

Wednesday 14 January 2009

AMEC plc 2008 YEAR END TRADING UPDATE

- Another year of record performance
- 2008 pre-tax profit* expected to exceed £200m**
- 2008 group EBITA margin expected to be approaching 7%
- Continued strength in demand, led by Natural Resources order book up c.40% in 2008
- Expected net cash as at 31 Dec 2008 over £750m; 2008 year average c.£625m

* Profit for continuing operations before intangible amortisation and pre-tax exceptional profits

** Range of market forecasts £193-205m

Chief Executive Samir Brikho said:

“2008 was another year of significant progress for AMEC. During the last quarter, we were awarded a number of milestone contracts by customers that remain focused on long-term fundamentals. We continue to see a strong and diverse range of attractive prospective contracts across the business and have seen only minor delays and cancellations of prospective projects compared with those we would expect to see normally.

“We view the future with measured confidence. 2009 is expected to be another year of improved performance, driven both by the strength of our order book and increasing benefits from our Operational Excellence programme. AMEC’s net cash position remains exceptionally strong and we continue to monitor opportunities for growth through selective acquisition.”

AMEC expects to announce preliminary results for the year ending 31 December 2008 on Thursday, 12 March 2009.

Conference call

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

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.

2008 YEAR END TRADING UPDATE

AMEC continues to deliver record performance, and confidently expects group EBITA margin to be approaching seven per cent in 2008. 2008 pre-tax profit* is expected to exceed £200 million.

Demand for AMEC's services in the energy, power and process industry sectors remained strong during 2008, with the group average number of employees# for the year increasing by nine per cent.

During the second half of 2008, AMEC was awarded a number of milestone contracts by customers focused on long-term fundamentals, with the aggregate value of all contracts awarded in the second half being close to £2 billion. Despite extreme volatility in financial and raw materials markets, the aggregate order book impact of deferral or cancellation of existing contracts across the group during the period was insignificant.

* Profit for continuing operations before intangible amortisation and pre-tax exceptional profits

Full time equivalents, including agency staff

Outlook

Ongoing market volatility has resulted in reduced certainty about customers' discretionary spending plans and AMEC acknowledges the ongoing risk that customers may curtail capital spending during the course of the year. The £3 billion backlog in the Natural Resources and Power and Process divisions gives good visibility for 2009 and beyond, and there remains a strong and diverse range of attractive prospective contracts across the group.

AMEC continues to expect to deliver improvements in EBITA margin over the next two years, driven by its own internal initiatives. The Operational Excellence programme is expected to be the major contributor to AMEC achieving its target margin of 8.5 per cent in 2010. Operational Excellence has a larger scope than the Step Change initiative, and is now producing benefits. 2009 investment in Operational Excellence is expected to be similar to 2008 at up to £10 million, but this is expected to be more than offset by benefits during the year.

The group expects to make further selective acquisitions during 2009, with the focus being on improving AMEC's competitive position through investment in people, capabilities, and geographic footprint.

Taken together, the group continues to view the future with measured confidence and expects 2009 to another year of improved performance.

Segmental performance

Natural Resources

Demand has remained strong for AMEC's services in Natural Resources' chosen end markets.

In the second half, contracts were awarded in Oil and Gas Services, Oil Sands and Minerals and Metals Mining with a total value of £1 billion. Since the group's Interim Management Statement on 12 November 2008, one milestone capex contract has been announced by JSC National Company KazMunayGas (KMG), the National Oil Company of Kazakhstan, for technical consultancy services on all of its projects, with another major contract in North America being undisclosed.

The Natural Resources order book at 31 December 2008 was £1.7 billion, being up c.40 per cent since the beginning of the year (31 December 2007: £1.2 billion).

The average number of employees[#] in Natural Resources for the year ended 31 December 2008 was 10,744, up 11 per cent on the previous year (2007: 9,715).

Natural Resources is expected to deliver an EBITA margin of circa 10.5 per cent for the calendar year (2007: 9.4 per cent).

Power and Process

Levels of services activity have remained generally high in this division, particularly in the power generation, gas and electricity transmission and nuclear sectors.

In the second half, Power and Process was awarded contracts with a total value of c.£700 million. Since the group's Interim Management Statement on 12 November 2008, one milestone contract has been awarded to an AMEC joint venture by the UK Nuclear Decommissioning Authority, with another major contract in the North American power transmission market being undisclosed.

Power and Process remains focused on margin rather than volume, with continued selectivity in new work taken on. Consistent with the division's change of focus, the gross margin on the order book has been increasing, with the backlog showing a related decline for much of 2008. Since the group's Interim Management Statement on 12 November 2008, the order book has shown some improvement, with the backlog as at 31 December 2008 standing at £1.3 billion (31 December 2007: £1.4 billion).

The average number of employees[#] in Power and Process for the year ended 31 December 2008 was 7,368, up nine per cent on the previous year (2007: 6,753).

As previously disclosed, the Power and Process division expects to deliver an EBITA margin of circa six per cent in 2008 (2007: 3.4 per cent).

Earth and Environmental

Performance in this division continues to reflect strength of demand in energy, power, process and public sector markets, together with a significant contribution from the Geomatrix acquisition in the second half.

The average number of employees[#] in Earth and Environmental for the year ended 31 December 2008 was 3,933, up 10 per cent on the previous year (2007: 3,576), with the increase reflecting organic growth and acquisitions, particularly Geomatrix (circa 500 employees) acquired in June 2008.

Earth and Environmental expects to deliver an EBITA margin in excess of eight per cent in 2008 (2007: 7.4 per cent).

Financial position and net cash

The group remains in an exceptionally strong financial position, with expected net cash as at 31 December 2008 of over £750 million.

In addition, AMEC has one of the best funded pension schemes in the UK.

Average net cash of c. £625 million is expected for 2008. This figure is after taking account of 2008 acquisitions with an aggregate cash cost of c.£125 million (up to c. £90 million outflow in 2008, the remainder being deferred consideration), business disposals and share buy backs during the year.

[#] Full time equivalents, including agency staff

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Notes to Editors:

Market consensus

The current range of market forecasts for 2008 pre-tax profit* is £193-£205 million, with consensus being £200 million.

* Profit for continuing operations before intangible amortisation and pre-tax exceptional profits

AMEC plc

AMEC (LSE: AMEC) is a focused supplier of high-value consultancy, engineering, and project management services to the world's energy, power and process industries. With annual revenues of over £2.3 billion, AMEC designs, delivers and maintains strategic and complex assets for its customers.

AMEC's Natural Resources, Power and Process and Earth and Environmental businesses employ some 23,000 people* in more than 30 countries globally.

www.amec.com

* Average employees for 2008; full time equivalents, including agency staff

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