Thursday 13 December 2007

AMEC PLC PRE-CLOSE TRADING UPDATE

- Energy, power and process end markets continue to be strong
- Strong performance across all divisions
- 2007 pre-tax profit* towards the upper end of market expectations**
- Aggregate post-tax gain on divestments in 2007 not less than £220 million
- Positive progress on legacy issues continuing; further net exceptional provision release of at least £5 million expected in second half 2007
- Expected net cash as at 31 December 2007 c.£650 million
- Operational Excellence launched; new divisional margin targets announced; group targets continue to be six per cent in 2008 and eight per cent in 2010

** Profit for continuing operations before intangible amortisation and pre-tax exceptional profits.*
*** Range between £111-122 million.*

Chief Executive Samir Brikho said:

"AMEC continues to make strong progress, with trading performance being ahead of expectations both as a result of end market strength and our own strategic initiatives.

"Each of our divisions is expected to make progress next year, and I am confident that AMEC will deliver the six per cent margin targeted in 2008.

"In the longer term, our end markets are expected to remain buoyant for the foreseeable future, particularly in natural resources. Our Operational Excellence programme will also be a major contributor to AMEC delivering its margin target of eight per cent by 2010."

AMEC expects to announce preliminary results for the year ending 31 December 2007, on Wednesday 12 March 2008.

Forward looking statements

Any forward looking statements made in this document represent management's best judgement as to what may occur in the future. However, the group's actual results for the current and future fiscal periods and corporate developments will depend on a number of economic, competitive and other factors, some of which will be outside the control of the group. Such factors could cause the group's actual results for future periods to differ materially from those expressed in any forward looking statements made in this document.

Conference call and presentation

A telephone conference call for analysts and investors will be held at 8.30am today.

A presentation on Operational Excellence will be held at 4.00pm today for the financial community. A live webcast of the event and presentation slides will be available on www.amec.com.

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TRADING UPDATE

End markets in the energy, power and process industry sectors remain strong.

Trading in each of the group's continuing businesses has continued to be strong since the announcement of AMEC's interim results. The board expects 2007 pre-tax profit for continuing operations, before intangible amortisation and pre-tax exceptional profits, to be towards the upper end of market expectations[#].

Range between £111-122 million.

Outlook 2008

End markets are expected to continue to be strong. Incremental net cost savings of at least £33 million from the STEP Change programme support the board's confidence that AMEC will achieve its six per cent EBITA margin* target in 2008.

* Profit for continuing operations before net financing costs/income, exceptional items, intangible amortisation and joint venture tax, but including joint venture profit before tax, as a percentage of revenues.

Segmental performance

Natural Resources

Natural Resources has seen strong growth in each of its principal areas of activity in oil and gas services, oil sands (including infrastructure), and minerals and metals mining. EBITA margin for 2007 is expected to comfortably exceed the 2008 target range of 7-8 per cent originally set in December 2006.

The Natural Resources order book at the end October 2007 was £1.1 billion, (30 June 2007 £1.1 billion).

Given the strength of margin performance in Natural Resources in 2007 and the outlook for 2008, a revised target range of 9-10 per cent has been set for 2008.

Power and Process

This division has also seen strong growth during 2007, reflecting ramp-up of major contracts in the UK and higher levels of activity in North America. As a result of the continued strength in trading, the business has increased its minimum gross margin on all new contracts to nine per cent from eight per cent. Despite increased selectivity throughout the year, the order book in Power and Process at the end October 2007 was unchanged on the position at 30 June 2007, standing at £1.3 billion.

AMEC remains committed to the development of its wind energy portfolio, where it is seeking consents for projects with an overall capacity of over 1,000Mw, despite planning approval for the small Clashindarroch wind development having been declined in September 2007.

Power and Process EBITA margin in 2006 before costs of the Wind Energy business was 2.9 per cent. The margin in 2007, before Wind Energy and one-off costs of STEP Change, is expected to improve by c. 40 per cent. The board is confident that performance in 2008 will be comfortably within the revised range of 5-6 per cent (original target range for 2008 5-7 per cent).

Earth and Environmental

Good growth in profit has continued despite weakness of the US dollar. EBITA margin in 2007 is expected to be within the 6-8 per cent range originally targeted for 2008. As a result, the margin target range for Earth and Environmental in 2008 is increased to 8-9 per cent.

Investments and other activities

Performance for 2007 will be close to break-even as the range of activities in this division is reduced.

Corporate costs

Corporate costs for 2007, including increased charges in relation to share based payments of £6 million and £6 million one-off costs of STEP Change, are expected to be c.£35 million.

Operational Excellence programme

AMEC is proceeding with “Operational Excellence”, a 2-3 year programme designed to radically improve operating performance. Operational Excellence will be a major contributor to AMEC delivering its target EBITA margin of eight per cent by 2010 and will provide the basis for continuous improvement thereafter.

Target margins for 2008 and 2010 for each of the core divisions are summarised below. Group margin targets of six per cent in 2008 and eight per cent in 2010 are unchanged.

	EBITA margin* target range	
	2008 (revised)	2010
Natural Resources	9 – 10%	10 – 11%
Power and Process	5 - 6%	6 - 7%
Earth and Environmental	8 - 9%	9 - 10%
Group margin target	**6%***	**8%***

* Profit for continuing operations before corporate and net financing costs/income, exceptional items, intangible amortisation and joint venture tax, but including joint venture profit before tax, as a percentage of revenues.

** EBITA margin after corporate costs.

Further details of the Operational Excellence programme will be given in a presentation later today, 13 December 2007. A live webcast of the event and presentation slides will be available on www.amec.com.

Settlement of legacy issues

AMEC continues to make good progress with its strategy of settlement of disputes where reasonable to do so.

The board expects a further pre-tax net release of exceptional provisions of not less than £5 million in the second half of 2007. This is in addition to the £8 million net pre-tax release made in the first half of the year.

Exceptional gain on business disposals

The aggregate post-tax exceptional gain arising on the divestment of Built Environment businesses in the second half of 2007 is expected to be not less than £210 million. With the divestment of peripheral businesses generating an aggregate post-tax gain of £9.7 million in the first half, the total gain from divestment of non-core businesses in 2007 is expected to be not less than £220 million. Net proceeds from the divestment programme are expected to be c.£330 million.

Net cash

Net cash at 31 December 2007 is expected to be c.£650 million. Average weekly net cash for 2007 is expected to be c.£430 million, rising to at least £530 million, before acquisitions and share buybacks, in 2008.

Net financing income/pensions

In 2008, net financing income will benefit from the expected increase in average net cash for the year. This improvement will be largely offset by a reduction in investment income arising on the assets in the group's principal UK pension scheme following a change in investment policy.

Tax rate

Based upon a review of the group's tax position following the divestment of Built Environment businesses, the tax rate for 2007 for the continuing businesses, before exceptional items and intangible amortisation and including joint venture tax, was estimated to be c.29 per cent. Taking into account the further benefit of previously unrecognised tax losses, the rate is likely to fall to c.25 per cent.

For 2008, the underlying tax rate is expected to be c.35 per cent, but relief arising from previously unrecognised tax losses is expected to reduce this charge to c.29 per cent.

Issued share capital

As at 30 November 2007, AMEC had a total of 333,900,034 ordinary shares with voting rights. In addition 3,518,800 shares were held in treasury.

Sector classification

On 12 December 2007, FTSE confirmed that AMEC will be reclassified to the Oil Equipment and Services sector with effect from 24 December 2007.