

Chairman's Message

By early 2009, the world economy was in the deepest recession since the 1930s and the authorities had responded with an array of measures to attempt to rescue the financial system and stimulate activity, including cutting interest rates close to zero, quantitative easing and expanding government spending programmes. As the year progressed, public sector intervention to support the banking system continued, and the financial sector stabilised. With banks' access to funding improving and their balance sheets strengthening, a key condition for recovery appeared to have been secured, although the system remained fragile and vulnerable to sudden shocks.

Regrettably, financial institutions, focussed on their own rehabilitation, remained reluctant to lend to the commercial sector; this, together with wholesale withdrawal of credit insurance, undoubtedly undermined recovery in the industrial and commercial sectors. The consequence has been a down-turn both severe and protracted, with a disproportionate impact on manufacturing in the established industrial economies, which is of key importance to AMC Group businesses. With stretched household finances, housing markets still fragile and unemployment rising, for most of the year pessimism prevailed, and only in the final months of 2009 did economies in general appear to level out.

Against this very difficult back-drop, the AMC Group has once again benefited from its broad geographic spread and the wide range of products it trades, manufactures and distributes, to produce a respectable profit from its operations. Together with a surplus from non-recurring items, the Group's pre-tax profit for 2009 was £27.5 million, a creditable result in the circumstances.

Going forward into 2010, while it seems that a general recovery is now under way, the upturn is likely to remain weak, with certain sectors continuing to contract for some time, and some countries slipping back into recession. The risk of sovereign default within the Euro area remains a matter for concern. Furthermore, as the programmes of quantitative easing come to an end, and as governments are forced to reduce their deficits, there are fears that the policy responses of lower spending and higher taxes will increase unemployment and dampen the recovery. Together with concerns about the impact of possible increases in interest rates towards the end of 2010 on still heavily-indebted corporate and personal sectors, it can be expected to be another difficult year.

However, I remain confident that, with its strong balance sheet and diversified business base, the Group is well placed to meet the challenges ahead.

I thank all the Group's employees for their hard work and achievements during 2009.

H Stodieck

Chairman

26 March 2010