

Chairman's Message

A year ago I noted that, going into 2008, the principal concern was that the crisis in the banking sector would contaminate the worldwide real economy, with the risk of a serious economic downturn.

Over the course of a few months, the crippling weaknesses of a succession of key financial institutions, that had their origins in the excessive credit expansion of which the most egregious example was the US sub-prime mortgage bubble, became apparent. Amid growing fears of a systemic failure of the global financial system, dramatic rescues of banks, insurance companies and other entities, whose credit at one time appeared undoubted, became routine events. As banks lost confidence in each other's credit, and with the bankruptcy of Lehman Brothers, the interbank lending markets seized up. This shortage of liquidity persisted, despite government and central bank support for the financial system that included capital injections, guarantees and interest rate cuts. It became clear in the final quarter of the year that the turmoil would not be confined to the financial and housing sectors as the breakdown of the interbank lending markets, combined with the impaired capacity of the banks to lend, resulted in businesses in general finding it increasingly difficult to borrow. Amid widespread and growing pessimism, this led to reductions in activity, increasing unemployment, and recession by the end of 2008.

Despite the progressively more difficult environment, the overall breadth of AMC's activities, geographic and product, allowed the Group to benefit from the strength that was still evident in the middle part of the year, leading to a profit on continuing activities well ahead of 2007. This strong performance was further augmented by non-recurring gains, leading to a pre-tax profit of £67 million for 2008, which is a new record for the Group.

In this early part of 2009, the world is in a serious recession, the depth and duration of which are still unclear. The effectiveness of additional measures to reverse the downturn and lift economies out of recession, in particular steps to resume normal flows of credit to business and the impact of fiscal stimulus on confidence, remains uncertain. However, what is important is that governments recognise the problem and are implementing initiatives to arrest the decline and over time stimulate a recovery. AMC has used the strong economic conditions prevailing over the cycle to strengthen its balance sheet and it enters 2009 with no net debt. This means that it is well able to weather the challenging year ahead.

I thank all employees in the Group, whose efforts and skills have ensured that 2008 was a very successful year.

H Stodieck

Chairman

31 March 2009