

AMEC plc
Preliminary 2009 Results

Q&A Session

Samir Brikho - Chief Executive, AMEC Plc

I think we will take the Q&A now. So, if I can ask the management team to join me. The Chairman is also with us here, so if you have any questions to him he can also answer them.

Phil Lindsay - RBS

Hi there, it's Phil Lindsay from RBS. A couple of questions on the order book; can you tell us how much is scheduled for execution in 2010?

And also the second question, you seem to be suggesting a second half bias to project awards, do you think that we'll see order books declining through the first half on that basis?

Ian McHoul – CFO, AMEC Plc

Phil hi, on the order book, we are reasonably careful on talking about coverage on the order book and execution, because we give margin guidance. If we give too much revenue guidance we've kind of given a profit forecast, so we're always a bit careful, as you know. The typical shape of the order book at any time is roughly 40% is for execution in the following 12 months, 30% for the 12 months after that, and 30% for the 24 months after that. And we're pretty much no different to that now. So that gives you a vague picture; I can't be more specific than that for reasons I hope you understand.

On the second piece, you're absolutely right, the message we're giving is a progress on pipeline and order book as the year progresses. We see client activity building; we're at the early stage in Natural Resources on a number of feed initiatives, as Samir has explained. So we are confident that the order book will grow as the year progresses.

I don't think that means that we expect order book to decline in the first half. Again we can't be explicit about what's going on, but we are active in discussions, as you might expect. Whilst we are forecasting growth in the order book in the second half of the year, we are not forecasting a decline in the first half and you shouldn't assume that.

Jon Bell - Shore Capital

Morning, Jon Bell from Shore Capital. Three questions if I can; firstly it's probably one for Neil. Just looking at the Power & Process order book would it be, just pushing you slightly, fair and reasonable to assume that that order book has not bottomed out, it seems to be fairly flat with the picture back in October?

Second question is probably for Ian, and forgive me if I've misunderstood this, but could you quantify any client advances that are contained within the cash figure?

And then the third question, I'm not sure who this is for, but there seems to have been a reasonable sea change in US government policy on nuclear energy recently. Could this benefit AMEC in the medium term, and perhaps you could give us some details on how that could take place?

Neil Bruce, - COO Natural Resources, AMEC Plc

Okay on the first question, we very much see the Power & Process piece as being reasonably stable, moving into 2010. We are employing a very similar process as we've been employing within Natural Resources for a number of years now where the emphasis is on efficiency improvement. So, I would expect the order book to grow a bit and the revenues to be fairly stable. I'm very confident that we are going to improve the efficiency and the margins that we can achieve with the Power & Process group.

Ian McHoul

Jon, client advances are associated with lump sum activities. As you know, we are reducing lump sum activities, and so the numbers are declining. What is left now is £12m only - relating to the Power & Process division. So it continues to come down and it's fairly modest at £12m, as you see.

Samir Brikho

To the third question I think it's very interesting, because the US has always been opposed at least lately, to the build up of nuclear power. I think the Obama administration, with the challenge that they face on the carbon and carbon emissions, came to the conclusion that they need to make a number of investments. I just want to mention three investments in general, and then I'll tell you a little bit more about the nuclear.

The first is nuclear, the second is gas shale, and the third is renewable energy. AMEC is involved in all three priority areas.

When it comes to nuclear, you know that we have a number of joint venture agreements and work which we do together with CH2MHill, which we do with URS, which we do with Fluor. These are the companies which will be active in the US in the future, in order to be able to build up the new generation.

As for us - as we have a number of people in the US; not only do we have the Power & Process team, but we also have the Earth & Environmental guys. They are doing a lot of work, or they will be doing a lot of work, in order to ensure that the permits, the licensing, the environmental impact studies are delivered on time, in order to progress the projects. So we are excited about that decision, and we think that there will be good opportunities for us on a medium to long-term basis.

Peter Bassett - Westhouse Securities

Peter Basset, Westhouse Securities. I just wondered what the investment type of thing, was the investment in the operational excellence program. Is it things like computers?

Ian McHoul

Yes. It is computers and it is software, and it's all the associated costs. It is also the cost of training and developing people - so that's largely what it is yes.

Samir Brikho

The training in a major part of the cost - if you introduce a new tool, it's very important that first you have the buy-in of the tool, from the people. Then you need to pull back the old tools. But you achieve success by educating people, so that they can see the value in the new tools or way of working, and they can get to it immediately, rather than delaying the uptake for months or years.

Peter Bassett

Sorry, just to clarify, so in that investment number is also training, is that true?

Samir Brikho

Is there some training in it?

Ian McHoul

There's some training in the number yes.

Peter Bassett

Okay, thank you.

Charles Hall - Newton Investment Management

Charles Hall with Newton Investment Management: you have a relationship with KEPCO, a fairly recent relationship. We believe that they've landed a significant new power station in Abu Dhabi. What might your involvement be there, how material might that be?

And the second question, you had Iraq on one of the slides, could you run through just how you're preparing yourself for Iraq, and materiality there as well?

Samir Brikho

So if I take KEPCO you can take Iraq?

Neil Bruce

Sure.

Samir Brikho

First, the relationship with KEPCO is actually not entirely new. The relationship with KEPCO goes back some years, with one of the daughter companies KOPEC - the nuclear part of KEPCO. (KEPCO is a big utility responsible for thermal power generation, renewable energy, and also nuclear.) We are KOPEC's international consultants on waste management and fuel handling. We have been advising them on waste treatment for their deep level depository, which they are currently constructing in Korea.

The relationship which we have built up more recently with KEPCO goes beyond this however. It is more focused on how we can help export KEPCO's technology and nuclear engineering abroad. How are we able to help them with operation maintenance in Korea, and how are we able to create opportunities of green energy, or clean technologies coming up? So it is quite a wide program.

And yes, they have signed an agreement between KEPCO and Abu Dhabi, and of course, there are a lot of discussions taking place. But we have not made any announcement or any firm orders on that.

Neil Bruce

On Iraq, as you would imagine, it's a very careful, very slow investigation build up. I think the work that we will hopefully do in Iraq, in the future, will be with one or two of our top five customers. It has to be with customers that we've got long-term relationships with, that we fully understand what we bring to the party, and also we understand and we work in conjunction with them, with regards to integrated security.

I think what our main customers believe we bring to the party is experience. Our Earth & Environmental group have got a lot of experience in Iraq, from a security perspective, from the environment perspective, and also from establishing supply chains - Iraqi supply chains and companies working within that. So that is something that we bring.

We also bring the brownfield upgrade capabilities that we've done for many years in slightly different environments, but on the same sort of facilities where our main customers, who have been successful with the licenses in Iraq, understand that the real initial phase in Iraq is about upgrading existing facilities, which we've got a lot of experience.

And we're also looking effectively to support that effort, also out of country, with the engineering capabilities that we've set up in - specifically in Kuwait.

Fiona Maclean - BofA Merrill Lynch

Hi, it's Fiona Maclean from Merrill Lynch. Just a question on M&A. At the bottom of the cycle you talked about valuations, and you said that companies weren't really for sale, a year and a half ago, and 12 months ago. Can you just give an indication of what pricing looks like for these types of deals that you want to do over the next year or so?

And also for Ian, how much of the cash should we expect to see going towards M&A through this year?

Ian McHoul

Yes, in City language, I think what we're seeing is the offer spread has narrowed on M&A opportunities. You're right, a year, 12 months ago, we were saying there's very illiquid market, because market values were low and price expectations for vendors were high; in terms of mindset, they were in more buoyant times.

What's happened now is that the market's recovered a little bit for sure, but liquidity is still -- it's improved. But it's still not as it was. And there's a much more realistic ambition now from vendors. So I think the market is much more predisposed to transacting at the moment.

That doesn't mean doing a deal is straightforward. Clearly, the deal for us has got to be the right deal, the right strategy, the right industrial case, and the price still needs to be right. But I think it's much more conducive now; the market conditions are much more conducive to transacting than they were.

What chunk of the cash, I can't answer that explicitly; I'm not sure you'd expect me to. Clearly there, we're sitting here today seeing lots of opportunity, but say again, it's got to be the right deal on the right terms.

We expect -- the last three years, on average, we've spent about £100m a year. What we said back in Vision 2015 is we would expect that investment to increase, upping the weight of our acquisition activity, and the focus behind that, but the price has got to be right.

Christyan Malek - Deutsche Bank

Good morning, Christyan Malek from Deutsche Bank. Three questions if I may? Two on oil and gas, and one on nuclear.

The first is, the slide you put up on all the projects in the world, and the key ones, or some of the ones that you think could move ahead, is a slide that a lot of your peers will put up equally in the hope that these projects do go ahead. How do you differentiate in going from engineering to actual full EPCM?

The second is related to the first; these projects and the FIDs that are going to materialize, what is the basis to your confidence they will actually occur in H2? Have they written you a letter, or are they actually conversations with you that assume that will happen? I guess, from that, what's the risk they get pushed out even further?

And thirdly, on nuclear, what are the key bottlenecks around these projects actually going ahead? Who's at the top that's not signing the cheque for these projects to go, and what's materially changed in the last six months that gives you the view that they'll actually be back-end loaded?

Neil Bruce

Yes, on the front projects, on the first piece about the projects. I think part of what we were trying to illustrate there I think, which is probably different -- in fact I'm certain it's different from some of

our competitors, is we've given you examples of contracts that we are currently working on, not contracts that we would aspire to work on.

So from that perspective, these are all things that we're currently employed in. They are continuing to grow in terms of numbers, and they're continuing to progress through towards the investment decision.

I think as well, if you correlated that with the BP presentation on strategy just the other day, I think there's a couple of slides in the BP presentation that show you very clearly what BP consider to be projects that are progressing either through that investment criteria through into execution.

And I think if you compare there are two slides then that gives us basis for confidence that more than 50% of what we've got on there will progress through, and we are very confident that it'll progress through with AMEC. So I think the overall difference is there are lots of companies out there talking about prospects. We're actually only talking about the ones that we're actually working on.

Samir Brikho

But I think, Chris, it would helpful -- maybe we cannot answer as to your satisfaction as you would like. But you should put the answer -- put that question to BP and Exxon, on about in the last year, or last 18 months, from all the projects which we have been giving out in the market, who has been receiving them? And I think that will tell you the story.

Neil Bruce

And just as an added bit of clarification, these are only the ones that we've been offered -- that we've actually had explicit approval to talk about. So we're actually working on more than that.

Samir Brikho

On the nuclear, it's a different challenge in different countries. In the UK it's actually totally in private hands, and has nothing to do with the government. But what you need to do is go through a planning process - the planning permits and licensing and so on. And that takes a long time. And actually, I need to say that the government has been helpful here in order to accelerate the process. Normally we would be waiting for years to get this type of planning permit, and here it will take a shorter time than normal. So I think it's moving on in the right direction.

If we look more generally at the nuclear market globally in 2009, there were 11 power plants under construction, nine in China, one on Korea and one in Russia. So it's not like the normal places which we maybe tend to think of, and these guys are moving on big time on that.

Now if we look in the markets in which we have interests, whether it is Canada, whether it is UK, whether it is some parts in the Middle East, whether also some parts in South Africa and India, there are a number of permits which need to go through in order to be able to proceed.

Now if we look beyond that - some countries have bigger challenges also, apart from the permits and the planning, like Egypt, like Jordan. These are not the typical nuclear countries. These are opportunities are surfacing at the moment.

It is at this time that they are going to make the decision, and that's the only difference. But these guys they still also require financing and backup and support from other governments, and that's what they're doing at the moment.

Christyan Malek

Thank you.

Dave Thomas - Citigroup

Good morning, it's Dave Thomas from Citigroup. I have a question for Samir, please. Samir, if I ask you for 2010 revenue guidance, I know what the answer will be. So to turn it a different way perhaps, how confident are you about your 2010 EPS exceeding the 53p per share as part and parcel of your TIP, and what would be the drivers for that?

Samir Brikho

Well, we know what the EPS drivers are, but if I will give you a guideline, I think that would be too much. Correct no?

Ian McHoul

Yes.

Samir Brikho

That's correct. So I cannot give you a guideline, but let me put it like this. A bigger chunk of the whole management team actually have good incentives in order to be able to achieve on what we said that we are going to do, and we are working on that. That I can tell you.

Oh, I think we are finishing with the questions. Then I make the conclusion.

It has been really great fun for me, to be at AMEC for the last 3.5 years. AMEC today is a totally different company than it was. Our teams have clarity of vision, are following a clear strategy, and have very clear targets about what they need to do in order to build AMEC's differentiation.

It has been very important for us to work with customers, building up customer relations, and we have been very successful with that, and will continue to do so. We have embarked on many new relations; ones which we dreamt of at first, but which we have developed today, And I can promise you when I meet clients – in fact Neil and I were together recently visiting top clients – and I can tell you we had the most fantastic response and fantastic feedback from these clients.

It's been very important for us also to expand our geographical presence. We started 3.5 years ago, with some 22, 23 countries, and today we are in 40 countries. And I'm not speaking about putting one guy there in order to make the list. We are speaking about genuine presence.

We have been working on our costs - and it has been at the right time – ahead of the downturn. We have been very resilient in a very tough market, but I think it's more important is that what we have been doing and positioning ourselves for the future growth. We are well positioned, in terms of technologies, in terms of geography, in terms of sectors, in terms of clients, in terms of people, and in terms of balance sheet, and we deliver.

We are firmly on track to deliver 8.5% EBITA margin in 2010, and we will continue to work hard in order to make a good job and make the differentiation.

Thank you very much for your trust.

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