

Thursday 11 November 2010
AMEC plc Interim Management Statement

Highlights

- Year-to-date trading towards the top end of expectations
- Group EBITA margin expected to be around 9.0 per cent for the year
- Order book £3.1 billion (31 October 2009: £3.0 billion; 30 June 2010: £3.5 billion)
 - Net effect of continuing organic revenue growth; significantly higher new order intake; and reduced demand from National Grid US
- Strong balance sheet with net cash at the end of October 2010 of c. £680 million

AMEC Chief Executive Samir Brikho said:

“AMEC remains on track to deliver another year of improved performance in 2010.

“We expect to deliver a group EBITA margin of around nine per cent this year, reflecting improvements in operational efficiencies and supported by organic growth in our core sectors, despite continuing customer margin pressure.

“The skills, experience and focus of our people are invaluable in strengthening AMEC’s relationships with strategic customers globally and so enhancing our position in key energy markets.”

Events

A conference call for analysts and investors will be hosted by Ian McHoul, Chief Financial Officer today at 8.30 am (GMT).

AMEC expects to announce preliminary results for the year ending 31 December 2010 on Thursday, 3 March 2011.

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Forward looking statements

Any forward looking statements made in this document represent management's best judgment 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.

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The year-to-date performance across the group is towards the top end of expectations with continued organic growth in each of the three divisions.

The order book was £3.1 billion at the end of October (31 October 2009: £3.0 billion; June 2010: £3.5 billion). New order intake year-to-date is significantly above the same period last year, having developed via a mix of new contract awards, project extensions, scope changes to existing contracts and walk-in work.

The average number of employees was 22,200 in the period January to October, up 200 on the average for the first six months of the year, and by almost 900 since the same period last year.

Segmental performance

Natural Resources

Year-to-date trading in the Natural Resources division continues to be strong, with good performance across the sectors, particularly in Canadian oil sands, as work progresses on the initial development of Imperial Oil's Kearn project.

The order book at 31 October 2010 was £1.6 billion (31 October 2009: £1.5 billion; June 2010: £1.8 billion), with new contract awards from both new and existing customers. Since the interim results announcement, Maersk FPSOs has appointed AMEC to carry out front-end engineering and design (FEED) for modifications to the Curlew floating production storage and offloading vessel (FPSO) in central North Sea. AMEC was also selected by BP to be one of only two global providers of engineering and project management services (EPMS) for BP's onshore facilities developments around the world. This further strengthens the relationship with BP, with AMEC having been one of three global providers of BP's equivalent global offshore services since 2008.

During the same period, Providence Resources P.l.c., a new customer, selected AMEC to undertake the conceptual study (planning, capacity modelling, infrastructure integration and gas sourcing) for the Ulysses salt cavern gas storage project offshore eastern Ireland.

The Australian business continues to improve. AMEC Minproc has been awarded a contract by Crazy Horse Resources Inc. to act as study manager and process plant consultant for the Taysan copper-gold project in the Philippines.

The average number of employees in the period was 9,700, which is an increase of 100 people since both the first half, and the period to October 2009.

Power & Process

Performance in Power & Process continues to reflect the strategic refocusing of the division into core sectors and a high-value, low-execution risk business model.

The order book at 31 October 2010 was £1.2 billion (October 2009: £1.2 billion; June 2010: £1.4 billion), reflecting new contract wins, offset by National Grid in the US, where the scope of future work on the infrastructure replacement programme has been reduced.

Recent contracts awards have focused on renewable and low carbon sectors. In the UK, AMEC was awarded the National Grid contract to carry out FEED for a carbon capture and storage (CCS) project at the Longannet power station in Fife, Scotland. In North America, AMEC and its joint venture partner were awarded a contract for US\$250 million biomass conversion project in Wisconsin, US. More recently, AMEC was selected by INEOS New Planet BioEnergy to help deliver the first commercial-scale advanced bio-energy facility using the INEOS bio technology.

The average number of employees for the ten months to 31 October 2010 was 7,500, up approximately 100 from the half year and 400 from the same time last year.

The division continues to make good progress on the 'older' contracts that do not meet the revised criteria of low-risk services with high-value add.

Earth & Environmental

Performance in the Earth & Environmental division continues to improve. The energy, mining and water sectors have been strong, and the industrial and commercial sectors are recovering, albeit slowly.

Recent project wins include a task order to renovate the Air Force Civil Engineer Support Agency's headquarters building at Tyndall Air Force Base in Florida, US.

The project will involve the installation of a one-acre solar photovoltaic field, a new condenser water system, energy-efficient lighting and lighting-control system. In addition, the Natural Resources Conservation Service (NRCS), an arm of the US Department of Agriculture, selected AMEC for a series of Light Detection and Ranging (LiDAR) projects, which involve the collection of elevation data in various watersheds across six states.

The order book at 31 October 2010 was £0.26 billion (October 2009: £0.27 billion; June 2010: £0.31 billion).

The average number of employees for January to October 2010 was 4,800, up 100 people from the half year, and 500 since the same period last year. This increase reflects the seven-month impact of Entec Holdings Limited, acquired in March 2010, which is performing in line with expectations.

Financial position and net cash

The group remains in an exceptionally strong financial position. Net cash at the end of October 2010 was c. £680 million (31 October 2009: £690 million; 30 June 2010: £670 million).

Outlook

Improving market sentiment and recovery in key customers' capital expenditure are expected to continue to support the group's overall performance.

The group EBITA margin is expected to be around 9.0 per cent in 2010, on the back of improvements in operational efficiencies supported by growth in core sectors, although margin pressure from the customer base continues. Going forward, focus will shift more towards revenue and EPS growth, consistent with our Vision 2015 strategy.

The balance sheet remains strong and the group will continue to prioritise selective value-enhancing acquisitions. The on-going focus on cash management will continue to be high.

Board changes

AMEC's chairman, Jock Green-Armytage, has announced that he intends to retire at the Annual General Meeting on 5 May 2011. The search for his successor has already commenced. Mr Green-Armytage first joined the AMEC board in 1996 and was appointed chairman in 2004.

As previously announced, Neil Carson, Chief Executive of Johnson Matthey Plc, and Colin Day, Chief Financial Officer at Reckitt Benckiser Group plc joined the board as non-executive directors on 31 August 2010 and 14 October 2010 respectively.

Management changes

Dr Hisham Mahmoud joined AMEC as President of its Earth & Environmental business, and he has also been appointed to the company's Group Management Team. He replaces Roger Jinks who has announced his retirement from the company.

AMEC plc

AMEC (LSE: AMEC) is a focused supplier of high-value consultancy, engineering and project management services to the world's natural resources, nuclear, clean energy, water and environmental sectors. With annual revenues of over £2.5 billion, AMEC designs, delivers and maintains strategic and complex assets for its customers. The company employs some 23,000 people in around 40 countries worldwide. See amec.com