

# Chairman's Statement >

## INTRODUCTION

During the first half of the year, the Group has maintained its strong financial performance. Overall Group sales growth was 7% and headline profit before tax growth was 13% at constant foreign exchange.

The International business grew at 11% with all regions showing growth. Asia Pacific has continued its strong performance from the second half of last year maintaining 16% sales growth. Europe grew at 9% and Allied, our North American business, performed particularly well compared to the market, achieving 12% revenue growth. The UK has continued to grow at 2%, reporting a third successive half year of growth.

The performance by Allied is all the more impressive since the business also managed its office and warehouse move during the half year. In October, the move and transfer of stock to the new warehouse was successfully completed.

Gross margin was stable during the half year at 50.1% with the previous year's selling price realignments in Europe largely completed and the product cost saving initiatives providing financial benefits.

The Group's operating cost leverage has improved by 1% point of revenue with both the International and UK businesses improving their cost leverage. The resulting Group contribution increased by £6.5m.

## STRATEGIC DEVELOPMENT

Good progress continues to be made implementing our strategic development plan.

The implementation of the EEM strategy has gained momentum with investment across Continental Europe of additional EEM sales resource and further expansion of the product range and marketing support.

The process control and automation (PCA) range within Maintenance Repair and Operations (MRO) has again performed particularly well. This has been supported by focused initiatives with strategic suppliers helping to extend the range of products on offer and supporting increased joint promotions.

A notable milestone event during the half year was the successful completion of the EBS roll-out across Europe. The business is now in a strong position to drive further benefits from this system across all the European businesses.

The Group has now actioned cost reduction initiatives to achieve £9.2m of annualised cost savings. Plans are in place to deliver the balance of the targeted £10m annualised savings by the end of the current financial year and drive for further reductions in the future.

## DIVIDEND

The Board announced in 2005 that it would maintain the dividend for the 3 years to 31 March 2008, assuming no substantial deterioration in economic conditions. Accordingly, the interim dividend will be maintained at 5.8p per share.

## BOARD

During the half year, Nick Temple retired after 10 years with the Group, latterly as Senior Non-Executive Director, and Rupert Soames joined the Board. Rupert is CEO of Aggreko plc and has significant and relevant international experience.

## CURRENT TRADING AND OUTLOOK

During October, Group revenue growth has been around 6% year on year. Our International business grew at around 9% and the UK at around 2%.

In the second half of the financial year, the Group will continue to focus on the implementation of our strategy. While we are watchful of the general macro economic conditions and those in North America in particular, the Board is confident that this financial year will be another of good progress.

Helmut Mamsch, Chairman  
9 November 2007