

23 April 2009

PRESS RELEASE

Lavendon Group plc ("the Company" or "the Group") **Interim Management Statement**

Lavendon Group plc, Europe's market leader in the rental of powered access equipment, will make the following Interim Management Statement at the Group's Annual General Meeting, to be held at 11.30am this morning: -

"The Group's revenues for the first quarter have increased by 8% compared with the same period last year. On a constant currency basis revenues have declined by 2%.

In the UK, revenues have increased by 2%, supported by the full year effect of the acquisition of The Platform Company in April 2008. As expected, we experienced a slower start to the year, but in recent trading it has become clear that the market environment has tightened considerably for many smaller customers in the construction segment, as well as for customers serving markets where demand for their services is discretionary in the short term. We expect however that our successful focus on providing excellent service to major national customers and projects will enable us to weather the current market conditions better than many of our competitors. We have, for example, been successful in securing a number of supply agreements with major contractors, and are part of a rental consortium which has been awarded one of two on-site operating licences for the Olympic Park build programme which is expected to have increasing equipment requirements from the Autumn of this year onwards. Additionally, we have recently completed the final phase of our operational integration programme in the UK, which will deliver around £8 million of annualised cost savings, with approximately £6 million of these accruing in 2009. There will be total exceptional costs of £9.5 million in 2009 associated with implementation of this programme, of which £3.5 million will be cash costs.

Our German business is showing a year-on-year revenue increase of 6% in sterling terms for the first quarter, although in local currency this is a decline of 8% over last year. First quarter activity levels have been affected by a harsher winter than in recent years, delaying construction activities in southern and eastern Germany in particular. At this stage, there is little evidence that the underlying level of demand is being impacted by the suspension of a significant number of projects due to the economic climate. Nonetheless we are taking prudent steps to prepare our cost base for a period of slower demand and, consequently, have initiated a programme to remove €2.5 million of cost from the business during 2009. This programme should be fully implemented by the half year, and will incur €2.0 million of exceptional costs, of which €1.0 million will be cash costs.

The market situation in Belgium and France is similar to that described in Germany, with local currency rental revenues declining by 14% against last year. Our response to market conditions will be based more upon driving utilisation levels through targeted commercial initiatives, as there is little scope for further cost reductions in these operations.

In Spain, local currency revenues have fallen by 41% as the Spanish market adjusts to a dramatic fall in demand from almost all sectors. We have taken actions to reduce the size of our business and focus on those market sectors that continue to show growth potential even in the current climate. Our business in Spain remains both profitable and cash generative.

Total revenues in the Middle East have grown by 49% in local currencies (93% on translation to sterling), with underlying rental revenues, as opposed to revenues from sale of equipment, also increasing by 49% in local currencies. The continued growth of rental revenues is delivering a strong improvement in overall operating margins and we continue to see opportunities for further growth in this region outside of the United Arab Emirates.

Due to the increasingly difficult market environment facing our European operations, we believe our trading performance is subject to increased risk, and, consequently, that our pre-tax profits for 2009 will be lower than management's previous expectations, although free cash generation should remain in line with our plans.

In response to these tougher market conditions, we have taken actions to reduce the Group's operating cost base, and have further reduced our capital expenditure plan for the year from £20 million to £8 million. In addition, we are taking opportunities to accelerate the disposal of excess fleet, and have generated £1.2 million in disposal proceeds in the first quarter of the year. We believe that these actions will mitigate the expected weaker trading performance and will continue to deliver a material reduction in net debt levels through the course of the year, in line with our previous expectations.

As a precautionary measure, in view of the uncertainty in our end-user markets, we have agreed revised banking covenants, which, although increasing the margin payable on our borrowings by 125 basis points, creates additional covenant headroom and provides further flexibility in these testing market conditions. This will enable the Group to focus effectively on the operational aspects of the business during this period, and also ensure it is well positioned to capitalise on its strong market positions once the economic conditions improve."

Lavendon Group plc

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