</b>	<b><u>53.0</u></b>

Goodwill is tested for impairment annually or whenever there is an indication that the asset may be impaired. The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for value in use calculations are those relating to expected changes in revenue and the cost base, discount rates and long-term growth rates. The discount rate used for business valuations was 8.5% after tax, 11.6% before tax, based on the weighted average cost of capital (WACC) of the Group. 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. Values in use were determined using current year cashflows, a prudent view of future market trends and excludes any growth capital expenditure. A terminal cash flow was calculated using a long-term growth rate of 2.0%.

As at 31 December 2008, based on internal valuations, Aggreko plc management concluded that the values in use of the CGUs significantly exceeded their net asset value.

The Directors consider that there is no reasonably probable change in the key assumptions made in their impairment calculations that would give rise to an impairment.

**Note 6**  
**Other intangible assets**

	<b>2008</b>	2007
	<b>£ million</b>	£ million
<b>Cost</b>		
At 1 January	13.7	13.6
Acquisitions (Note 17)	5.4	-
Exchange adjustments	3.1	0.1
<b>At 31 December</b>	<b><u>22.2</u></b>	<u>13.7</u>
<b>Accumulated amortisation</b>		
At 1 January	3.7	2.1
Charge for the year	1.9	1.6
<b>At 31 December</b>	<b><u>5.6</u></b>	<u>3.7</u>
<b>Net book values</b>		
<b>At 31 December</b>	<b><u>16.6</u></b>	<u>10.0</u>

Amortisation charges in the year comprise amortisation of assets arising from business combinations of £1.6 million (2007 : £1.3 million) and amortisation of other intangible assets of £0.3 million (2007 : £0.3 million). Amortisation charges in the year have been recorded in administrative expenses.

**Note 7**  
**Property, plant and equipment**

**Year ended 31 December 2008**

	Freehold properties £ million	Short leasehold properties £ million	Rental fleet £ million	Vehicles, plant & equipment £ million	Total £ million
<b>Cost</b>					
At 1 January 2008	27.9	8.5	883.5	51.7	971.6
Exchange adjustments	9.2	1.7	289.9	8.3	309.1
Additions	0.8	1.7	256.4	6.3	265.2
Acquisitions (Note 17)	-	-	4.7	0.4	5.1
Disposals	—	—	(51.7)	(2.3)	(54.0)
<b>At 31 December 2008</b>	<b><u>37.9</u></b>	<b><u>11.9</u></b>	<b><u>1,382.8</u></b>	<b><u>64.4</u></b>	<b><u>1,497.0</u></b>
<b>Accumulated depreciation</b>					
At 1 January 2008	8.1	3.7	481.7	33.5	527.0
Exchange adjustments	2.4	0.8	142.0	6.1	151.3
Charge for the year	1.2	1.1	107.7	5.9	115.9
Disposals	—	—	(47.1)	(2.1)	(49.2)
<b>At 31 December 2008</b>	<b><u>11.7</u></b>	<b><u>5.6</u></b>	<b><u>684.3</u></b>	<b><u>43.4</u></b>	<b><u>745.0</u></b>
<b>Net book values</b>					
<b>At 31 December 2008</b>	<b><u>26.2</u></b>	<b><u>6.3</u></b>	<b><u>698.5</u></b>	<b><u>21.0</u></b>	<b><u>752.0</u></b>
At 31 December 2007	<u>19.8</u>	<u>4.8</u>	<u>401.8</u>	<u>18.2</u>	<u>444.6</u>

**Note 7**  
**Property, plant and equipment continued**

**Year ended 31 December 2007**

	Freehold properties £ million	Short leasehold properties £ million	Rental fleet £ million	Vehicles, plant & equipment £ million	Total £ million
<b>Cost</b>					
At 1 January 2007	28.5	6.6	720.0	48.5	803.6
Exchange adjustments	0.4	0.2	11.6	0.8	13.0
Additions	1.2	1.7	172.4	5.3	180.6
Acquisitions	-	-	4.9	-	4.9
Disposals	<u>(2.2)</u>	<u>-</u>	<u>(25.4)</u>	<u>(2.9)</u>	<u>(30.5)</u>
<b>At 31 December 2007</b>	<b><u>27.9</u></b>	<b><u>8.5</u></b>	<b><u>883.5</u></b>	<b><u>51.7</u></b>	<b><u>971.6</u></b>
<b>Accumulated depreciation</b>					
At 1 January 2007	9.1	2.8	408.9	29.8	450.6
Exchange adjustments	-	0.1	8.6	0.3	9.0
Charge for the year	0.9	0.8	85.6	5.5	92.8
Disposals	<u>(1.9)</u>	<u>-</u>	<u>(21.4)</u>	<u>(2.1)</u>	<u>(25.4)</u>
<b>At 31 December 2007</b>	<b><u>8.1</u></b>	<b><u>3.7</u></b>	<b><u>481.7</u></b>	<b><u>33.5</u></b>	<b><u>527.0</u></b>
<b>Net book values</b>					
<b>At 31 December 2007</b>	<b><u>19.8</u></b>	<b><u>4.8</u></b>	<b><u>401.8</u></b>	<b><u>18.2</u></b>	<b><u>444.6</u></b>
At 31 December 2006	<u>19.4</u>	<u>3.8</u>	<u>311.1</u>	<u>18.7</u>	<u>353.0</u>

**Note 8**  
**Inventories**

	2008 £ million	2007 £ million
Raw materials and consumables	91.7	56.2
Work in progress	<u>6.9</u>	<u>3.8</u>
	<b><u>98.6</u></b>	<b><u>60.0</u></b>

**Note 9**  
**Trade and other receivables**

	2008 £ million	2007 £ million
Trade receivables	214.6	123.7
Less: provision for impairment of receivables	<u>(25.2)</u>	<u>(9.0)</u>
Trade receivables - net	<b>189.4</b>	114.7
Prepayments and accrued income	59.2	35.9
Other receivables	<u>24.1</u>	<u>14.8</u>
Total receivables	<b><u>272.7</u></b>	<b><u>165.4</u></b>

**Note 10**  
**Borrowings**

	2008 £ million	2007 £ million
<b>Non-current</b>		
Bank borrowings	211.6	212.2
<b>Current</b>		
Bank overdrafts	5.0	0.2
Bank borrowings	<u>162.7</u>	<u>-</u>
	<u>167.7</u>	<u>0.2</u>
<b>Total borrowings</b>	<b><u>379.3</u></b>	<b><u>212.4</u></b>
Short-term deposits	(0.5)	(0.7)
Cash at bank and in hand	<u>(14.8)</u>	<u>(9.1)</u>
<b>Net borrowings</b>	<b><u>364.0</u></b>	<b><u>202.6</u></b>

The bank overdrafts and borrowings are all unsecured.

**Note 11**  
**Trade and other payables**

	2008 £ million	2007 £ million
Trade payables	90.8	66.3
Other taxation and social security payable	2.8	3.6
Other payables	23.6	12.5
Accruals and deferred income	<u>135.7</u>	<u>90.2</u>
	<u>252.9</u>	<u>172.6</u>

**Note 12**  
**Provisions**

	Reorganisation And restructuring £ million	Statutory Employee Termination benefit £ million	Total £ million
At 1 January 2008	1.8	0.2	2.0
Utilised during year	<u>(1.8)</u>	<u>-</u>	<u>(1.8)</u>
<b>At 31 December 2008</b>	<b><u>-</u></b>	<b><u>0.2</u></b>	<b><u>0.2</u></b>
		<b>2008</b>	<b>2007</b>
		<b>£ million</b>	<b>£ million</b>
<b>Analysis of total provisions</b>			
Current		-	1.3
Non-current		<u>0.2</u>	<u>0.7</u>
Total provisions		<u>0.2</u>	<u>2.0</u>

**Note 12**  
**Provisions (continued)**

- (i) The provision for reorganisation and restructuring comprises the following:
- (a) Estimated costs of restructuring the Group's North American, European and International operations and the provisions are generally in respect of severance, property and related costs. The provision has been fully utilised during the year.
  - (b) Estimated costs related to the integration of the GE Energy Rentals business into the Group's global operations. These provisions are in respect of severance, property and other integration costs. The provision has been fully utilised during the year.
- (ii) The provision for statutory employee termination benefit relates to a statutory employee termination benefit scheme in France. The provision is expected to be utilised within 18 years.

**Note 13**  
**Deferred tax**

	<b>2008</b> <b>£ million</b>	2007 £ million
At 1 January	<b>(12.3)</b>	(8.6)
Charge to the income statement (Note 2)	<b>(7.3)</b>	(5.9)
Credit to equity	<b>6.9</b>	2.0
Exchange differences	<b>(7.1)</b>	<u>0.2</u>
At 31 December	<b><u>(19.8)</u></b>	<u>(12.3)</u>

**Note 14**  
**Share capital**

	<b>2008</b> <b>Number</b>	<b>2008</b> <b>£000</b>	2007 Number	2007 £000
<b>Authorised:</b>				
Ordinary shares of 20p each	<b><u>349,750,010</u></b>	<b><u>69,950</u></b>	<u>349,750,010</u>	<u>69,950</u>
	<b>Number of</b> <b>shares</b>	<b>£000</b>	Number of shares	£000
<b>Allotted, called up and fully paid:</b>				
Ordinary shares of 20p each				
At 1 January	<b><u>270,923,649</u></b>	<b><u>54,185</u></b>	<u>269,510,986</u>	<u>53,902</u>
Employee share option scheme	<b><u>1,192,945</u></b>	<b><u>239</u></b>	<u>1,412,663</u>	<u>283</u>
At 31 December	<b><u>272,116,594</u></b>	<b><u>54,424</u></b>	<u>270,923,649</u>	<u>54,185</u>

During the year 736,210 Ordinary shares of 20p each have been issued at prices ranging from £1.05 to £4.28 to satisfy the exercise of options under the Savings-Related Share Option Schemes ('Sharesave') and Executive Share Option Schemes by eligible employees. In addition 456,735 shares were allotted to US participants in the Long-term Incentive Plan by the allotment of new shares for nil consideration.

**Note 15**  
**Treasury Shares**

	2008 £ million	2007 £ million
Treasury Shares	<u>(20.5)</u>	<u>(10.5)</u>

Interests in own shares represents the cost of 3,825,034 of the Company's ordinary shares (nominal value 20 pence) (31 December 2007: 3,459,679). In May and June 2008 2,100,000 shares were acquired by the Trust on the open market. During the year 1,529,856 shares were allotted to participants in the Long Term Incentive Plan and 204,789 shares were allotted to participants in the Executive Share Option Schemes.

These shares represent 1.4% of issued share capital as at 31 December 2008 (2007:1.3%).

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 Arrangements. 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 2008 was £17.1 million (31 December 2007: £18.4 million).

**Note 16**  
**Statement of changes in equity**

As at 31 December 2008

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
<b>Balance at 1 January 2008</b>	54.2	8.8	(10.5)	0.1	(3.4)	(19.7)	263.8	293.3
Fair value losses on foreign currency cash flow hedge	-	-	-	-	(25.3)	-	-	(25.3)
Transfers from hedging reserve to property, plant and equipment	-	-	-	-	12.9	-	-	12.9
Fair value losses on interest rate swaps	-	-	-	-	(17.8)	-	-	(17.8)
Currency translation differences (i)	-	-	-	-	-	99.0	-	99.0
Current tax on items taken to or transferred from equity	-	-	-	-	-	0.6	3.1	3.7
Deferred tax on items taken to or transferred from equity	-	-	-	-	8.5	-	(1.6)	6.9
Actuarial losses on retirement benefits	-	-	-	-	-	-	(4.0)	(4.0)
Sale of own shares by Employee Benefit Trust	-	-	0.4	-	-	-	0.5	0.9
Purchase of treasury shares	-	-	(13.2)	-	-	-	-	(13.2)
Credit in respect of employee share awards	-	-	-	-	-	-	7.8	7.8
Issue of ordinary shares to employees under share option schemes	-	-	2.8	-	-	-	(2.8)	-
New share capital subscribed	0.2	1.4	-	-	-	-	-	1.6
Profit for the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>122.7</u>	<u>122.7</u>
Dividends paid during 2008	<u>0.2</u>	<u>1.4</u>	<u>(10.0)</u>	<u>-</u>	<u>(21.7)</u>	<u>99.6</u>	<u>125.7</u>	<u>195.2</u>
<b>Balance at 31 December 2008</b>	<u>54.4</u>	<u>10.2</u>	<u>(20.5)</u>	<u>0.1</u>	<u>(25.1)</u>	<u>79.9</u>	<u>365.8</u>	<u>464.8</u>

- (i) Included in currency translation differences of the Group are exchange losses of £79.0 million arising on borrowings denominated in foreign currencies designated as hedges of net investments overseas, offset by exchange gains of £178.0 million relating to the translation of overseas results and net assets.

**Note 16**  
**Statement of changes in equity (continued)**

As at 31 December 2007

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 2007	53.9	7.2	(9.1)	0.1	1.2	(25.7)	198.6	226.2
Fair value losses on foreign currency cash flow hedge	-	-	-	-	(1.5)	-	-	(1.5)
Transfers from hedging reserve to property, plant and equipment	-	-	-	-	(1.5)	-	-	(1.5)
Fair value losses on interest rate swaps	-	-	-	-	(3.4)	-	-	(3.4)
Currency translation differences (i)	-	-	-	-	-	5.6	-	5.6
Current tax on items taken to or transferred from equity	-	-	-	-	-	0.4	1.8	2.2
Deferred tax on items taken to or transferred from equity	-	-	-	-	1.8	-	0.2	2.0
Actuarial losses on retirement benefits	-	-	-	-	-	-	(0.1)	(0.1)
Purchase of treasury shares	-	-	(4.2)	-	-	-	-	(4.2)
Credit in respect of employee share awards	-	-	-	-	-	-	4.6	4.6
Issue of ordinary shares to employees under share option schemes	-	-	2.8	-	-	-	(2.8)	-
New share capital subscribed	0.3	1.6	-	-	-	-	-	1.9
Profit for the year	-	-	-	-	-	-	80.7	80.7
	<u>0.3</u>	<u>1.6</u>	<u>(1.4)</u>	<u>-</u>	<u>(4.6)</u>	<u>6.0</u>	<u>84.4</u>	<u>86.3</u>
Dividends paid during 2007	-	-	-	-	-	-	(19.2)	(19.2)
<b>Balance at 31 December 2007</b>	<u>54.2</u>	<u>8.8</u>	<u>(10.5)</u>	<u>0.1</u>	<u>(3.4)</u>	<u>(19.7)</u>	<u>263.8</u>	<u>293.3</u>

- (i) Included in currency translation differences of the Group are exchange losses of £0.4 million arising on borrowings denominated in foreign currencies designated as hedges of net investments overseas, offset by exchange gains of £6.0 million relating to the translation of overseas results and net assets.

**Note 17**  
**Acquisition of Power Plus Rentals & Sales Ltd**

On 19 August 2008 the Group announced the acquisition of substantially all the assets and business of Power Plus Rental & Sales Ltd and associated companies, for a maximum consideration, payable in cash of CN\$38.7 million, or £19.9 million at an exchange rate of £=CN\$1.95. The purchase consideration comprises a fixed element of CN\$31.0 million (£15.9 million) and further payments of up to a maximum of CN\$7.7 million (£4.0 million) dependent on financial performance over the next three years. Together, these companies had unaudited revenues of CN\$10.6 million (£5.4 million) and operating profit of CN\$5.1 million (£2.6 million) in the financial year ending July 2008. The Power Plus Rental & Sales Ltd business was fully integrated into the Aggreko business on acquisition, therefore it is not possible to separately disclose post acquisition revenue or profit/loss for this acquisition.

The acquisition method of accounting has been adopted and the goodwill arising on the purchase has been capitalised. The details of the transaction and fair value adjustments arising from the change in ownership are shown below.

	Initial book value £ million	Restatement to fair value £ million	Fair value £ million
Intangible fixed assets	-	5.4	5.4
Property, plant & equipment	5.2	(0.1)	5.1
Net assets acquired	<u>5.2</u>	<u>5.3</u>	<u>10.5</u>
Goodwill			<u>5.4</u>
Consideration			<u>15.9</u>

Goodwill represents the value of synergies arising from the integration of the acquired business and the acquiree's assembled workforce. Synergies include direct cost savings, improved utilisation of the acquired fleet assets and the reduction of overheads.

## **Note 18**

### **Events occurring after the balance sheet date**

On 1 January 2009 the Group completed the acquisition of the business and assets of the power rental business of Cummins India Ltd (CIL) for a total cash consideration of £4.2 million. The business acquired had revenue in 2008 of £2.9 million, operating profit of £0.8 million and net assets at 31 December 2008 of £1.4 million. The net assets acquired were fleet assets. Given the timing of the transaction the fair value exercise will be completed during 2009.

In November 2008 the Group announced the sale, subject to regulatory approval, of its European oil-free air businesses to Atlas Copco for a total consideration, payable in cash on completion of €14.6 million (£11.6 million at an exchange rate of £=€1.26). In 2008 the European oil-free air business earned revenue of €8.3 million (£6.6 million) and had net assets of €5.0 million (£4.0 million). The sale of the Continental European OFA business was completed in December 2008, and as a result a gain of €2.6 million (£2.1 million) was recognised in the Group income statement in 2008. The sale of the Northern European oil-free air business was completed on 1 March 2009, and a gain of €6.6 million (£5.2 million) will be recognised in the Group income statement in 2009.

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. The next maturity is not due until 2011.

### **Notes:**

1. The above figures represent an abridged version of the Group's full Accounts for the year ended 31 December 2008, upon which the auditors have given an unqualified report.
2. The Annual Report will be posted to all shareholders on 19 March 2009 and will be available on request from the Secretary, Aggreko plc, 8<sup>th</sup> Floor, 120 Bothwell Street, Glasgow, G2 7JS. The Annual General Meeting will be held in Glasgow on 29 April 2009. The Annual Report contains full details of the principal accounting policies adopted in the preparation of these financial statements.
3. A final dividend of 6.28 pence per share will be recommended to shareholders and, if approved, will be paid on 15 May 2009 to shareholders on the register at 17 April 2009.