

# Business and financial review

AMEC is well positioned for growth and the delivery of an EPS\* greater than 100 pence in 2015\*\*

**Ian McHoul** Chief Financial Officer

## Introduction

This business and financial review sets out descriptions of each of the group's business segments, their markets, strategy and significant factors affecting performance for the year ended 31 December 2009, including comments on movements in the income statement, balance sheet and cash flow statement and on matters that may have an impact on the group's future financial performance. The review provides a broader perspective of AMEC's businesses to enable a more informed judgement to be made of the group's financial performance and prospects. Certain forward-looking statements with respect to the financial condition, operations and results of AMEC's businesses are contained in the review. These statements involve risk and uncertainty because they relate to events and depend upon circumstances that will occur in the future. There are a number of factors that could cause actual performance or developments to differ materially from those expressed or implied by these forward-looking statements. The review is provided solely to provide additional information to assist in the assessment of the group's strategy and future prospects. It should not be relied on for any other purpose.

## Vision and strategy

Since late 2006, AMEC's focus has been on improving margins and creating a stronger, more sustainable business. In December 2009, AMEC announced Vision 2015 which sets out the next phase of the group's development. There will now be an increased focus on assured growth, with further margin improvement and a move towards a more efficient capital structure. A new financial goal has been set, of more than doubling earnings per share\* to over 100 pence in 2015.

AMEC's vision has been refined as a part of the Vision 2015 exercise. AMEC aspires to be the leading supplier of high-value consultancy, engineering and project management services to the world's natural resources, nuclear, clean energy, water and environmental sectors. Services remain focused on consulting, designing, managing the delivery of, and maintaining strategic and complex assets such as offshore oil and gas production facilities, civil nuclear facilities or power infrastructure.

The group's core divisions are:

- Natural Resources:
  - Oil & Gas services
  - Oil Sands
  - Mining & Metals
- Power & Process:
  - Nuclear
  - Conventional Power
  - Transmission & Distribution
  - Renewables and Bioprocess
- Earth & Environmental:
  - Environmental Consulting
  - Government
  - Water and Transportation Infrastructure.

In December 2009 and as part of Vision 2015, the management of the Natural Resources and Power & Process divisions was brought together under the leadership of Neil Bruce, Executive Director.

Key areas of focus under Vision 2015 are growth with further margin improvement and a move towards a more efficient capital structure:

### Increased focus on growth with further margin improvement

- AMEC will continue to strengthen its people, tools and processes; enhance its capabilities, with increased focus in the subsea engineering, underground mining, renewables and water sectors; and further enhance its geographic footprint

\*Diluted earnings per share from continuing operations before intangible amortisation and goodwill impairment, pre-tax exceptional items and elements of deferred consideration on acquisitions in the Earth & Environmental division.

- Revenue growth to 2015 is expected to be above the eight per cent annual compound average achieved by AMEC historically
- Further margin improvement is expected to 2015, with the rate of increase being more gradual than that achieved over the period 2006-2009.

### Move towards a more efficient capital structure

- AMEC intends to increase levels of investment, with acquisitions seen as the most attractive use of cash
- A progressive approach to dividends will be pursued, with the group being satisfied with dividend cover around current levels
- Additional shareholder distributions are possible, but the group has no plans in this regard for 2010.

Investment opportunities have been identified which would grow and develop the core sectors, details of which are set out in the segmental review on pages 11 to 24. A number of acquisitions consistent with these opportunities have been made over the last 12 months, details of which are included in the financial review on page 26. At the same time, the group has continued to improve performance as a result of its own internal initiatives. The Operational Excellence programme produced net benefits for the first time in 2009 and the level is expected to increase significantly in 2010.

### Operational Excellence

Launched in September 2007, Operational Excellence is designed to enhance the group's operating performance significantly, by providing a framework for the implementation of best practice and continuous improvement. Actions associated with the programme were substantially complete at the end of 2009 and the improvements are now being delivered. For example, in engineering and project management, tools, processes and quality assurance systems have been standardised, so improving flexibility and increasing the quality of the output. Projects such as those with BP (Kodiak/Tubular Bells and Clair Ridge) have gained from these improvements. In Employee Development, the concentration has been on how AMEC attracts, retains and develops its employees. For example, over 1,350 senior employees have been through 'Managing for High Performance' and are applying the lessons

learnt in the workplace; and formal career paths have been implemented for AMEC's core disciplines. Late 2009 also saw the launch of AMEC Academy, designed to bring together all training and development opportunities and deliver them using a consistent, integrated and accessible global approach. Other areas of focus include identifying where AMEC should operate, in which markets, with which customers and on which projects; how to strengthen and manage relationships with customers and the supply chain; how to simplify and optimise internal controls and processes; and how to improve AMEC's health, safety and environmental record.

The success of this initiative has enabled AMEC to perform strongly through the downturn and position the group ahead of the anticipated global economic recovery. Investment in the initiative in 2009 was £10 million and annual benefits of £18 million were achieved (2008: investment £10 million and annual benefits £7 million). The year on year cumulative benefit was £11 million.

### Global energy markets

The sectors in which AMEC operates are forecast to grow over the long term, supported by global fundamentals. The International Energy Agency's 'World Energy Outlook 2009' forecasts a 40 per cent increase in primary energy demand between 2007 and 2030. Meeting this demand requires an investment of US\$1.1 trillion each year, in addition to any expenditure on limiting greenhouse gas emissions.

Regardless of individual market fluctuations, political events and the ever-changing global economy, population growth continues. The world's population is estimated to increase by 19 per cent by 2030 to almost eight billion and ExxonMobil estimate there will be 900 million more households. People need energy and as the population grows and urbanisation increases, the demand for energy and commodities increases.

The balance and mix of energy type may change both locally and globally but the pressure for more is an ever upward trend. ExxonMobil estimate that 40 per cent of primary energy will be used for electricity by 2030 and that all available technologies will be required to meet this growth.

AMEC has considerable experience and capability in all of the world's main energy sectors. The group is well placed to respond to the increasing demand for clean energy, and the need to improve the efficiency of mature assets and add flexibility across the whole sector.

### Outlook

2010 is expected to be another challenging year. Although the level of project awards is forecast to improve in 2010 and stimulus funding is expected to be released, the timing of both activities is likely to be back-end loaded. Consequently, the growth of AMEC's project pipeline is expected to accelerate as the year progresses. AMEC is well positioned: through the careful positioning of Natural Resources in early stage FEED contracts; the refocusing of the Power & Process division on a higher value, lower risk business model; the strength of customer relationships; the acknowledged expertise of our employees; the long-term growth fundamentals of the markets served; and the strength of the order book at £3.2 billion.

There is expected to be increasing pricing pressure from customers, although the impact will be mitigated by the ongoing positive effects of Operational Excellence and other internal efficiency drives. In 2010, the investment cost in Operational Excellence is expected to be £5 million, with an annual benefit of at least £40 million, up from the £18 million in 2009. The group is firmly on track to achieve its margin target of 8.5 per cent in 2010.

AMEC's balance sheet remains exceptionally strong, and further selective value-enhancing acquisitions are expected during 2010. The group will continue to build its position consistent with its Vision 2015 strategy of assured growth, through a strengthened geographic footprint and enhanced capabilities in key sectors.

### Basis of presentation and discontinued operations

The following analysis is based on the results for continuing operations before intangible amortisation, goodwill impairment and pre-tax exceptional items but including joint venture profit before tax. The results of the group and the Earth & Environmental division also exclude £3.7 million (2008 £2.1 million) of costs relating to elements of deferred consideration on acquisitions by the Earth & Environmental division which, in line with IFRS 3\*, are included within EBIT in the consolidated income statement.

In accordance with IFRS 5\*\*, the post-tax results of discontinued operations are disclosed separately in the consolidated income statement.

The cash flows of discontinued businesses are fully consolidated within AMEC up to the date of sale and the assets and liabilities of discontinued businesses that have not been sold at the year end are shown separately on the consolidated balance sheet.

### Segmental analysis

Segmental analysis is provided for the group's core activities in the Natural Resources, Power & Process and Earth & Environmental divisions, as well as for non-core Investments and other activities.

Amounts and percentage movements relating to continuing segmental earnings before net financing income, tax, goodwill impairment and intangible amortisation (EBITA) are stated before corporate costs of £38.1 million (2008: £37.4 million) and pre-tax exceptional income of £12.6 million (2008: £109.0 million).

The average numbers of employees for the years ended 31 December 2009 and 31 December 2008 stated in this review include agency staff. The average number of employees in the Power & Process division for 2008 has been restated to include all categories of employees in the Americas on a consistent basis.

\*International Financial Reporting Standard 3 'Business combinations'.

\*\*International Financial Reporting Standard 5 'Non-current assets held for sale and discontinued operations'.

# Natural Resources

“The strength of our customer relationships and the value we continue to deliver give us confidence for the long term.”

**Neil Bruce** Chief Operating Officer  
Natural Resources and Power & Process

## Description of business

**Principal activities:** Oil & Gas services, Oil Sands and Mining & Metals. Total life of asset services ranging from engineering design through to decommissioning. 65 per cent of 2009 revenues generated by asset development (capex) services, with the remainder in asset support (opex). Activities are concentrated mainly in the upstream sector (90 per cent of 2009 revenues), with the balance being in midstream and downstream.

**Principal locations:** AMEC has operations in mature markets and frontier regions, with major offices in Aberdeen, London, Great Yarmouth, Guildford, Darlington (UK); Uralsk (Kazakhstan); Baku (Azerbaijan); Calgary, Toronto, Saskatoon, Vancouver (Canada); Houston, Texas (US); Kuala Lumpur (Malaysia); Kuwait; Perth, Brisbane (Australia); Shanghai (China); Santiago (Chile); Belo Horizonte (Brazil); Lima (Peru); Singapore; Johannesburg (South Africa).

**Revenue split:** 27 per cent UK/Europe; 57 per cent Americas; 16 per cent Rest of World.

**Customers include:** Apache, BG, BP, Chevron, ConocoPhillips, ExxonMobil, Fairfield Energy, Imperial Oil, INPEX, KazMunayGas (KMG), Kuwait Oil Company, Maersk, Petrobras, PotashCorp, Shell, Syncrude, Teck, Vale, Woodside Energy and ZADCO.

### Significant new contracts in 2009 included:

ExxonMobil Kizomba Satellites detailed design and support; Imperial Oil Kearl oil sands project; INPEX Ichthys FEED; BP Unity operations and maintenance; deepwater engineering studies for Shell Malikai; continuation of BP global agreement, with AMEC selected to support BP's deepwater Tubular Bells and Kodiak discoveries in the Gulf of Mexico; two year contract extension for BG in North Sea; engineering

£ million	2009	2008	Change (%)	Underlying <sup>1</sup> (%)
Revenue	<b>1,300.9</b>	1,204.2	+8	-1
EBITA	<b>154.3</b>	129.3	+19	+9
EBITA margin (%)	<b>11.9</b>	10.7	+120bps	
Order book (£bn)	<b>1.71</b>	1.71	in line	
Average number of employees <sup>2</sup>	<b>9,577</b>	10,713	-11	

1 Growth measured against 2008 as restated for material acquisitions and movements in material currencies.

2 Full time equivalents, including agency staff.

and project management services contract for BP in United Arab Emirates; Sigma3 joint venture contract extension for Shell; offshore maintenance services for Woodside Energy.

## Business overview

The Natural Resources division, comprising the Oil & Gas services, Oil Sands and Mining & Metals businesses, provides services to an increasingly broad range of customers around the world. The business has strong, long-term relationships with customers and is today recognised as a world leader in the provision of engineering, project management and asset support services, with particular expertise in large and complex projects in growth regions and in extending the life of assets in the mid-late stages of their life cycle.

The business portfolio is well balanced by geography, by end market, and in terms of the nature of services provided. AMEC is differentiated in its ability to offer customers services and tools including training and development, and a sustainable approach to business in frontier regions. Through the Earth & Environmental division, AMEC is able to offer specialist environmental services at every stage of the project life cycle. In the initial stages, AMEC advises clients on how to minimise the environmental impacts of a development. For operating facilities, AMEC has developed software that monitors existing assets and identifies areas to reduce both energy and emissions. The majority of the division's engineering and project management staff have skills which are transferable between market sectors.

The business is focused on the provision of services to a balanced portfolio of customers. Contract types are varied, both by region and by nature of service, ranging from capex multiplier contracts with rewards to reimbursable opex contracts with performance

## Natural Resources continued

incentives. The revenue profile of the division spans short-term (less than 12 months) consultancy services, to long-term (five years or more) engineering asset support contracts. EBITA margins range from 8.8 per cent on average in 2009 (2008: 8.0 per cent) for opex services to 13.3 per cent on average for capex contracts (2008: 12.9 per cent).

During 2009, Natural Resources improved its competitive position through internal performance improvement and acquisitions meeting specific strategic imperatives in the areas of capability, geographic footprint and access to customers.

### Oil and Gas services

AMEC offers a wide range of capex and opex services to an increasingly broad range of customers, which includes International Oil Companies (IOCs), National Oil Companies (NOCs) and independent operators in Europe, Americas, Middle East and Africa, the Caspian, South East Asia and China. It does not operate in early cycle exploration or drilling, but is involved in every part of the project delivery phase.

	Services	Facilities
Capex	<ul style="list-style-type: none"> <li>■ Construction management</li> <li>■ Consultancy</li> <li>■ Design engineering</li> <li>■ Front-end engineering</li> <li>■ Hook up and commissioning</li> <li>■ Installation</li> </ul>	<ul style="list-style-type: none"> <li>■ Offshore fixed platforms</li> <li>■ Offshore floating production units</li> <li>■ Onshore booster stations, gathering centres, tank farms, gas-oil separation plants</li> <li>■ Pipelines</li> </ul>
Opex	<ul style="list-style-type: none"> <li>■ Brownfield engineering and project management</li> <li>■ Duty holder</li> <li>■ Facilities engineering</li> <li>■ Operations and maintenance support</li> <li>■ Production operations</li> </ul>	<ul style="list-style-type: none"> <li>■ Offshore platforms and infrastructure</li> <li>■ Onshore oil and gas fields</li> <li>■ Asset optimisation</li> <li>■ Decommissioning and cessation of production</li> </ul>

Oil and gas services contracts are cost reimbursable or cost plus and increasingly performance-based; no lump-sum fabrication is performed. Being services-based, capital employed reflects mainly current trading assets.

Revenues in 2009 were generated primarily from activities with IOCs, which accounted for the vast majority of revenues, though NOC activity continues to grow fast, with 2009 revenues up by 23 per cent.

Demand for AMEC's services is linked to the level of spending on new production facilities, and on operations, maintenance, extending the life and increasing production from existing infrastructure.

With centres of excellence in Aberdeen and London (UK), Calgary (Canada), Houston, Texas (US), and Kuala Lumpur (Malaysia), the division is supported by a growing network of engineering centres around the world. Recent strategic investment and joint ventures in Qatar, Australia, South Africa, and South America provide improved access to customers in those regions, whilst the acquisition of PI Group (see page 14) strengthened AMEC's asset optimisation consultancy services.

AMEC has global experience of delivering large and complex projects, with capabilities in deepwater and hostile conditions including Arctic environments and earthquake-prone regions. It has developed a strong position in frontier regions including the Caspian, South East Asia and West Africa. Front-end engineering contract wins over the last eighteen months have positioned AMEC well for future growth. Further details can be found in the Vision 2015 presentation on amec.com. In the opex arena, AMEC is a leading international asset support provider, servicing more than 200 facilities daily. It is the market leader in UK North Sea brownfield services and is developing its position as a provider of duty holder services to new entrant operators in the region.

## Markets

The oil and gas services market saw a turbulent 2009, though with signs of a recovery by the end of the year.

The International Energy Agency (IEA) forecast increased demand for oil of around 24 per cent by 2030, with most of the increase expected to be from OPEC members, mainly Middle East and Africa. In addition, continued capital and operating spend is required to maintain production in existing regions.

A Douglas Westwood report 'The World Offshore Oil & Gas Production & Spend Forecast 2009-2013', published in mid-2009, found the worldwide offshore expenditure (including both capex and opex) in 2009 had returned to 2007 levels, but forecast that the five year spend from 2009 to 2013 would rise to US\$1,350 billion, up from US\$950 billion in the previous five years.

There is a continued trend of resources being more difficult to extract, and AMEC's experience of Arctic, deepwater and complex projects gives the group a good position. At the same time, environmental pressures have increased and this is another area where AMEC can demonstrate a strong track record in helping its customers. The mature oil and gas sector has ageing infrastructure and increasingly depleting reserves which AMEC is well positioned to service, both in terms of asset support services, performance and efficiency improvements, and decommissioning and cessation of production.

Opex activity is set to grow in part because globally the number of complex facilities continues to increase. These facilities are at different, and ever increasing, stages of maturity and therefore require a growing amount of maintenance input.

The Westwood report indicates that between 2009 and 2013 operations spend will rise to US\$549 billion, from US\$379 billion invested in the period 2004 to 2008.

With leading market positions in mature markets and frontier regions, early life cycle visibility, a balanced portfolio of services and a diversified customer base, AMEC is well positioned to grow.

## Oil Sands

AMEC is the market leader in project management, engineering services and the provision of infrastructure to the upstream surface mining oil sands sector.

From helping to build the world's first oil sands plant in 1967 to the world's largest plant in 1978, AMEC's operations have matured along with the industry, with participation in most recent oil sands developments.

During 2009, AMEC has been combining the skills of employees across each of its three divisions to work on Phase 1 of the Kearl oil sands project in Canada, for Imperial Oil Limited. This project is also a good example of 'workshare', in which multiple offices combine to meet the needs of AMEC's customers. It is being run from AMEC's Calgary offices and has seen contributions from Vancouver, Toronto, Aberdeen and Houston.

Services in 2009 were provided on a reimbursable basis other than for some activities within the Oil Sands Infrastructure business which have fixed price elements.

## Markets

The oil sands market saw a turbulent 2009, though with signs of a recovery by the end of the year.

The Canadian Association of Petroleum Producers estimated in a January 2010 report that production from the oil sands will be approximately 1.8 million barrels per day by 2012, and 2.9 million barrels per day by 2020. This compares with 1.5 million barrels per day in 2009. Major investment being sanctioned includes Suncor on phases 3 and 4 of its Firebag development, and Imperial Oil proceeding to development of Kearl.

Two main extraction techniques are used in the oil sands: surface mining, which currently accounts for some 56 per cent of production, and in-situ, which is expected to increase its share of the market over the next 10 years. In-situ methods, used to extract deeper reserves, utilise steam injected into reservoirs to mobilise the oil.

## Natural Resources continued

AMEC is aware of the environmental concerns raised by activities in the oil sands. The full capability of the Earth & Environmental division (see page 23 for specific services) can be used to ensure that customers meet, and where possible, exceed local legislation, providing them with solutions to environmental challenges.

### Mining & Metals

AMEC offers mining consultancy (including ore resource estimation, mine planning and feasibility studies), design and project and construction management services to global mining customers producing commodities including potash, gold, diamonds, base metals, coal, iron ore and uranium. The business operates from strategic mining locations including Perth and Brisbane (Australia); Belo Horizonte (Brazil); Saskatoon, Toronto and Vancouver (Canada); Johannesburg (South Africa); Santiago (Chile) and Lima (Peru).

The business is a recognised leader in environments where projects have significant logistical challenges associated with remote location and difficult access. AMEC occupies a top-tier position in international consulting and a leading position in the North and South American Engineering, Procurement and Construction management (EPCm) markets, where it has provided services for many of the world's leading mining companies.

On 17 November 2009 AMEC acquired GRD Limited, an Australian listed company. GRD's main business is GRD Minproc, a world class engineering and project delivery business specialising in the design, procurement and construction of mineral projects, with primary operations in Australia, South Africa and South America.

The acquisition has added world class technical capabilities in a number of key commodities, including copper, gold, nickel, uranium and iron, which will further enhance the offering of AMEC's mining business. It also delivers critical mass in Australasia as well as enhancing AMEC's presence in Africa and South America.

### Markets

The mining sector as a whole has been impacted by the fall in commodity prices since 2008. However AMEC has mitigated potential impacts by strategically positioning itself to support a diverse range of commodities and service markets. For instance, AMEC's long standing and leading position in potash projects is proving beneficial as potash project developments have continued to be relatively strong. AMEC is also well placed in other markets such as uranium extraction – and should be in a good position to exploit the growing demand for uranium for use in nuclear energy. In addition, AMEC provides services to a number of gold-mining companies and this market has remained strong as gold prices have increased during the economic downturn.

### Strategy

For Natural Resources, Vision 2015 reinforced AMEC's long-term philosophy of being a customer-focused business. The strategy is to expand both geographical coverage and capabilities to support AMEC's customers. This will be achieved through both acquisition and organic growth.

The acquisition of GRD, and the opportunity it provided to combine the mining expertise and global coverage of AMEC and Minproc, is one good example of this long-term strategy in action.

Other examples of how AMEC strengthened its competitive position in 2009 through acquisitions, joint ventures and partnerships in order to better serve its customers included:

- AMEC Black Cat joint venture with Black Cat Engineering in Qatar
- Improved asset optimisation and efficiency through the acquisition of Performance Improvements (PI) Group (UK).

Further, on 29 January 2010, AMEC announced the acquisition of Currie & Brown (Australia) Pty Ltd, strengthening the provision of independent business consultancy services worldwide.

AMEC continues to see acquisition opportunities in Natural Resources' end markets and aims to make further selective acquisitions in order to further improve its competitive position.

Further details on Vision 2015 can be found on page 8 and at [amec.com/vision2015](http://amec.com/vision2015).

## Financial performance

The Natural Resources division achieved another year of good results despite the reduction in industry capital spend in 2009.

Overall revenue improved 8 per cent to £1,300.9 million as a result of acquisitions and currency movements. Good organic growth was seen in the Oil Sands business, driven by the impact of the Kearl project, which is progressing well. In Oil & Gas services, opex activities declined slightly following the completion of two UK projects in early 2009. New capex contracts in the early phases of development in the second half of 2009 are expected to ramp up later in 2010 and beyond.

Improvements in EBITA (£154.3 million, up 19 per cent), and a record EBITA margin (11.9 per cent, up 120 basis points), were driven by:

- A shift in the business mix. Capex activities increased to 65 per cent of total divisional revenues, and opex activities represented 35 per cent (2008: capex 55 per cent; opex 45 per cent). Margins in capex and opex improved to 13.3 per cent and 8.8 per cent respectively (2008: capex 12.9 per cent; opex 8.0 per cent)
- Favourable impact of currency movements and acquisitions
- The benefits of increased efficiency generated through Operational Excellence.

The average number of employees in Natural Resources declined 11 per cent, reflecting a greater proportion of higher margin, less labour intensive front-end work, and improved operational efficiency.

Recent contract wins reflect Natural Resources deliberate strategic positioning in a challenging market. As customer capital expenditure came under pressure and project sanctions declined, AMEC concentrated on winning the front-end concept and design phase of major deepwater capex projects. Not only do these projects fit well with AMEC's core competencies, but they also place AMEC in a strong position to win the follow-up (EPCm) work in 2010 and beyond.

The division continues to strengthen its relationship with existing customers (ExxonMobil, Shell, BP, BG, PotashCorp, KOC, Syncrude, Fairfield Energy) as well as build new ones, such as with INPEX.

Overall, the order book was maintained at its previous high levels. It can be analysed as follows:

- Capex 55 per cent; opex 45 per cent (2008: capex 43 per cent; opex 57 per cent)
- UK/Europe 34 per cent; Americas 32 per cent; Rest of World 34 per cent (2008: UK/Europe 35 per cent; Americas 29 per cent; Rest of World 36 per cent).

It is expected that markets will remain challenging in 2010. Customers are increasingly putting pressure on pricing though this will be mitigated by the ongoing positive effects of Operational Excellence. The careful strategic positioning of Natural Resources in early stage contracts, and the long-term growth fundamentals of the markets served, continue to underpin longer-term growth.

Major agreements or contracts during 2009 are shown on page 11.

Further details on these, and other contract awards, may be found at [amec.com/media](http://amec.com/media).

# Power & Process

Our vision is to become the innovative partner delivering full life cycle services for clean energy.”

**Neil Bruce** Chief Operating Officer  
Natural Resources and Power & Process

## Description of business

**Principal activities:** Nuclear, Conventional Power, Transmission & Distribution, Renewables, Bioprocess. Total life of asset services provided to customers in the power and process markets, principally in Europe and the Americas. 34 per cent of 2009 revenues generated by capex services with the rest in opex.

**Principal locations:** AMEC has operations in mature markets and frontier regions, with major offices in Atlanta, GA, Greenville, SC (US); Darlington, Knutsford (UK); Santiago (Chile); Toronto and Vancouver (Canada).

**Revenue split:** 57 per cent UK/Europe; 43 per cent Americas.

**Customers include:** ARAUCO, AWE, BP/Verenium, Bruce Power, CMPC, EDF Energy, Enbridge, Imperial Oil, Milford Energy, National Grid, NDA (Nuclear Decommissioning Authority), Ontario Power Generation, Range Fuels, RWE, SABIC, Scottish Power, Sellafield, Southern Company, Total, Wales and West Utilities.

**Significant new contracts in 2009 included:** EDF Energy contract for West Burton gas-fired power station; first solar power project with Renewable Ventures; Laja plant modernisation project and Santa Fe plant capacity increase for CMPC; National Grid Offshore contract to provide technical due diligence support in their bid to become an offshore transmission operating licence owner; project management of a prototype biofuels plant for Range Fuels; energy efficiency project for Packaging Corporation America in Valdosta, Georgia, US.

£ million	2009	2008	Change (%)	Underlying <sup>1</sup> (%)
Revenue	<b>788.1</b>	1,021.8	-23	-26
EBITA	<b>55.4</b>	58.3	-5	-9
EBITA margin <sup>2</sup> (%)	<b>7.0</b>	5.8	+120bps	
Order book (£bn)	<b>1.17</b>	1.28	-9	
Average number of employees <sup>3</sup>	<b>7,061</b>	7,922	-11	

1 Growth measured against 2008 as restated for material acquisitions and movements in material currencies.

2 2008: excluding restructuring costs of £0.6 million.

3 Full time equivalents, including agency staff.

## Business overview

The Power & Process division provides a balanced portfolio of consulting, EPC (Engineering, Procurement, Construction) and asset support services across the life cycle of projects and investments to a broad range of public, private and utility customers principally located in the UK, Europe and Americas, with strong emphasis on energy and process assets and infrastructure.

The business portfolio is diverse due to the broad range of services provided and the sector coverage. The business mix has continued to migrate towards projects which provide an attractive balance of risk and return. This shift is reflected in the improvement in the EBITA margin to 7.0 per cent in 2009 (2008: 5.8 per cent) despite challenging market conditions.

Vision 2015 has established a clear strategic focus on clean energy and carbon efficiency, with the intent to grow existing markets and selectively pursue growth into new markets and geographies.

AMEC will continue its gradual reduction in activities in the Industrial sector. By 2015, it is expected that such activities will no longer be undertaken.

## Nuclear

AMEC's nuclear capability has been developed over 50 years: AMEC is experienced in supporting the full life cycle of nuclear energy, with expertise covering a large range of nuclear technologies. Customers include major utilities, governments, national regulators and other significant stakeholders.

Key market segments served by AMEC are:

- New build
- Reactor support (including life time extension)
- Nuclear decommissioning and waste management.

AMEC provides services across the full asset life cycle, including programme management, major project management, engineering, outage management, safety design and assessment, research and development, radiochemical analysis, radiological, environmental and other specialist technical services. Its principal offices are in Knutsford (UK) and Toronto (Canada) with locations in Eastern Europe and South Africa.

AMEC's nuclear business remains 'technology independent' and its experience ranges across all four generations of nuclear technology.

AMEC also supports developments in fusion technology and is involved in some of the most significant decommissioning and waste management projects.

The business works with the customers in relationships based on partnering to support their major assets, and has significant experience in effectively managing complex stakeholder relationships across the industry, governments, regulators, supply chain and communities.

Principal activities include:

- Providing pre-licensing and architect and owner engineer services ensuring support for project construction management on new build programmes worldwide

- Supporting major reactor re-start programmes such as Bruce Power in Ontario, Canada
- Providing key technical and project management services to support the continued operation, enhancement and life time extension of existing reactor fleets
- Managing UK decommissioning programmes, holding a key position within Nuclear Management Partners (NMP) for the management of the Sellafield complex on behalf of the NDA. In its first year of operation, NMP has exceeded original expectations in the reduction of high hazards at the Sellafield complex
- Providing project management, engineering and safety assurance services to nuclear decommissioning programmes across Europe
- Providing licensing and regulatory support for the complete asset life cycle from engineering, through commissioning and operation to decommissioning
- Active in defence-related nuclear activities – research and naval reactor plant programmes and the UK's strategic deterrent programme.

## Markets

The nuclear industry is experiencing a worldwide renaissance which is driven by:

- Increasing worldwide energy demand
- Need for reduced greenhouse gas emissions and environmentally clean technology to replace an aged asset base and help minimise climate change
- Security of supply concerns, as it is less subject to economic or political uncertainty
- Good performance and safety record of reactor designs in operation.

Forecasts for global nuclear capacity by 2030 range from 473GW (gigawatts) to 748GW. This represents an increase of 27 per cent and 101 per cent respectively from the 2008 capacity of 372GW.

## Power & Process continued

The longevity of the nuclear market is a key attribute and AMEC is positioning itself to be a major player in its current and target regions. In the UK, the Government has announced its intention to replace the current UK fleet of nuclear power stations with a new build programme of initially four reactors. Over the next 15 years, AMEC will be actively supporting EDF in the UK to build new nuclear power plants, the first of which is expected to start construction in 2012 and be operational by 2017. With its roles at Sellafield and Dounreay, Power & Process is a major player in UK decommissioning, a sector valued at £73 billion (UK Nuclear Decommissioning figures).

In Ontario\*, there are plans to refurbish four existing reactors so extending their life by 30 years. On the same Darlington site, an environmental assessment is underway for up to four new build reactors. Other key geographies for AMEC include Central and Eastern Europe and South Africa.

### Conventional Power

This sector comprises generation of electricity from conventional sources other than nuclear, and also air quality control systems (AQCS) for emissions control work.

The majority of services are performed for regulated utilities and independent power producers, primarily in Europe and the Americas. Customers value AMEC's experience with their assets and the ability to provide innovative solutions. The services provided include consultancy and feasibility studies, engineering, EPCm and construction.

### Markets

The sector exhibits long-term sustainable demand and is less subject to major cyclical swings. It is driven by:

- increasing worldwide energy demand and electrification programmes
- ageing, inefficient and life expired assets
- need for emissions control technologies to help minimise climate change
- security of supply and fuel mix.

Conventional thermal generation (gas, coal, oil) in the period to 2030 will still represent over 50 per cent\*\* of the total investments, equating to some US\$12 billion worldwide. Approximately 20 per cent of this is expected to be in North America, with a further eight per cent from Europe. One half of the planned investment will be in the BRIC (Brazil, Russia, India, China) countries, closely followed by Europe and North America. Planned thermal capacity additions in the UK to 2012 are 15GW.

### Transmission & Distribution (T&D)

This sector covers power transmission and distribution for medium, high, and extra high voltage transmission lines and cables, substations and interconnectors. It also includes gas transmission and distribution, encompassing AMEC's activities in high pressure gas import terminals, storage and transmission, and low pressure gas distribution.

AMEC provides consulting and feasibility studies through to detailed engineering, project management, programme management, construction, EPCm and commissioning services.

Major customers include T&D system owners such as National Grid in the UK and US, EDF, Wales and West Utilities, operating in both regulated and non-regulated environments.

Current and recent activities in T&D include:

- The Electricity Alliance West for National Grid in the UK – a five year, £500 million programme to upgrade the overhead power lines and underground cables across the Western half of England and all of Wales
- The North East Power Alliance for National Grid in the US – a five year programme to support the delivery of National Grid's long-term US transmission US\$1.7 billion capital investment programme in New York and New England

\*Source: Ontario Power Authority.

\*\*Source: IEA World Energy Outlook 2009.

- The M1 Gas Alliance for National Grid in the UK – an eight year services contract to upgrade the gas network along the M1 corridor between Sheffield and Leicester
- The South Wales Expansion Project – design and delivery of new gas compression station in South Wales and upgrade of two stations in central England.

AMEC has strong expertise in designing and managing large power grid uncertainties in close partnership with its key customers.

### Markets

The sector is characterised by medium-term, sustainable growth which will also be less subject to major cyclical swings.

- Increasing global power demand creates the requirement for increased interconnection
- Shifts in supply and demand points, with the transition to low carbon generation and renewable energy in remote locations, drive system configuration changes
- T&D networks in AMEC current and future territories require major asset renewal to replace life-expired assets following many years of underinvestment.

Based on external data sources, AMEC believes that over 80 per cent of projected investment occurs in 27 countries, principally in those regions subject to power congestion combined with high demand growth. The UK is forecast to grow at over 20 per cent to 2015, the North Eastern United States at over 30 per cent (source: National Grid) and South Africa at over 31 per cent (source: Eskom).

Gas investment will continue to grow in the short term, driven primarily by the issues of security of supply and the need to increase storage capacity in Europe and North America.

## Renewables and Bioprocess

### Renewables

AMEC recognises the vast potential in renewables, coupled with continued uncertainties surrounding market growth timescales, technology selection and industry structure. AMEC's renewables experience is focused around power generation using new low carbon, sustainable technologies resources, including wind, biomass, alternative biofuels and marine. AMEC is working increasingly in collaboration with power utilities, financial institutions, government agencies, technology developers, OEMs (original Equipment Manufacturers) and specialist consultants in this field.

AMEC is providing consultancy support to technology development for Carbon Capture and Storage (CCS) and marine energy in the UK, while repositioning in wind as a provider of engineering, development support and delivery services. In wind AMEC completed environmental assessments for Centrica's proposed Race Bank and Docking Shoal offshore wind farms in the UK.

In Canada, the business holds a strong position in wind EPC and construction services. In the US, AMEC is developing a position in solar having recently secured a contract for EPC services for a new plant at Colorado State University.

### Bioprocess

The Bioprocess sector includes AMEC's activities in biofuels, pulp and paper, refining and petrochemicals. It covers established businesses and emerging biomass technologies to create energy, including biofuels and wood pellet production. AMEC has considerable expertise and experience in wood handling, storage and conveyance, boiler technologies and co-firing of biomass in industrial boilers within the conventional power sector which is readily transferable to biomass.

Biofuels are driven by clean fuels legislation. AMEC is a leader in the development of cellulosic ethanol, and has contributed to high-profile demonstration plants. Services include economic feasibility studies, detailed engineering, project management and construction management services.

## Power & Process continued

The pulp and paper sector covers grades of printing and writing paper, tissue, boxboard, container board, and other speciality products. AMEC is a market leader in the Americas as a full-service provider.

In downstream process, AMEC provides services from the UK including: turnarounds and maintenance, selective consultancy, engineering, project management and construction for petrochemical assets. Customers include major oil and gas companies such as SABIC, BP and Shell.

### Markets

The renewables sector is driven by the requirement to meet national and international emissions control and pollution control legislation, and incentive mechanisms including short-term stimulus packages and improving technology.

According to International Energy Agency (IEA)\* predictions, wind will provide 12 per cent of global electricity generating capacity by 2050. To achieve this, 47 GW will need to be added on average each year, a 75 per cent increase on 2008 capacity. The same report suggests that 21 per cent of the investment will be in Europe, 14 per cent in North America.

For solar technologies, the IEA predicts that photovoltaic could account for 11 per cent of global power generation by 2050, which would require a six-fold increase in annual industrial production by 2020. Concentrated solar power is also expected to grow and could be even more significant than photovoltaic. Marine also has significant potential though currently most of the technological innovation is at an early stage of development.

CCS is potentially a very large segment with the possibility of significant global investment. However it has yet to be deployed in a major way beyond demonstration projects.

Under the IEA reference scenario, overall renewables are projected to increase from 18 per cent of the global generation mix in 2007 to 20 per cent in 2015 and 22 per cent in 2030.

New Energy Finance predicts global biomass compound annual growth in capacity to 2030 of 5.5 per cent, meaning the installed capacity will reach almost 200GW. More than half of this is expected to be in Europe and the Americas.

The markets for both biodiesel and bioethanol are expected to grow between 2009 and 2018 by a compound annual rate of five per cent and six per cent respectively (Source: RNCOS 2008).

In AMEC's opinion, the market outlook for pulp and paper in South America remains reasonably firm, influenced by the pricing cycle of the commodity pulp business and mill expansions. The North American market is being driven by government incentives to create green power cogeneration and related mill improvements.

The UK downstream market outlook remains challenging and weak over the short term, with projects deferred and cancelled in response to the global financial crisis.

### Industrial

The Industrial sector includes a number of activities in sectors such as cement and pharmaceuticals which do not form a part of AMEC's vision for 2015. Revenues dropped by 74 per cent in 2009 and further reductions are expected going forward.

### Strategy

As part of AMEC's Vision 2015, the Power & Process division established a clear strategy to focus on clean energy and carbon efficiency as a sustainable platform for future growth post economic recovery.

The division will increase its range of services in Europe and the Americas through organic growth and niche acquisitions, and grow internationally in selected geographies as a leading supplier of high-value consultancy, engineering, project management and construction services for the nuclear, conventional power, transmission & distribution, renewables and bioprocess sectors.

\*Source: IEA World Energy Outlook 2009.

In 2009 Power & Process strengthened its global competitive position through the following partnerships:

- The creation of AMEC Partners Korea, a joint venture with KEPCO, KOGAS and KDB, whereby AMEC will leverage its strong engineering, safety and project/programme management capability to expand into new territories
- In India AMEC has formed a strategic partnership with leading player Hindustan Construction Co. Ltd.

The group will maintain a balanced portfolio of services focusing on both EBIT growth through higher value services and volume growth from project delivery services. A technology neutral position will be maintained with the group positioned as expert partner of choice, aligned with technology providers as required to access clients, sector and market opportunities.

Further details on Vision 2015 can be found at [amec.com/vision2015](http://amec.com/vision2015).

## Financial performance 2009

Results continue to reflect management's efforts to refocus the business model and core services to be higher value-add, lower execution risk.

Revenue for the period was down 23 per cent, to £788.1 million in 2009 (2008: £1,021.8 million). Over 40 per cent of this decline reflected the completion of four 'older contracts'. These are contracts that do not meet the new criteria of low-risk services with high-value add. Further volume decline also came from weaknesses in process end markets in the UK and Americas, and project delays in the Conventional Power sectors.

EBITA declined 5 per cent, to £55.4 million (2008: £58.3 million), as improvements in operational efficiency, and a £15 million contribution from the major Sellafield joint venture contract were offset by lower levels of activity and a net loss of £10 million on the older contracts. Control of any remaining liability on these contracts is a key management focus. Overall EBITA margin improved by 120bps, to 7.0 per cent.

The average number of employees in Power & Process declined by 11 per cent reflecting the managing down of the cost base in accordance with lower levels of activity during the period.

The order book at 31 December was £1.17 billion (31 December 2008: £1.28 billion), down on the previous year due to project deferrals by customers and the strategic refocusing exercise. The order book can be analysed as follows:

- Capex 39 per cent; opex 61 per cent (2008: capex 37 per cent; opex 63 per cent)
- UK/Europe 50 per cent; Americas 50 per cent (2008: UK/Europe 54 per cent; Americas 46 per cent).

The Sellafield contract, as an equity accounted joint venture, is not included in the Power & Process order book.

Markets are expected to remain challenging in 2010. The Sellafield contract is now well established and the division's focus on its core sectors, which are supported by long-term market fundamentals and strong customer relationships, position AMEC well for growth in the longer term. Pricing pressure will be mitigated by the ongoing positive effects of Operational Excellence. Incremental margin improvements are anticipated as the older contracts move towards completion and the strategic refocusing exercise continues.

Major agreements or contracts during 2009 are shown on page 16.

Further details on these, and other contract awards, may be found at [amec.com/media](http://amec.com/media).

# Earth & Environmental

“ Growth and client development, both spurred on by Operational Excellence, expanded our reach in select sectors and delivered bottom line results. ”

**Roger Jinks** President  
Earth & Environmental

## Description of business

**Principal activities:** Specialist environmental, geotechnical, programme management, engineering and consultancy services to a broad range of customers in the public and private sectors. This business operates from a regional network and is typically characterised by a large number of small value contracts.

**Locations:** Around 150 offices, mainly across North America but also Europe, the Middle East and South America.

**Revenue split:** 96 per cent Americas, 4 per cent Rest of World.

**Customers include:** Alberta Transportation, Arizona Department of Transportation, Aventis Crop Science, Bank of America, Canadian Department of National Defence, CSXT, Enbridge, ExxonMobil, FEMA, GE, Imperial Oil, National Grid, Newmont Mining Corporation, State of Alabama, Suncor, Syncrude, Teck, US Air Force, US Army, US Navy.

**Significant contracts include:** US Navy: global, multiple award construction contract, and modernisation projects for fuel facilities; Imperial Oil: environmental and geotechnical engineering work on the Kearl oil sands cross-divisional collaborative project, Canada; Guyana Goldfields, Aurora Gold, Guyana: studies and designs for water and waste management, geotechnical and other engineering; Department of National Defence, Goose Bay, Canada: prime consultant for site assessment and remediation; US Air Force Center for Engineering and the Environment: multiple projects at bases globally; Fairfax County, Virginia, US: stormwater consulting services; US Air Force Civil Engineer Support Agency: design and construction of a solar array at Buckley Air Force Base, Colorado, US; City of Wichita, Kansas, US: detailed analysis and certification of almost 100 miles of levees protecting the city.

£ million	2009	2008	Change (%)	Underlying <sup>1</sup> (%)
Revenue	<b>470.8</b>	400.2	+18	-3
EBITA	<b>36.5</b>	33.5	+9	-8
EBITA margin (%)	<b>7.8</b>	8.4	-60bps	
Average number of employees <sup>2</sup>	<b>4,337</b>	3,933	+10	

1 Growth measured against 2008 as restated for material acquisitions and movements in material currencies.

2 Full time equivalents, including agency staff.

## Business overview

The Earth & Environmental division is a leading international environmental and engineering consulting organisation with full service capabilities covering a wide range of disciplines, including environmental engineering and science, geotechnical engineering, water resources, materials testing and engineering, engineering and surveying, and programme management.

Unlike AMEC's other divisions, Earth & Environmental provides services from a branch network of around 150 offices, mainly in North America, but with an increasing presence in the growth markets of Europe and South America. With the vast majority of its activities falling outside the scope of engineering and project management services provided by the Natural Resources and Power & Process divisions, Earth & Environmental enables AMEC to provide a broader range of services across the asset life cycle than many competitor companies. This "halo" effect can lead to AMEC becoming involved in major projects at the time of the environmental impact assessment, before they even get off the ground.

Services are provided for a broad spread of public and private sector customers across the life cycle of their operations. Work is also performed for customers common to the Natural Resources and Power & Process divisions.

The environmental services industry is large and fragmented, providing opportunities for growth through bolt-on acquisitions. In recent years, Earth & Environmental has added to its geographic footprint and capabilities through acquisitions, mainly in North America and Europe, and intends to make further investments in the future.

The Earth & Environmental business portfolio is well balanced both by end market, and in terms of the nature of services provided, with the vast majority of the division's employees being transferable between market sectors. The business is characterised by a very high number of small value contracts – in 2009 the division was awarded over 15,000 contracts with an average size of US\$40,000.

During 2009, Earth & Environmental improved its competitive position through internal performance improvement and acquisitions in selected end markets and regions. The Operational Excellence programme is expected to be a major contributor to further enhancements in performance of the division in 2010.

## Services

Earth & Environmental operates a 'seller-doer' business model employing specialist consultants.

The following are examples of services provided by Earth & Environmental:

- Archaeology
- Architecture
- Climate change consulting
- Ecological studies
- Engineering design
- Environmental site characterisation
- Environmental impact studies and permitting
- Geotechnical design and analysis
- Infrastructure design
- Materials engineering, construction monitoring and testing
- Oceanography and meteorology
- Programme management
- Remediation planning and execution
- Socio-economic studies
- Tailings/waste dump design and construction monitoring
- Waste management
- Water and air quality
- Water management, development and protection.

Earth & Environmental has many small contracts with some fixed price commitments in respect of certain federal activities and other consulting projects.

During 2009, Earth & Environmental continued to improve its geographical footprint and services capability through specific acquisitions, further details of which are given on page 24.

## Markets

Earth & Environmental operates in a large and highly fragmented market. In 2009, the North American environmental consulting and engineering market segment was valued in excess of US\$50 billion (source: AMEC). Whilst AMEC's overall market share is small, due to the nature of the market, the business has strong positions in certain end market sectors, notably natural resources, water and defence. AMEC also maintains strong local market share in a number of the communities in which it operates, and also with select nationally operating commercial customers.

Earth & Environmental works for resource, government and commercial customers in North America, providing services from environmental impact assessments at the earliest stages of the project life cycle right through to advising on clean up following decommissioning. Other major market segments include waste, auditing and permitting, remediation, and industrial services.

In addition, a broad range of services are provided to the US Federal Government, which is the largest procurer of environmental services in the world. Here, customers include the US Air Force, US Army and US Navy, where services are as diverse as remediation programmes, to fixed price design and delivery of airfield facilities at bases in the US and around the world.

The European market for environmental services is smaller than in North America, and is also fragmented. Underlying long-term growth drivers are stronger than the more mature market in North America, being driven by increasing regulatory pressures.

Earth & Environmental provides consulting services in other regions of the world outside North America and Europe, primarily meeting the global needs of existing internationally operating customers.

Market drivers for this division include growth in environmental legislation; increasing corporate social responsibility; increasing use of brownfield sites and increasing exploration of environmentally sensitive regions by natural resources companies.

### Strategy

During 2009, Earth & Environmental strengthened its competitive position through selective acquisitions. Each of the acquisitions added to the branch network of offices, and in addition, improved the division's capabilities as follows:

- Philips Engineering Ltd. (Ontario, Canada): Infrastructure and design engineering
- Arcas Consulting Archeologists Limited (British Columbia, Canada): archaeological consulting
- Journeaux, Bédard and Assoc. Inc. (Quebec, Canada): geotechnical, mining and environmental consulting.

AMEC continues to see acquisition opportunities in the environmental services markets in North America and Europe, and aims to make further selective acquisitions in order to further improve its competitive position by way of increased capability and/or geographic footprint.

In particular, AMEC is seeking to expand its services offering and capabilities in the water sector.

Further details on Vision 2015 can be found at [amec.com/vision2015](http://amec.com/vision2015).

### Financial performance

Revenue increased by 18 per cent to £470.8 million in 2009 (2008: £400.2 million), as a small decline in the underlying revenue was more than offset by acquisitions and favourable currency movements. The overall softening of the market was not offset, as had been expected, by US and Canadian government stimulus spending. Although the division saw growth in the Municipal/Water, Mining, and Federal sectors, it was offset by weakness in the Industrial/Commercial end markets.

EBITA increased 9 per cent in 2009 to £36.5 million (2008: £33.5 million), with acquisitions and currency movements offsetting a reduction in underlying EBITA. Overall EBITA margin declined 60 bps to 7.8 per cent (2008: 8.4 per cent) driven by lower utilisation rates. Operational gearing is higher in this business because of the 'seller-doer' business model. Hence, as the economy weakened and projects were delayed, utilisation rates were impacted, despite ongoing action to reduce the cost base.

The average number of employees in Earth & Environmental for the period increased by 10 per cent compared to the previous year, with the increase reflecting the 2009 acquisitions, as well as the full year effect of the Geomatrix acquisition (June 2008).

2010 will remain a challenging year. However, the Industrial/Commercial markets are showing signs of recovery and US and Canadian stimulus spending is expected to increase in 2010 through to early 2011. The growth fundamentals of Earth & Environmental's core sectors continue to support longer-term growth.

Major agreements or contracts during 2009 are shown on page 22.

Further details on these, and other contract awards, may be found at [amec.com/media](http://amec.com/media).

# Investments and other activities

£ million	2009	2008	Change (%)
Revenue	<b>13.7</b>	20.0	-31
EBITA	<b>0.2</b>	1.2	-83

## Description of business

This division principally comprises the Incheon Bridge PPP project in Korea, which was completed on schedule and within budget and was opened to traffic in October 2009.

## Financial performance

Revenues in this division declined by 31 per cent to £13.7 million (2008: £20.0 million) reflecting the exit from non-core activities.

EBITA reduced to £0.2 million (2008: £1.2 million) reflecting the disposal of the plant hire business in 2008.

# Financial review

## Changes arising from corporate activity

### Acquisitions

AMEC continues to make selective acquisitions consistent with its strategy of improving capabilities and geographic footprint, and will continue to exercise financial discipline in targeting future acquisitions. All acquisitions made to date are targeted to achieve post-tax returns ahead of deal-specific cost of capital in the first or second full year post acquisition.

During 2009 AMEC announced five acquisitions in the Natural Resources and Earth & Environmental divisions with an aggregate cash consideration of £113 million. £108 million was paid during 2009 (net of cash acquired) with the balance payable in future years. In addition, £10 million was paid in respect of deferred consideration on prior year acquisitions.

On 29 January 2010, AMEC announced the acquisition of Currie & Brown (Australia) Pty Ltd.

### Natural Resources

- In January 2009, the acquisition was announced of the UK-based asset optimisation consultancy services company Performance Improvements Group Limited for an aggregate cash consideration of up to £18 million, of which £13 million was paid on completion with the balance being subject to performance
- In November 2009, the acquisition of GRD Limited (GRD) an Australian engineering and development company, received approval from the Federal Court of Australia by way of a scheme of arrangement following the shareholder approval obtained earlier that month. The aggregate cash consideration of £88 million was paid in December 2009.

GRD Minproc, a wholly owned subsidiary of GRD is a leading global engineering and project delivery business providing high-value services and specialising in the design, procurement and construction of mineral resource and waste-to-resources projects

- In January 2010, the acquisition of Currie & Brown (Australia) Pty Ltd was announced. Currie & Brown is a leading cost and commercial management consultancy.

### Earth & Environmental

Earth & Environmental acquired three businesses in Canada during 2009 with a total consideration of up to £7 million:

- In March 2009, Philips Engineering Limited (Philips) was acquired. Philips specialises in civil engineering consultancy services relating to transportation, water resources and municipal infrastructure
- In June 2009, Journeaux, Bédard and Assoc. Inc. a geotechnical, mining and environmental engineering consultancy business was acquired
- Also in June 2009, the acquisition of Arcas Consulting Archeologists Limited (Arcas) was announced. Arcas is an archaeological consultancy company.

### Divestments

The disposal of two small, non-core businesses were completed during the year.

### Basis of preparation of the accounts

The 2009 annual report and accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the EU (adopted IFRS) as at 31 December 2009.

The directors have identified the policies for accounting for long-term contracts, retirement benefits and provisions for litigation matters and liabilities related to the sale of businesses, as the most critical because they involve high levels of judgement and estimation.

### Long-term contracts

A significant amount of the group's activities is undertaken via long-term contracts. These contracts are accounted for in accordance with IAS 11 'Construction contracts' which require estimates to be made for contract costs and revenues.

Management base their judgements of contract costs and revenues on the latest available information, which includes detailed contract valuations. In many cases the results reflect the expected outcome of long-term contractual obligations which span more than one reporting period.

Contract costs and revenues are affected by a variety of uncertainties that depend on the outcome of future events and often need to be revised as events unfold and uncertainties are resolved. The estimates of contract costs and revenues are updated regularly and significant changes are highlighted through established internal review procedures. In particular, the internal reviews focus on the timing and recognition of incentive payments and the age and recoverability of any unagreed income from variations to the contract scope or claims. The impact of the changes in these accounting estimates is then reflected in the ongoing results.

### Retirement benefits

Defined benefit pension schemes are accounted for in accordance with the advice of independent qualified actuaries but significant judgements are required in relation to the assumptions for future salary and pension increases, discount rate, inflation, investment returns and member life expectancy that underpin their valuations. For AMEC, these assumptions are important given the relative size of the schemes that remain open.

### Provisions for litigation matters and liabilities related to the sale of businesses

When accounting for provisions for litigation and other items, the group has taken internal and external advice in considering known legal claims and actions made by or against the group. It carefully assesses the likelihood of success of a claim or action. Appropriate provisions are made for legal claims or actions against the group on the basis of likely outcome, but no provisions are made for those which, in the view of management, are unlikely to succeed.

### Key performance indicators

The board and executive management monitor a range of financial and non-financial performance indicators, reported periodically, to measure the group's performance over time. Of these, the key performance indicators (KPIs) are shown in the table opposite.

- Safety KPIs show how successful AMEC has been in protecting its employees and subcontractors from harm
- Operational KPIs indicate the volume of work for which orders have been received and the profitability of activity undertaken
- Balance sheet indicators focus on the financial efficiency and balance sheet strength of the business.

	Note	2010 target	2009	2008
<b>Safety (continuing operations)</b>				
Number of fatalities at work		0	<b>0</b>	0
Lost time incident frequency rate (per 200,000 exposure hours)		0.035	<b>0.04</b>	0.07
Total recordable case frequency rate (per 200,000 exposure hours)		0.40	<b>0.44</b>	0.65
<b>Operational</b>				
Adjusted group margin*	1	2010: 8.5%	<b>8.2%</b>	7.1%
Order intake as a percentage of revenue				
Natural Resources	2	>100%	<b>100%</b>	142%
Power & Process	3	>100%	<b>86%</b>	92%
<b>Balance sheet</b>				
Profit to cash conversion**	4	90%	<b>124%</b>	61%
Days sales in stock/wip and receivables	5	c. 70	<b>66</b>	81

1 Adjusted group margin is discussed in more detail under 'Results' on page 28.

2 Order intake as a percentage of revenue for the Natural Resources division reflects the continued strength of the order book.

3 Order intake as a percentage of revenue for the Power & Process division reflects the winding down of older contracts following the change in management focus for this division and the weakness in the UK industrial markets.

4 The strong growth in profit to cash conversion reflects the ongoing good cash management and the winding down of the older contracts within Power & Process. The 2010 target is appropriate for the mix of businesses now in the portfolio.

5 The improvement in day sales in stock/wip and receivables reflects ongoing good cash management and the integration of 2008 acquisitions into AMEC's processes.

\*2009 excludes £3.7 million associated with Earth & Environmental acquisitions (2008: £2.1 million). See page 3 for more details.  
 \*\*Operating cash flow for continuing operations excluding exceptional items, discontinued operations, legacy settlements and pension payments in excess of amounts recognised in the income statement, as a percentage of adjusted EBITA.

### Results

Overall revenue for the year decreased by 3 per cent to £2,539.1 million (2008: £2,606.4 million). The underlying revenue declined by 12 per cent, primarily due to general market weakness and the strategic refocusing of the Power & Process division, although Natural Resources and Earth & Environmental also saw a modest decline in underlying revenues. Favourable currency movements added 7 per cent (+£182.5 million) and acquisitions 2 per cent (+£67.1 million).

EBITA increased 13 per cent to £208.3 million (2008: £184.9 million), primarily due to a strong performance from Natural Resources. Acquisitions (+£4.0 million) and currency movements (+£17.3 million) also had a positive effect, with the overall impact on EBITA margins being a 110 basis points increase to 8.2 per cent (2008: 7.1 per cent). Margin improvement was particularly strong in Natural Resources and Power & Process, though Earth & Environmental saw margins decline.

Adjusted profit before tax of £215.6 million in 2009 was ahead of 2008 (£210.3 million), and reflected the EBITA margin improvements offset by lower interest rates. There were intangible amortisation and goodwill impairments of £15.7 million (2008: £9.2 million), joint venture tax of £5.3 million (2008: £1.4 million), and £3.7 million relating to elements of deferred consideration on acquisitions in the Earth & Environmental division (2008: 2.1 million), which, combined with the pre-tax exceptional income of £12.6 million (2008: £109.0 million, including the gain on sale of the UK Wind Developments business), resulted in a profit before tax from continuing operations of £203.5 million (2008: £306.6 million). The tax charge for the year was £46.8 million (2008: £96.9 million), and this, combined with a post-tax profit of £15.9 million (2008: a loss of £10.7 million) from discontinued operations, resulted in a total profit for the year of £172.6 million (2008: £199.0 million).

The Board is recommending a final dividend of 11.6 pence per share (2008: 10.1 pence), which together with the interim dividend of 6.1 pence per share (2008: 5.3 pence) results in a total dividend of 17.7 pence per share (2008: 15.4 pence), an increase of 15 per cent. The Board intends to maintain a progressive dividend policy, which reflects their confidence in the Group's future performance.

### Geographical analysis

Some 70 per cent of 2009 revenues (2008: 61 per cent) were generated outside the UK, with the group's largest overseas market being Canada, driven by Mining & Metals and Oil Sands.

### Administrative expenses

Administrative expenses increased by £31.9 million to £189.5 million (2008: £157.6 million) largely as a result of currency movements, acquisitions and a lower level of net financing income from the pension schemes.

### Net financing income

In 2009, the average interest rate received was approximately one per cent compared to four per cent in 2008. Consequently, the net financing income for the year fell by £18.1 million to £7.3 million (2008: £25.4 million).

### Taxation

#### Continuing operations

The group's effective tax rate in 2009 for the continuing businesses (including tax attributable to joint venture interests) before exceptional items and excluding intangible amortisation and goodwill impairment, was 27.5 per cent (2008: 30.8 per cent). The reduction principally reflects the agreement of historical items with various tax authorities and more active management of tax affairs.

The tax rate in 2010 is expected to reduce further.

A tax credit of £1.5 million (2008: charge of £37.2 million) relates to total exceptional income of £12.6 million (2008: £109.0 million).

### Deferred tax

At 31 December 2009, the group had deferred tax assets of £68.4 million (2008: net liabilities of £6.4 million) arising primarily from short-term timing differences relating to provisions, property, plant and equipment and tax losses, offset by liabilities in respect of intangible assets. The deferred tax balance as at 31 December 2008 has been amended to include the deferred tax on the pension scheme surplus previously disclosed separately. This is discussed in more detail in note 1 to the accounts on page 64.

### Financial position and net cash

The group remains in an exceptionally strong financial position, with net cash as at 31 December 2009 of £742.7 million (2008: £764.5 million).

Cash generated from operations of £242.3 million (2008: £69.0 million) reflected ongoing good cash management. After adjusting for exceptional items and discontinued operations, legacy settlements and pension payments in excess of amounts recognised in the income statement, operating cash flow was £257 million (2008: £112 million).

### Intangible amortisation and impairment of goodwill

Intangible amortisation relates to capitalised software and intangible assets acquired as part of the group's acquisitions. The 2009 charge of £14.4 million is £5.2 million higher than 2008 with the increase due to the acquisitions in the year and a full year impact of acquisitions made during 2008.

In line with IAS 36 'Impairment of assets', annual impairment reviews have been performed on the goodwill carried on the balance sheet. These reviews results in an impairment charge of £1.3 million in respect of the acquisition of Bower Damberger Rolseth Engineering Limited. Further details are given in note 12 to the accounts.

### Exceptional items

#### Divestments

Two small businesses were divested during the year. In addition, there were various adjustments to existing provisions in respect of prior year disposals, resulting in an aggregate post-tax exceptional gain of £3.5 million. Further details are included in note 24 to the accounts.

#### Legacy issues

In its 2006 accounts, AMEC noted six major contingent liabilities. During 2007 and 2008, AMEC made good progress in settling the major issues on these contracts. An update on the remaining contractual issues is as follows:

- Settlement was reached in early 2009 on the major issues on the Courthouses (US) dispute, within the provisions previously made
- As previously indicated, the World Trade Center (US), where US\$1 billion of insurance for all claims has been funded by Federal money, remains a contingent liability.

No new significant contingent liabilities were added in 2009.

Provisions currently held for future costs of litigation total £53.8 million (2008: £65.3 million).

Details of material legal actions are set out in note 27 to the accounts on pages 103 and 104. The balance sheet includes no debtors or work in progress related to these contracts.

## Balance sheet highlights

Key movements in the balance sheet are discussed below:

### Property, plant and equipment

The reduction in the net book value of fixed assets as at 31 December 2009 to £44.1 million (2008: £50.6 million) principally reflects depreciation provided during the year of £13.9 million, which was £4.6 million ahead of acquisitions of £9.3 million.

### Intangible assets

The net book value of intangible assets as at 31 December 2009 is £454.4 million (2008 £388.1 million), including goodwill £401.8 million, software £6.9 million and other intangibles £45.7 million.

The increase in goodwill relates to the acquisitions in the year, primarily GRD which generated goodwill of £52.7 million. Other intangible assets include the value of customer relationships, brand names/trademarks, non-compete agreements and order backlogs of acquired businesses. Other intangible assets of £19.8 million arose on acquisitions during the year, including £11.0 million in respect of GRD, this was offset by amortisation of £13.1 million. There were additions of £5.6 million to software offset by amortisation of £1.3 million.

### Working capital

Days' sales in inventory/wip and receivables are as follows:

	2009 Days	2008 Days
Group	66	81

The reduction in days' sales in inventory/wip and receivables reflects excellent cash management during the year and the integration of prior year acquisitions.

### Derivative financial instruments

As at 31 December 2009, there were derivative financial instruments with a net liability of £29.7 million (2008: £45.5 million) on the balance sheet. This net liability represents the fair value of foreign exchange contracts used to hedge the cash flows of foreign currency contracts and cross currency instruments used to hedge the net investment in overseas subsidiaries.

### Distributable reserves

As at 31 December 2009, distributable reserves of AMEC plc stood at £729.9 million (2008: £761.1 million), a reduction of £31.2 million. Distributable reserves as at 31 December 2008 have been restated (previously reported as £743.8 million) to reflect the change in recognition of the interim dividend following amendments to FRS 21 'Events after the balance sheet date' during the year. This is explained in more detail in note 1 to the accounts. The reduction in reserves mainly reflects dividends paid during the year.

	£ million
As at 1 January 2009 (restated)	761
Dividends approved during 2009	(50)
Dividends received from subsidiaries	33
Other movements	(14)
<b>As at 31 December 2009</b>	<b>730</b>

A dividend of £19.3 million received from a subsidiary company in a prior period is not considered to be distributable.

### Pensions

The IAS19 surplus of the principal UK pension schemes at the end of 2009 of £26.8 million was lower than in 2008 (£165.7 million) reflecting principally the decline in discount rates over the year and an increase in the assumed inflation rate, which were partly offset by investment returns achieved over the year.

The regular triennial valuations of the UK schemes, which took place during 2008, have now been finalised.

For the main UK pension plans, revised mortality assumptions, which incorporate an allowance for additional longevity improvements in future, were adopted for IAS 19 purposes in 2008. The revised assumptions were chosen with regard to the latest available tables, adjusted where appropriate to reflect the experience of the schemes' membership. The tables adopted are part of the PA00 series of tables, taking into account each member's year of birth adjusted by an age rating of +1 year, and allowing for 'medium cohort' with an underpin of one per cent per annum improvements in longevity. For a male/female aged 65 in 2009, these tables show a life expectancy of 21.3/23.6 years. For a male/female aged 45 in 2009, the tables show a life expectancy from age 65 of 23.2/25.5 years.

In association with the Trustees of the Schemes, AMEC will continue to monitor scheme mortality experience and will revise assumptions as appropriate.

Contributions of £17.8 million were paid to the company's defined benefit schemes during the year (2008: £26.3 million). This included special contributions agreed with the Trustees of £5.1 million (2008: £8.4 million). The principal financial assumptions are set out in note 14 of the accounts, on page 84.

### Provisions

Provisions held at 31 December 2009 were £180.4 million (31 December 2008: £204.3 million). During 2009, £22.6 million of the brought forward provisions were utilised. As part of the ongoing review of the potential liabilities, £23.4 million of provisions were released as they were no longer required but an additional £20.8 million of provisions were created. Provisions are analysed as follows:

As at 31 December 2009	£ million
Litigation provisions	<b>53.8</b>
Indemnities granted to buyers and retained obligations on disposed businesses	<b>74.9</b>
Insurance and other	<b>51.7</b>
<b>Total</b>	<b>180.4</b>

## Business threats and opportunities

AMEC plc is a focused supplier of high-value consultancy, engineering and project management services to customers in the natural resources, nuclear, clean energy, water and environmental sectors.

The maintenance of high standards of safety and service remain important in securing repeat business from customers.

AMEC operates in around 40 countries globally, serving a broad range of markets and customers. As such, the group is subject to certain general and industry-specific risks. Where practicable, the group seeks to mitigate exposure to all forms of risk through effective risk management and risk transfer practices.

Specific risks faced by AMEC are as set out below.

### Geopolitical and economic conditions

AMEC operates predominately in the UK and North America and is therefore particularly affected by political and economic conditions in those markets. The group is not, however, dependent on any one area of economic activity.

Changes in general economic conditions may influence customers' decisions on capital investment and/or asset maintenance, which could lead to volatility in the development of AMEC's order intake. The risk associated with economic conditions resulting in a downturn and affecting the demand for AMEC's services has been addressed, as far as practicable, by seeking to maintain a balanced business portfolio.

In light of the current global economic downturn, steps have been taken in order to assess and monitor any potential impact on AMEC's project opportunities and address potential increased supply chain risk.

In addition a sustained and significant reduction in oil and gas or commodity prices could have an adverse impact on the level of customer spending in AMEC's markets. As stated above, the potential impact on project opportunities is being monitored.

### Environmental and social risk

AMEC has continued to monitor and review environmental and social risks both to AMEC's businesses and those that may be created by their operations. AMEC's operations are subject to numerous local, national and international environmental regulations and human rights conventions. AMEC has taken steps to ensure that climate change related risks are appropriately highlighted in the corporate risk management process.

Breaches of, or changes in environmental or social standards, laws or regulations could expose AMEC to claims for financial compensation and adverse regulatory consequences, as well as damaging corporate reputation.

AMEC takes a pragmatic, integrated approach to managing environmental and social risks utilising existing business management systems to identify and mitigate such risks. For example employment processes protect the human rights of the workforce, and the Health, Safety and Environment (HSE) Management system defines a standard for environmental management.

AMEC tracks over 40 environmental and social KPIs, including environmental regulatory performance and community investment. Further details are available in the annual sustainability report (available online at [amec.com/aboutus/sustainabledevelopment](https://www.amec.com/aboutus/sustainabledevelopment)).

### Health and Safety

AMEC is involved in activities which have the potential to cause injury to personnel or damage to property. In order to control risk and prevent harm AMEC is focused on achieving the highest standards of health and safety management. This is achieved through the setting of an effective health and safety policy and ensuring effective leadership and organisational arrangements are in place to deliver this policy. AMEC is committed to continuous improvement and performance is regularly reviewed against agreed targets with the objective of facilitating continuous improvement and there are robust programmes in place to facilitate lateral learning.

### Security of employees

The personal security and the safety of employees and contractors can be compromised due to their either being based, or travelling extensively on business, in potentially hazardous locations. AMEC regards the safety and security of its personnel as being of paramount importance, and this risk is mitigated by keeping security in relevant locations under continual review and utilising local specialist security companies where appropriate. Contingency arrangements are also in place to respond to any adverse security incidents affecting AMEC's operations across the globe.

### Business continuity

Given the broad spread and scope of its operations, AMEC's risk from natural catastrophe and terrorist action is varied, and considerable disruption could be caused to AMEC's operations as a result of the associated business interruption. It is intended that these risks are mitigated through business continuity planning, which is being implemented progressively throughout the group and is being verified through testing and an ongoing audit process. In addition, the risk of increased cost of working in relation to UK and North America properties as a result of business disruption is transferred via insurance.

### Credit

AMEC is exposed to credit risk particularly in relation to customers. The credit risk associated with customers is considered as part of the tender review process and is addressed initially via contract payment terms, and, where appropriate, payment security. Credit control practices are applied thereafter during the project execution phase.

### Customer concentration

AMEC serves a broad range of markets and customers and undertakes a wide variety of different projects. Examples are shown on pages 11, 16 and 22. Further details can be found on the AMEC website, [amec.com](https://www.amec.com). AMEC is not reliant on any particular contract.

AMEC's largest customer is ExxonMobil, which in 2009 accounted for around 15 per cent of continuing revenues. Were dependence on key customers to increase significantly, this could have direct consequences on AMEC's financial development.

### Bidding risk

AMEC addresses the risk associated with bidding via a stringent tender review process which addresses the threats and opportunities associated with each tender submitted. The implementation of a web-based workflow tender approval process across AMEC has resulted in improved visibility of the threats and opportunities associated with tender submission as well as providing a consistent approach to the management of tendering risk.

### Project execution risk

One of AMEC's significant risks is the risk of losses arising during the execution phase of projects. Various measures are in place in order to address the project execution risk, including the risk management process, project reviews, internal audit of projects, and the implementation of peer reviews. Project execution risk has also been a key focus of the Operational Excellence programme particularly from a project management perspective.

### Litigation

AMEC is subject to litigation from time to time in the ordinary course of business and makes provision for the expected costs based on appropriate professional advice.

The outcome of legal action is at times uncertain and there is a risk that it may prove more costly and time consuming than expected. There is a risk that additional litigation could be instigated in the future which could have a material impact on AMEC, although full risk management controls remain in place to deal with such matters.

### Pensions

AMEC operates a number of defined benefit pension schemes, where careful judgement is required in determining the assumptions for future salary and pension increases, discount rate, inflation, investment returns and member longevity. There is a risk of underestimating this liability and the pension schemes falling into deficit. This risk is mitigated by:

- Maintaining a relatively strong funding position over time
- Taking advice from independent qualified actuaries and other professional advisers
- Agreeing appropriate investment policies with the Trustees
- Close monitoring of changes in the funding position, with reparatory action agreed with the Trustees in the event that a sustained deficit emerges.

### Treasury risks

The group's treasury department manages funding, liquidity and risks arising from movements in interest and foreign currency rates within a framework of policies and guidelines approved by the board. The treasury department does not operate as a profit centre and the undertaking of speculative transactions is not permitted.

### Funding and liquidity risk

The group will finance operations and growth from its significant existing cash resources. The group's policy aims to ensure the constant availability of an appropriate amount of funding to meet both current and future forecast requirements consistent with the group's budget and strategic plans. The group had committed facilities of £315 million available as at 31 December 2008, of which £122 million lapsed on 27 February 2009 and £193 million on 9 July 2009.

Given the group's significant cash resources the decision was made during 2008 not to renew the facilities. This decision has been kept under review during 2009. However, appropriate facilities will be maintained to meet ongoing requirements for performance related bonding and letters of credit.

### Counterparty risk management

The group holds significant net cash balances following the disposal of a number of businesses during 2006, 2007 and 2008.

Cash deposits and financial transactions give rise to credit risk in the event that counterparties fail to perform under the contract. AMEC manages these risks by ensuring that surplus funds are placed with counterparties up to a pre-approved limit. These limits are set at prudent levels by the board and are based primarily on credit ratings set by Moody's, Standard & Poors and Fitch. Credit ratings are monitored continuously by the group treasury department.

The group treasury department monitors counterparty exposure on a global basis to avoid an over-concentration of exposure to any one counterparty.

### Interest rate risk

The group remained in a net cash position throughout the year. Long-term interest rate hedging (for periods beyond three to six months) is not considered appropriate as the surplus cash position is viewed as temporary. The fall in interest rates significantly impacted the level of interest income earned for 2009.

In 2009, the effective interest rate on the average cash balance of £690 million was one per cent (2008: four per cent).

### Foreign exchange risk

The group publishes its consolidated accounts in Sterling. It conducts business in a range of foreign currencies, including Canadian and US dollars and currencies linked to the US dollar. As a result, the group is exposed to foreign exchange risks, which will affect transaction costs and the translation of the results and value of underlying assets of its foreign subsidiaries.

### Transaction exposures

A significant proportion of the group's trading income is denominated in the local currency of the business operations which provides a natural hedge against the currency of its cost base. Where commercial contracts are undertaken which are denominated in foreign currencies, the group seeks to mitigate the foreign exchange risk, when the cash flow giving rise to such exposure becomes certain or highly probable, through the use of forward currency arrangements, which may include the purchase of currency options.

Contract costs and revenues are affected by a variety of uncertainties that depend on the outcome of future events. This can give rise to exposures if cash flows are denominated in foreign currency. Hedging decisions are based on the latest available forecasts at the time the decision is taken, which are regularly monitored and updated. There are currently no material transaction exposures which have been identified and remain unhedged. AMEC recognises that, having taken out forward contracts in respect of underlying commercial transactions, an exposure would arise if the forward contracts had to be unwound as a consequence of the anticipated cash flows under such contracts being cancelled or otherwise not being received. The total gross nominal value of all outstanding forward contracts at 31 December 2009 is £132 million (2008: £214 million). At 31 December 2009 the mark-to-market value of contracts that were out of the money gave rise to a liability of £5.5 million (2008: liability of £14.8 million) and of these contracts that were in the money was an asset of £1.8 million (2008: asset of £9.6 million). AMEC has no reason to believe that any material outstanding forward contract will not be able to be settled from the underlying commercial transactions.

### Translation exposures

A portion of the group's earnings is generated in non-Sterling currencies. Such overseas profits are translated into Sterling at the average exchange rate prevailing throughout the year. There is currently no hedging in place for profits generated in non-Sterling currencies but the impact on group profits is monitored on an ongoing basis.

In addition, the group has various assets denominated in foreign currencies, principally US dollars and Canadian dollars. A proportion of these assets, including unamortised goodwill, have been hedged by using cross-currency instruments. At 31 December 2009, these net investment hedges amounted to £196 million (2008: £199 million) covering approximately 40 per cent of overseas assets (2008: 50 per cent). The policy was changed in 2009 to cease translation hedging for core assets of the business. The existing hedging contracts will not be replaced as they mature.

### Information technology (IT)

AMEC is exposed to the risk that the IT systems upon which it relies fail. AMEC has appropriate controls in place in order to mitigate the risk of systems failure, including systems back-up procedures and disaster recovery plans, and also has appropriate virus protection and network security controls.

### Legacy risk

One of AMEC's risks remains the risk of a liability arising in connection with divested businesses. In order to address this risk, a legacy team has been established. This team deals with the defence of claims, or potential claims, against AMEC and monthly meetings are held in order to review the status of all legacy matters. AMEC has made provisions for the legacy issues which are believed to be adequate and AMEC is not aware of any current issues relating to disposed businesses which are likely to have a material impact.

### Acquisitions

AMEC is exposed to risk in connection with its acquisition activities and manages this risk through its corporate transactions committee process.

In addition to addressing due diligence issues, the corporate transactions committee process requires that acquisition plans (including integration plans) are put in place for each acquisition. Plans are also established for the implementation of post acquisition reviews in order to ensure the effective integration of the acquired entity.