AMEC plc
Interim results 2009

Samir Brikho

Chief Executive Officer - AMEC plc

Well, good morning everyone and welcome to the results presentation. I see many faces which I recognise from my career in AMEC for the last three years, but I see none of you have changed their positions and their houses. And we did not. We continued to deliver good performance.

Today there are no fire drills. So if you hear any alarm you need to follow the exit signs and go to the nearest emergency exit and you need to proceed to the first assembly point which is at the top of Giltspur Street.

So this morning, I'm going to spend a few moments on the highlights of the result before handing over to Ian who is going to walk us through the details. But I'm going to discuss just how we are going to continue differentiating our performance and after which Ian and the management team which are sitting around here and myself will be able to answer many of your questions.

Over the last two years, we have been working very hard to catch up with the leaders of the industry. And I am pleased to say that we have been highly successful. We have positioned AMEC to face up to the facts of life and the facts of reality of the markets better than many. We are profiting from our increasingly global footprint. And we are embracing sustainability. And we are better able to address the challenges of the worst financial crisis in the recent history.

We are delivering jobs safely. We are delivering jobs on time. We are delivering jobs on budget. So probably the best army of engineers, so probably the best army of project managers in the world. It's a game change for AMEC. We have made major investments in our tools and capabilities. And we have invested in our geographic footprint, the acquisitions, the joint ventures and partnerships. We have created new strategic relationships with our customers, with our clients and we have changed our business model.

All of this improved focus and investment is reaping rewards. This morning's results demonstrate just that. Our margin performance is firmly on track to deliver the 8.5% we promised by 2010. The 15% increase in the interim dividend is evidence of our continued confidence in the future. Our balance sheet strengths will fund acquisitions, supplementing our organic growth in 2009 and 2010. Finally, our order book, which gives 2009 revenue cover of 90%, sets new records in terms of value and quality.

So this is my preamble and now I'm going to hand over to Ian to go through the details and I'll come back to you later. Thank you.

Ian McHoul

Chief Financial Officer - AMEC plc

Thank you Samir and a very good morning everybody. It's good to be with you once again. Today, I'll take you through the first half numbers, using very much the same format as I did last year. I'll show you the impact of bolt-on acquisitions and the stronger North American currencies. I'll show you the organic growth in revenues and in profits and I'll give you some key guidance going forward. This I think will give you increased clarity so you can better assess our future performance. To the numbers then.

And here you see the positive, positive development according the key indicators that Samir has already highlighted. At £1.26 billion, revenue is in line with last year, reflecting strong focus in Natural Resources and Earth and Environmental and a decline in Power and Process, which I'll explain later.

EBITA is up 25%, again with a major advance in Natural Resources and Earth and Environmental offset by weaker numbers in Power and Process. Group margin is up 150 basis points at 7.5%. All divisions saw improvement. And as Samir has said, we are well on track to achieve our 8.5% target for 2010.

Profit before tax and diluted earnings per share are up 8% and 11% respectively, driven of course by the EBITA growth but held back by a significant reduction in interest receivable.

Our interim dividend announced today is 6.1p per share, an increase of 15% demonstrating the confidence that Samir talked about. And as you see, the cash position and the order book are both in good shape.

So turning first to Natural Resources, the situation looks like this. You can see strong progression in both revenue and EBITA and a 150 basis point increase in margin to an industry-leading 11.6%. CapEx represents 60% of revenue, pretty much at the top of the range that we like to see. And margins for both CapEx and OpEx are well ahead at 13.6% and 8.6% respectively.

Average employee numbers are down however, by around 10%. This reflects increased execution of front-end work, which is less labour intensive and at higher margins and improved efficiency as a consequence of our Operational Excellence program. As a result, revenue per employee is up some 24%. And prospects looking forward remain positive with the order book up 30% on June '08 and slightly ahead of the levels reached in December.

This next slide analyses the revenue growth and EBITA development over the half. On revenue, the year-on-year growth is 12%. And you can see from the chart on the left that 3% came from bolt-on acquisitions and 8% from translation of North American currencies. Compared with the first half average for 2008, sterling is weak in '09 by some 10% against the Canadian dollar and by some 25% against the US dollar. The underlying organic growth for Natural Resources is then 1%, reflecting a good performance in particular in this market in oil sand and in mining, but a temporary dip in the UK with major projects completing before new contracts in their early phases are fully ramped up.

The chart on the right shows you EBITA development from £57 million in the first half of '08 to £73 million in '09, an increase of 29%. Acquisitions have added £2 million and currency translation has added £6 million. Underlying organic margin expansion has then delivered £8 million as we've driven a higher quality business mix and as the benefits of internal performance improvement initiatives continue to come through.

Moving on to Power and Process, the numbers once again reflect the change of management focus towards the provision of lower risk services with higher value added, with tighter criteria for new work taken on and the run-off of lower margin work bid three or four years ago. As a consequence, you can see the jump in EBITA margin to 6.2%.

Average employee numbers are down 9%. This reflects the lower revenue of course, but is less extreme because of the reduction in pass-through procurement activity which is not dependent on large numbers of people. The order book is strong at £1.27 billion and reflecting the strategic refocusing, the gross margin on the order book continues to improve. Remember that the benefit of the Sellafield contract is not included as it is serviced through a joint venture arrangement and doesn't therefore impact revenue.

Let me explain more fully now, the revenue and EBITA numbers. The revenue decline is 24% which you can see on the left hand chart. There is an uplift from currency translation but then a like-for-like decline of 31%. However, over half of this decline is due to the winding down of four large older contracts of the type we are no longer pursuing. Most of the balance comes from weakness in process industries across our main markets. Please note that the year-on-year impact on revenue of the older contract wind down will be much less severe in the second half than it was in the first.

On EBITA, the chart on the right, you can see the impacts of currency translation and the revenue reduction and then organic margin growth of £5 million. However, this £5 million itself includes some big swings and roundabouts.

Firstly, the Sellafield contract has started very well and has contributed £7 million to EBITA. Now the profits from Sellafield are weighted towards our first half as the contract year on which performance incentives are based runs to March. You should not therefore expect this level of profit to continue into H2.

Secondly, we have recognised a net loss of some £7 million on the old style contracts. This is to reflect the closing position on these contracts as work comes to an end.

And then lastly, there is real underlying margin expansion of £5 million as the business becomes more efficient, a trend which is firmly set to continue.

On now to Earth and Environmental and you can see a very positive picture with revenue up nearly 50%, EBITA up over 60% and margin ahead 80 basis points at 7.1%. I think the story is best told looking at the charts.

The business continues to strengthen its competitive position through acquisitions and as well as three small deals it benefited in the first half in particular from the purchase of Geomatrix last year. Overall, acquisitions added 18% to the revenue line as you can see and currency added a further 24%, the business being very much North American focused. And despite weakness in some of the markets where the division operates organic growth continues, albeit at modest levels.

On EBITA you can see the impacts of acquisitions, currency translations and the increased revenue. And you can then see the margin expansion reflecting both improved business mix and greater efficiency. We think the business is well placed for further expansion and we look forward to the benefits we expect next year from the stimulus packages in the US and in Canada.

At this point, I want to dwell a little on the order book. The first thing to say is that we continue to see growth. The chart shows the order book at June and December last year as reported and then restated on the left for currency movements to June '09. December '08 was a record level for us and whilst modest we have continued to see growth in this more difficult market. And at the end of June, revenue cover for 2009 stood at 90% as Samir has said.

The next point is on definition, which is something we're frequently asked about. So I want to clarify. Firstly, whilst we include OpEx work in the order book, we do not recognise the full duration of all OpEx contracts, only the piece that is absolutely guaranteed. So if there was a break point in a contract, even if we fully expect to continue work beyond that break, it is not in the order book. Similarly we do not recognise anything for work anticipated under call-off contracts or for ad hoc projects arising from our strong customer relationships. And as I've already mentioned nothing is included in the order book for Sellafield, a contract from which we expect a profit of over £10 million per annum. Our order book has always been conservatively stated and that will continue.

Now a brief summary of the numbers for Operational Excellence. The impacts come across all parts of the business but the slide shows you the aggregate position. Last year we invested some £10 million in the program and delivered gross benefits of £7 million. In 2009 for the full year, the investment is expected to be at the same £10 million level but the gross benefits are estimated to be £18 million. This gives a net benefit in '09 over '08 of £11 million and obviously this builds over the year, so the second half impact is greater than the first.

The program will be substantially complete by the end of this year and we expect investment in 2010 to be no more than £5 million. However, we expect gross benefits of at least £40 million next year. As we've said before, this will be a major contributor towards our margin target of 8.5%.

On now to taxation. Our underlying tax rate, that is our weighted geographical rate, is expected to rise this year to around 33% reflecting an increasing bias of our profits to North America where tax rates are higher. Against this however, we expect our P&L charge rate to come down between 28% and 29% both as a consequence of agreeing historic items with the tax authorities but also through more active and more effective tax planning. And this trend should continue. Whilst movements in tax can be quite lumpy, due to the timing of discussions and settlements with the authorities I expect our rate to edge down as we manage our tax affairs much more actively as I've said going forward.

Now to cash. And this first chart shows operating cash flow for the first half at £70m. From an EBITA of £95 million there are deductions for equity accounted JV profits and the standard add backs from non-cash items such as depreciation. There is then an outflow of some £25 million in working capital. Whilst this reflects normal trading patterns under which we expect to see outflows in the first half, you can see that it is a very much stronger performance than last year.

Flowing this forward, you see that we have invested some £30 million in bolt-on acquisitions and then after interest and tax, dividends and the purchase of our own shares we have a net cash outflow for the half of around £50 million and a closing cash position which sits around £700 million after the adverse impact of currency movements.

Please note that we typically see a much stronger underlying cash performance in the second half of the year. Profits are biased towards H2. Working capital flows are more favourable and tax payments are biased towards the first half, reflecting the settlement regime in Canada in particular. For the full year therefore, we expect the underlying cash flow performance to be stronger.

So at the end of June we had some £700 million on the balance sheet. And because client advances have reduced due to the change in emphasis in our contracting format, all but about £15 million of this money is 100% ours. Average cash in the first half was £690 million and this is expected to increase to around £700 million for the full year, excluding the impact of any further currency movements and acquisitions. We continue to be very much focused on security when we deposit funds, but the yield we're receiving is suffering in line with the market. Compared with the 4% average we returned last year, our average yield in 2009 is likely to be around 1% only.

In addition to having a very strong cash position, we also have a very robust pension scheme, which is amongst the best funded in the FTSE 100. At December '08 we had a scheme surplus of around £170 million. Under IFRS there is no requirement to update the valuation over half year and so the balance sheet is substantially unchanged. However, because of the market driven reduction in the fund's assets last year, the expected return this year is down significantly and overall the net financing credit for pensions is expected to be £12 million lower in '09. This is non-cash accounting number only but it is a direct hit to our EBITA. And of course £6 million of this is already in our first half numbers. Its impact is spread across all UK parts of the business.

On a positive note we have now concluded discussions with the pension trustees regarding the 2008 actuarial valuation. This is on a different basis from IFRS but still gives rise to a surplus of some £50 million. Importantly we have agreed that there will be no change to overall company's cash contribution levels.

Before bringing my section to a close I'd like to spend a little time looking forward, starting with our thoughts on capital structure. We continue to have a strong balance sheet as I've explained. And this gives us very significant flexibility to pursue expansion options.

Over the last 2.5 years or so, our investment in new businesses has been around £200 million. We think our track record is good. We think we've bought well and we think we've integrated well in order to capture maximum value. And the majority of these acquisitions are targeted to reach WACC in the first full year after acquisition and the others in year two. We will continue to look at transactions of all sizes. We will be disciplined in our approach and we do see significant opportunity to build value.

We have no current plans for significant share buy-backs, as we understand the arithmetic and the impact on EPS, we believe there's greater long term value in the benefits that our cash provides. You will see us however frequently buying small numbers of shares in the marketplace to meet the needs of our various employee share schemes.

Lastly on dividend, we will maintain a progressive policy. We are satisfied with cover of around three times. We have a strong balance sheet and we have a firm platform for dividend growth going forward.

So overall, how do we feel about the future? In the first half of 2009, the economic environment has not been easy. And our own numbers have been dampened by the strategic refocusing within the Power and Process division. But margin development across the business has been strong. Cash flow has much improved and the order book is a very healthy £3.2 billion.

I'm not going to attempt to debate currency movements. But looking at the North American rates as they are now compared with the second half of last year, I do not expect to get the same boost from translation in the second half as we did in the first. Similarly, looking at acquisitions to date, the incremental profit in the second half would be much less than it was in the first half.

On an underlying basis however, we expect H2 to be stronger. The savings from Operational Excellence are building. We will benefit from the normal seasonality especially within Earth and Environmental. And H1 suffered from the contract losses in Power and Process that I described.

We continue to feel confident about the future. The environment is perhaps easing a little. The oil price is hardening a little and the impact of the stimulus packages in North America is expected to land next year. We will continue to pursue value enhancing acquisitions. Operational Excellence is progressing very well. And we have a business that is well diversified. Our clients, our services, the territories in which we operate and our mix of CapEx and OpEx are all well-balanced and we believe we are well placed to benefit from any upturn.

All in all, we expect 2009 to be another year of improved performance. And regardless of the economic environment we are firmly on track to achieve our 2010 margin target of 8.5%.

Thank you very much indeed. I will now pass you back to Samir.

Samir Brikho

Chief Executive Officer - AMEC plc

Thank you, Ian. Earlier I talked about facing up to the facts of life and Ian shared with us about how AMEC has responded to the new realities of the market. My presentation this morning will focus on how AMEC is leading from the front today, how we are driving financial value and how we are already leading into the future.

I will outline how we will continue to increase our margins and how our improved focus and investment in both clients and regions will continue to build new business. I will also discuss how our organic growth will be supplemented by strategic acquisitions focused on increasing our competitive advantage. We have created the best army of engineers and project managers in the world. And that army has been provided with the best tools, with the best processes and equipment and is now punching above its weight in the world of consultancy, design, engineering and project management.

This is the first time where we put all the numbers of the Operational Excellence on one chart. We are nearing the completion of Operational Excellence. Actions associated with the program will be substantially complete by the end of this year as promised. Through our own initiatives we have harmonised our tools and processes giving us unrivalled operational flexibility and much greater focus. Let me give you some examples of how we have been improving our competitive situation.

In health and safety which is one of the core values of ours, but not less of our clients -- in health and safety we have reduced our recordable incidents frequency rate by 50%. In distributed engineering we now have far greater capability to shift work around the group. For example if you take a look on the Kearl job, we have all the three divisions are helping and pitching in to deliver the job. We have some more than 285 qualified people supporting that job from outside of the location in Calgary which is taking place.

In finance we are moving to one standardised system, thereby eliminating costs associated with 14 other systems which we had in the past which are being phased out today. But perhaps the most important investments are those that we have made in our people. It is people that deliver projects and our new career path framework, development programs and AMEC Academy are helping us to attract, to develop and retain the best people for current and future projects. We are getting the people to be prepared, to be better tomorrow than they are today. 1,100 managers have completed our Managing for High Performance program and are utilizing the tools to motivate and drive efficient delivery across the globe.

Operational Excellence is delivering competitive advantage as evidenced by the major awards we have received from the world's leading companies over the last twelve months. We see benefits from the program as has been said also by Ian before of £18 million in 2009 and rising to at least £40 million in 2010. All of this gives us great confidence that we will continue to deliver improved margins.

Now to the margins. Our track record of margin improvement over the last three years is a great achievement. And as I indicated earlier, this progress has been achieved despite the challenging external environment. We have achieved our margin target despite the fact that we hit headwinds along the way. Arguably, the adverse economic climate has made the significance of Operational Excellence even greater and the results even more important. Thanks to being well advanced in the program and with benefits being largely derived from internal initiatives, we are firmly on track to deliver our own -- what we have said -- promised target for 2010. And we are confident that the positive momentum will continue.

Through the Operational Excellence program improvements in our safety, key account management and other areas have strengthened relationships with existing clients, with whom we would like to do business. And this has resulted in a number of major contract wins over the last twelve months as you can see on the slide. These contracts are all in early phases and we expect to see our order book grow as they progress to later stages of development.

Our strong track record in front-end services means we are well positioned to win new projects. This is demonstrated through the new global agreement with BP, which we are delivering a number of early phase engineering projects and also our contract with Inpex where we are performing early phase work on the Ichthys project offshore Western Australia.

We have also been investing in new clients and new regions. We have been speaking about it before, positioning AMEC to win further major awards as you know. We set up a joint venture with MMC to target deepwater projects in Malaysia and wider Asia for clients such as Shell and we are currently bidding for further projects in this area. In Qatar we set up the Black Cat joint venture and we are actively bidding for OpEx work. In Kazakhstan we acquired 60% ownership of BKKS, in order to position AMEC as a local company. We are now doing work for KMG and bidding for new work in the region. And in Korea we set up a joint venture with KEPCO and KOGAS. KOGAS is the largest importer of gas in the world. This is to develop energy related business opportunities and projects in South Korea but more importantly internationally.

I'm confident you will be reading about further success over the next twelve months, which will continue the organic growth of the business and this growth will be supplemented by acquisitions.

In recent years, we have established a strong track record of disciplined investment, consistent with our strategy of improving our competitive position. I've already given an example of geographical investments. Further investments in the field of technology and process also improved our competitive position. For example, we have been talking about BDR earlier. This has brought the in-situ oil sands technology, Rider Hunt who has enhanced the project management and PI Group strengthened oil and gas asset optimization.

With some £700 million of cash on the balance sheet we expect to continue with targeted acquisitions under two major headings as you can see on the slide. Our sector focus is about improving our technical capabilities and critical mass in specific areas.

In our Natural Resources division, we are targeting growth in our consulting and engineering activities in oil and gas and mining.

In Power and Process, nuclear is an investment priority in both the UK and internationally. For example, our employee base has increased 29% from the first quarter compared to the first quarter -- from first quarter last year to this quarter this year.

And in Earth and Environmental we continue to be focused on enhancing our high value, high margin consulting services and building our capabilities in the water resources sector.

Our geographical focus is about being able to provide services to customers in more of the world's hot spots where we are currently underrepresented. The key regions for investment are in the Middle East, Latin America and Australia.

In the case of Australia I'm sure that you have been aware of where we have made a recommended offer for the engineering and project development company GRD. As you may have seen in a note published last week, it pointed to a potentially massive surge in CapEx in the Natural Resources sector as Australia bids to overtake Qatar as the world's biggest supplier of liquefied natural gas. We are optimistic about the outlook for Australia and for some time have been targeting this market as a key region for investment particularly in mining and upstream oil and gas services.

GRD is a great company that complements our mining business. Together we will be a significant player in this growth market and expect to secure a good share of the work in our chosen areas of operation. Together with 300 plus AMEC employees in Australia, GRD will serve as a platform for growth in this region for the whole of our organisation, building critical mass and strengthening our capabilities within the other two divisions also. The transaction has been recommended by the Board of GRD and shareholders will be voting on the deal at an AGM. We expect the transaction to be completed by around the end of October.

And so as we approach the end of the first phase of the journey I set out back in December 2006, I am personally delighted with our progress. We have delivered. We have delivered on each of our promises and have either met or exceeded on our targets. As you remember we shifted our business model from 80/20 CapEx/OpEx to a more balanced 60/40 mix. Despite the fact that OpEx margins are typically lower than CapEx, we have improved our margins and delivered on our promises. And we will continue to deliver.

Despite adverse trading conditions in certain markets, 2009 will be another year of improved performance. We remain confident about the outturn of the year as evidenced by the 15% increase in the interim dividend. We will deliver an EBITA margin of approaching 8% this year and are firmly on track to deliver the 8.5% target in 2010.

But many of you ask but what about 2011, what about 2012. I know that most of you in the room are anxious to know what will be the next phase of our development. You know that we have been working on Vision 2015 for some time. And we will be shortly finalising our plan to the Board. In December this year, I look forward to sharing with you the AMEC vision for 2015. And I look forward to giving you a clearer view of where we plan to take the company. I will also outline the strategy for each of our divisions and how they will contribute to the game change from AMEC

2010 to AMEC 2015. And I will provide the new milestones and targets which we will use to chart our progress.

So I think I'm coming to the end of my presentation. I will be letting you know by the way the date of the presentation on the December -- it's going to be around December 13, which is a date which is holy for us. And in the meantime I think I'll finish here and we would like to take the questions which you have. Thank you very much.

Question and Answer Session

Alastair Stewart, Investec

You say you're going to share your future vision in December. But turning to slide 27, just for possible hints. Was there any scientific approach to the steepness, the incline of that arrow? Because getting a ruler out points to you getting to about 10% by just after 2011. Was that an accident in the PowerPoint presentation?

Does double digits in the next two to three years sound beyond the pale?

Samir Brikho

I think we have changed this slide a couple of times actually to be honest. One time we had also about what will the numbers maybe in 2010 and the potential in 2010 and beyond.

But as you know, we are moving up the ladder and we are becoming one of the leaders in terms of margin delivery. In the future forward, we need to find the right balance between the top line growth and the bottom line. And it's going to be, let's say interesting for us in the sense of -- that we have a very strong order book today. We have never had such a quality of the order book which we have. It's not only that you have an order book of £3.2 billion but you need to see what quality of the order book. And as we are improving on the margin, so this is progressing.

We are coming to a point where we need to think about the 2015 vision is that how much we would like to grow and what will be the most important parameters in that growth which we are going to be measuring ourselves and creating more shareholder value. And of course a top line growth is important but bottom line growth is even more important. And we need to find the right balance between the two.

Alastair Stewart, Investec

You said during that slide you expect a further momentum and that looks like it's purely about margins not top line. Do you see in 2011 and 2012 further progression on the 8.5%?

Samir Brikho

I think you need to wait for December. But what we said is this business has actually potential to grow more in margins than what it is today. I think Andrew was --

Andrew Whittock - Oriel Securities.

Thank you Samir. It's Andrew Whittock from Oriel Securities. I've got two questions. If you look at the net income you've reported since the beginning of 2008, I guess it's £250 million to £300 million depending on definition. And yet cash generated from operations after tax over that period is just about zero. I still don't fully understand the difference between those, but my first question is, looking forward, when do you think you'll see a sort of adequate conversion of earnings into cash flow. And what rate do you think that will be?

And a second question --

Samir Brikho

Shall we take that question now and I'll come back to you. I think Ian should take the first part and then we can share the second part.

Ian McHoul

Thanks Andrew. I think the first thing to say is that cash is something that we're working very hard on as a business, lots of attention, lots of focus. And at the operating level, essentially EBITA after working capital, you've seen a very substantial increase in the first half, from up to £17 million from just £10 million last year. Last year was not a good showing.

The working capital outflow in the first half was £25 million. We'd like to do better than that. But typically we do see working capital outflows in the first half. And what happens in the winter months is work goes to a little bit of a low obviously. And as it builds up, you take people on, you take contractors on, you hire equipment in. And therefore there are outflows before you get inflows, broadly speaking. So we do typically see outflows in that first half.

We would then expect, going into the second half a much better position on working capital. But also, as I said, on profit obviously, but on tax. And tax is a big difference. We pay roughly 65%, 70% of our tax in the first half just because of the payment regimes in the various countries that we operate in. So I think the first thing to say is the first half is not representative of the full year. The full year is typically much stronger. We expect it to be much stronger this year also.

Overall I think there will always -- and I look at it from starting from operating profit and I work it down to operating cash, we would expect, as the business grows, we would expect there to be small working capital outflows each year, just as we continue to grow the business we invest in working capital. So some of the working capital outflows we've seen over the last couple of years have been too big, but we would still expect outflows at that level.

And then after that things pretty much wash their face. There will be some small contributions into the pension fund going forward, but they'll be the same as they've been over the last year or two. There will be tax payments and there will be dividend payments. And then if anything we choose to invest in acquisition. So I hear what you say. I understand some of that frustration. But I think, going forward, it's something that we're very conscious of and working hard to try and improve. And I think we can.

Andrew Whittock

And what sort of time frame do you think we're looking at and what sort of cash flow should we be expecting given any level of earnings?

Ian McHoul

I think it's very difficult to compare cash and earnings because for instance, the tax is so different. The cash, tax and the earnings are very different things. But I think, if you look at the operating level, I would suggest to have operating cash flow, on an annual basis, pretty close to operating profit over the next couple of years. But that doesn't mean the same, because as I said there will be working capital outflows, as revenue grows, of a modest scale. And then fixed assets is small, money into the pensions is small, interest you can do for yourself. Tax is something unfortunately we can't avoid. We're trying, working hard to bring it down. Dividends we expect to grow on a progressive basis, as I've said.

Andrew Whittock

Okay. Thanks for that Ian. My second question short one, to the point. You were talking about acquisitions and you mentioned you look for returns above your weighted average cost of capital. I just wondered what you thought that weighted average cost of capital was.

Ian McHoul

I asked three or four separate houses, banks over the last two months and they've all given me a very different answer. It's about 10% I would gauge. But to be clear, when we look at acquisitions, we do it on a deal specific basis depending on the risks of the territory and the nature of the business. But on a crude basis, about 10%, post tax obviously.

Christyan Malek - Deutsche Bank

Hi there. Christyan Malek from Deutsche Bank. Three questions if I may. First of all, your volumes or, to be specific, revenue growth into H2 and then over the next two years. Can you walk me through the building blocks to how you expect to grow that? I've seen a lot of slides around margin, but very few in terms of what exactly are the constituents that drive revenue growth. I know there's this constant balance between the two, but if you can actually qualify, if you do actually plan to grow revenue, how it is you will do that.

Secondly, underlying utilizations on your people. Obviously it's difficult to strip out the operational efficiencies within the margin you have. But can you walk me through how utilizations have changed over the last 12 months against the backdrop of reduced CapEx and the slowing in contract awards, because your peers all seem to tell me that utilizations have started dropping because they're not doing anything. So if you can give us some guidance on that.

And thirdly why is it you've not given guidance on your full year dividend and only given growth on your interim, given you've said that H2 will be stronger than H1. Can we expect you to increase your full year dividend in the same degree?

Samir Brikho

Let's take the last one which is the easiest one.

Ian McHoul

Christyan, hi. As far as I'm aware we've never given guidance quantifiably at least, or quantitatively, on the full year dividend. If I'm wrong then I'm wrong. We're 15% up at the half. I've explained that we intend to be progressive. We have a strong platform. We're confident in the business. You can assume a decent level of increase going forward. Clearly we can't commit to that. That's for the Board to recommend at the time to the shareholders. But lack of any specific, arithmetic guidance, for the full year is normal, I think. And you should assume a progressive increase.

Samir Brikho

What we can also say is that, as you remember Christyan in 2006 we had less than two times cover. And then we moved from the less than two times cover to two times cover and we're moving now to three times cover. It is, I learned this in the UK, is that you normally give a number in the first half, and you do a little bit better in the second half. That has been the historical background, at least when it comes to dividend payments. I'm not indicating that this is what's going to happen. I'm just saying this is the historical background.

Ian McHoul

And the other point is, I think, if the question maybe was around some kind of super-dividend I would put in the same category as share buybacks. Clearly right now we've flagged that we've got a strong balance sheet, and we see the best use of that cash is funding expansion and funding profitable growth, value enhancing growth, and acquisitions. So we are not intending, at this stage, a share buyback, as I've said. So obviously the dividends, which I'd put in the same category pretty much.

Samir Brikho

On the first question on the revenue growth, I think it's -- rather than speaking in general terms, I would like to give the word to Neil in order to explain, for instance, in oil and gas what actions are we taking. How are we able to drive the revenue growth in the months and years to come?

Neil Bruce

Okay. On the revenue growth, and I'll address your question about utilization too, because your question about utilization is very much around -- in comparison to our oil and gas peers. And I do think over the last couple of weeks you've seen a divergence between the utilization and the mix of works between ourselves and some of our peers. And what you all see in the natural resources group, and specifically within the oil and gas piece, is our utilization is very much up. And our mix, in contrary to some of the other competitors, is moving a bit more towards CapEx. And basically what's happening there is that over the last two years -- I think we've mentioned on numerous occasions how important customer relationships, strong customer relationships, being with the right customers which has, I think, proved to be true through the economic and commodities downturn. Being with the right customers is really, really important. And I think that was borne out with our large increase in revenue growth and margin growth in the oil sands, in particular, where generally the market was going in the opposite direction. But I think, because of the customer relationship program that we had, and we developed and we worked very hard at, we were with the right customers who continue to invest in the long term.

On utilization, we see utilization is improving. And that, I think, is reflected in some of the numbers that we have presented today in terms of our employee numbers are coming down by 10%. Yet our revenues, and more importantly our margins, our profit and our margins, are increasing fairly strongly. And that's a reflection, basically, of moving more into the front end work, doing an awful a lot of work, which is probably not that visible in terms of big contract awards. We do an awful lot of work in the front end on FEEDs, so on the beginning of projects, where we get high utilization of staff. And we get really, really good returns on that. So I think we are moving away from some of our main historical competitors, more into the front end, more into the high value areas. And that's what you're seeing reflected here in the numbers.

Christyan Malek

If I could just follow up with two questions. One to Didier on the Power and Process. Can you explain the fluctuations in revenue, particularly of H1 '09 versus H2 '08, and why it's down quite materially, and how you expect to recoup that in H2, to give you at least decent growth over '08 into '09 for the topline.

And secondly back to Neil, isn't there a risk that if your market share stagnates, i.e. your client list stays the same, and those very clients don't award projects because of all the reasons we know, that your utilizations go down? Because it seems to me that it's growing market share which is driving that utilization up. And you can pair that with you going up the value chain, but let's just assume that one of those variables stays put, i.e. your market share doesn't move, how are you going to then grow utilization against an industry that's going the other way?

Didier Pfleger

Maybe I answer the first question on Power and Process. I think since now many months, and two years, we really speak about reassessing the risk portfolio for Power and process projects. And what you have seen now is really the impact of readjustments of our project portfolio. The big projects which we had taken in 2005, 2006 are now coming to an end. And I think this revenue of last year's in fact was still supported by these projects which we are now getting into an end. And that's what I think a big part of the change is linked to this type of change in our high value services versus EPC lump-sum projects. And this also, of course, having an impact on the utilization factor because, if you look to the high value services, utilization and revenue per employee is lower than on EPC lump-sum turnkey projects. So we are getting I think the effect, the contrary effect of what the industry is doing on its business. And this should be recovered, I think, going forward in the next year once we are stabilized on our revenues. Through to our backlog, I think the strength of our backlog and the quality of our backlog and quantity is showing that we are on the right track in the change of our portfolio. And going forward we expect growth to start picking up again.

But you have also seen some impact on the process side essentially from the market conditions. And we cannot deny that the market has had some impact on this too. And depending on where the market is going next year, I think that we are working on compensating this, focusing on our key sectors. And, as Samir said, in the end, essentially on the nuclear power and other sectors. So that's our strategy. But we will speak about that a bit more in December I think.

Samir Brikho

I just want to highlight also on what Didier's been mentioning. On renewable energy, you may have read now that we have got two small contracts on the solar technologies in the US. They are very small. And I do agree with that. But this is in a way the tip of the iceberg I call it, because this business is going to grow. And it's going to be substantial business in the world. And this also creates a good opportunity for AMEC to position itself.

There are other also solutions which you have been reading about in the newspapers, whether they are wind or tidal or other jobs. And that's also creating a good opportunity for us. Bio fuels are interesting for us. It's also moving I think. But also we do bet that the nuclear is going to come big time. As I said in my presentation, we are at the moment on the nuclear side, when it comes to new build, we did the recommissioning of two nuclear plants in Canada. When these things start to build up, these are going to be like enormous, an exponential curve of growth. So there are good prospects.

And as we've shown in the business models, shown you the risk model within that P&P moving from one business to another business, so we have the transition period. And it's working well for us.

Neil Bruce

Just on the customer question, I hope when I was talking about strong customer relationships I didn't give the wrong impression that we were relying on two or three companies. There's probably two things. When there was a commodity downturn and economic crisis, part of the analysis work that we did straightaway was to analyse our customers' base in terms of basically who was going to be affected by the lack of cash in the system. So basically we went through, we analysed that. And 95% -- or the other way around, 5% of our customer base was independent oil companies or minors. So from that perspective the customer relationship piece is really important in terms of making sure that you're actually working with a wide range of customers, including some of the NOCs which we continue to expand, that basically have the plans in place and the commitment to continue to fund new developments and expand new developments. So, from that perspective, we've got a wide range of customers. In fact if we go from 2006 through to today, we've probably got -- 50% of our business is probably with double the major oil and gas and mining companies than it was in 2006. So we continue to expand that.

But the point I was really trying to make is there is huge headroom for us in lots of areas, in geographic areas and the areas that Samir talked about in terms of South America, the Middle East and Australasia. And what we need to do is find ways of being able to deliver in these local areas to these customers. So I don't see any lack of opportunity. We need to make sure that we're investing in the right areas, whether it's through joint ventures, acquisitions, whether it's through partnering, or whether it's through organic growth in these areas, in order to be able to continue to expand our revenue base, which is one of our objectives. We want to continue to do that without diluting the margin.

Alex Brooks - UBS

Hi. It's Alex Brooks, UBS. I've got a couple of question on P&P again, just coming back to this revenue decline. Based on what you've said, the implication is that the lump sum revenue has dropped by about £100 million from first half '08 to first half '09. Furthermore, given that you've just booked losses on these contracts, I guess it's fair to assume you were booking no profits on them this time last year. And two questions. Is that right? And secondly, what's the magnitude of lump sum in the first half of this year, and in the second half of last year when they were equally -- presumably saying that over the last year there was still reasonable revenue.

Samir Brikho

Ian can answer the question.

Ian McHoul

In broad terms, last year lump sum on the specific four contracts that we talked about, the problem contracts, it's give or take £100 million. You're right. It did flow over revenue into the second half to some degree. The revenue in the first half of '09 was small. And therefore, when we get into the second half we will start to be lapping the scale down if you like. So as I said the year-on-year impact of those contracts winding down will be much less severe in the second half than it was in the first half. So that is correct.

And the other point about did we -- we've taken a £7 million loss on those contracts in the first half. So we certainly didn't book any profit in the second half -- in the first half on them. Last year in the first half, I'm not sure, but it would be -- I can't imagine that we made much profit. Modest, is the answer.

Alex Brooks

The second question was, the order backlog nevertheless in Power and Process is up quite sharply. And that implies that the contract duration of those contracts has gone up a lot. Is there any change in what you've been bidding on, or the kind of contracts you have, that means you've got that better visibility?

Didier Pfleger

As we said we are, I think, changing the portfolio. The portfolio is going to more high value services like nuclear or in other sectors where we have more long term contracts. And you have seen the National Grid contract we have taken in the US, it's a five year contract. And that's what we are doing in the UK in other areas. So these are the type of examples of contracts we're trying to get to move forward, and moving away from the short term, high risk contracts into a more long term, more visible and higher margin type of contract.

It's not our only strategy, but it's a big part of our strategy moving forward. And you're right, the duration gives us more certainty on the incomes moving forward too.

Alex Brooks

Okay. I've got two more questions. One for Neil and one for Ian. Neil, clearly part of your strategy has been to focus on big customers who, you believe, are more stable and likely to be more resilient through the downturn. Firstly, can you quantify what portion of the backlog is still with smaller independents who are very much the eye of the storm of where the problems are. And secondly, would we therefore be right to expect your revenue to be much more resilient than peers who rely very heavily on those independents?

Neil Bruce

As I said before, when we did the analysis work, and it was last --

Samir Brikho

December.

Neil Bruce

December, yes. So November, December. And then we continually update that on a bi-weekly basis. It was less than 5%. So 5% that was independent oil companies and minors. So from that we then did an analysis that said well, in the worst case, if 20% of them were to find it very, very difficult to get cash in financing, then that would have an impact of -- you can work it out. So you take 5%, 20%. So pretty small, pretty modest. And we have the ability with the larger customers which includes -- by the way I'm not just talking about the Shells and BPC Exxons. I'm also talking about some of the larger, more robust NOCs, and more developed NOCs too, if we are -- we've grown that too. And we've been able to more than offset the downturn there. So from that perspective, it's less than 5%. Of others, you probably need to ask them where they are with all of that. Probably not right to comment on what others are up to with their business.

Alex Brooks

Thank you, Neil. And finally for Ian, clearly the point at which you were doing -- making the decision about the rate to accrue the pension costs was a point where equity markets were somewhat lower than they are today. Should we therefore expect that charge to reverse on the questionable assumption that equity markets stay stable for the rest of this year?

Ian McHoul

The hit on pensions is not to do with the rate at which we accrue pension costs. In the pension fund we have a bunch of assets and we have a bunch of liabilities. The costs are a function of the liabilities and are largely unchanged year-on-year. What the pain in the pension fund accounting has been is the return on assets. What you do under IFRS, you take the assets at the end of the previous year and the expected return on those for the following year. And that drives your P&L for that following year, irrespective of what actually happens in the year. So the assets at the end of '08 were some £100 million lower than they were at the end of '07. And the expected return, on average, was some 0.5% lower because of what was going on in the marketplace. So you take assets of £1.2 billion against £1.3 billion, down £100 million, and tied to that by an expected return aggregate which is, on balance, half a year -- 0.5% down, that's what drives the reduced credit. So it's not to do with our liabilities. It's not to do --

Alex Brooks

But the return on assets will be down.

Ian McHoul

Yes. So, as we get forward -- I mean I'm not going to sit here and predict what happens on December 31st, 2009 because it, frankly, is that facile. But that's what happens. We look at what the assets are on December 31st and what the expected return on those assets is in 2010. And that will drive where our P&L credit will come for 2010. Looking at where they are in the market now, I would hope we might see some improvement. But I'm not going to predict.

Alejandro Demichelis - Merrill Lynch

Good morning. Alejandro Demichelis from Merrill Lynch. Two questions if I may. The first one is maybe you can give us the scheduling of the backlog, how much is for execution second half, next year and so on.

And the second question is, coming back to your margins, if we strip out those one offs, the pension and the problems in the contracts in Power and Process and so on, your margin seems to be quite close to the guidance that you're already providing. And then you're talking about around £40 million contribution from the operational excellence into next year. So the question is, is it that we're seeing the new contracts having much lower margins than the ones that you have in the backlog, that you're guiding towards that? Or should we assume that this is just a conservative guidance that you're giving us.

Ian McHoul

Next question please.

Samir Brikho

Why don't you take the first question?

Ian McHoul

The backlog, without answering your question specifically, pretty much any time you care to look at that backlog, irrespective of half year or full year, any time, broadly we would expect 40% of it to come in the next 12 months, 30% to come in the 12 months after that and 30% to come in the period after that, which is more than a year obviously. That is pretty much as we see it now. And what we'd expect. So the situation is largely as it has been and what we would expect.

We've given you what the backlog is. We've given you a 40/30/30 split. If I give you too much more, we'll probably give you a revenue forecast. If I give you the coverage, it gives you pretty much a revenue forecast for the second half and for 2010. And given the margins, that becomes a profit forecast. So I'm not going to give you the cover. But I think the key thing is the profiling of it is 40/30/30, that shape is pretty much -- what we see now is pretty much what we'd expect to see.

Samir Brikho

On the second question, I do not know where to start. I'm going to end, and we're going to end with not answering the question. Let me share with you some of the stuff. Really, if you go back to the, I call it first phase of our journey where we're coming from, compared to first half of 2006, we tripled actually the profits in EBITA terms. We've tripled the profit. When it comes to margins we've moved from 3.1% to 7.5%. It's two and a half times growth from where we were. And as you remember, not so many people believed in us. But what is important, actually, at that time we were representing -- and that's why I'm a little bit going back -- is that there were a lot of questions whether this is like a pipe dream or this is a wish, or this is a hope, or there is a plan. And what we told the market, look we have a plan because the beauty with the work which we're doing -- and we said that at that time irrelevant about what's happening in the market. We did not know what's going to happen in the market in 2006. Nobody knew what's going to happen that in 2008, the late 2008 and 2009 would be going to be a difficult year. Nobody knew that, yes. But maybe only the [indiscernible] did that. But very few people in the market knew that. So what we have been saying is that we will need to take a lot of our own initiatives and we are able to drive the margin.

That question of yours, if I take out the P&P and I take the hit out from the pension, I'm achieving actually already the 8%. Yes, your calculation is right. We will be achieving the 8%. What we have committed is that we are going to achieve the 8% by the end of the year. Now did we target 8% for our own people? We give them much higher target than that because we want to be sure that we are going to approach that 8%. The same thing on 8.5% for the next year. The 8.5% is not the ceiling. That's what we have communicated to the market. That we're going to deliver.

And if you go back to our history, now for 11 quarters, we have delivered better quarter after quarter. And we hope to continue with that. I'm not going to make a record of how many years but that's what we do. That's what we intend. We have a good driver in the business. We see our CapEx and OpEx is in very interesting mix today. It has helped us quite a lot in this bad market. Imagine with me that we have a recovery in the market. And imagine our mix is not going to 60/40. Imagine our mix going to be 75/25. And everybody knows that CapEx margins are much higher margin that OpEx margins. We are giving you an indication, but there are different scenarios.

Today, which I think is a good story of AMEC, we said despite all what's happening out in the market, and everybody is getting the big bit on about what's happening in the market, and a big hit, but despite that, through the relationship which we have created, through the geographical presence which we have, through the harmonised tools and processes we have, through our motivated people which we have, today we are able to generate more business compared to some of our peers. And we are able to make much more money than many of our peers. And I think that's a good story.

Alejandro Demichelis

So in terms of the orders that you see in the market, are they kind of similar margin today than what they were six month ago or nine month ago or a year ago?

Samir Brikho

The Operational Excellence, what you discussed about, it was an investment in 2007 when we started with Operational Excellence. We did not get any benefit out of it. On the 2008 there actually was significant benefit out of it. As we are moving in 2009 we've seen more benefits coming from the second half than the first half. And we see much more coming on to that. So even if the margins -- because I cannot guide you there -- even if the margins are the same as it was before, than it is now, I would be able to improve my margin simply because my Operational Excellence is giving me a much better than what I did before. And that's, as I said, that's the beauty of which we are doing.

Alejandro Demichelis

That's great. Thank you.

Andrew Dobbing - Cazenove

Yes, hi. Andrew Dobbing from Cazenove. A quick question. I believe you're bidding on a nuclear new build project, I think it's in Abu Dhabi with KEPCO. Can you give us an update on that project and let us know if you're bidding on any other nuclear new build projects.

Samir Brikho

So the joint venture agreement which we have with KEPCO, we are looking on a number of possibilities, both in the Middle East and other places in the world. I cannot communicate more on that because it's still, let's say, not public. Sorry. Sue, correct? I'm sorry, Andrew I cannot comment more on that. I'm sorry.

Alastair Stewart - Investec

Alastair Stewart from Investec again. A couple of nerdy questions for Ian, nothing personal. First of all on the corporate line, it was some £18.8 million, up from £17.3 million in the first half last year, but down from £20.1 million. Is there going to be any impact from Operational Excellence on that line? Is there anything in H2, any big moves in H2 to worry about? Or would doubling that number be the reasonable assumption for the second half.

And the other question is on net financing. You've got an average net cash of just under £700 million. You said there's a 1% yield which suggests £7 million. It was £3 million. The £4 million non-cash impact, could you talk us through that. And is there anything on the non-cash IFRS side to look for in the second half?

Ian McHoul

I've a couple of nerdy answers for Alastair. First of all, the corporate overhead is up a little more in the first half than you might expect just because of Operational Excellence. The costs are more than the benefits on that line. And that's all that is. And going to the second half, there are no big funnies in there. So you should expect the same sort of trend. There's nothing odd there.

On the net financing, the £3 million is the interest in the first half. So double that up, you get £6 million. And 1% times £700 million is £7 million. And I'm out by £1 million somewhere, but I hope you'll forgive me.

Iqbal Nasim - Nomura Securities

Good morning. Iqbal Nasim from Nomura. I was just wondering if you could give us an idea of how backlog has moved over the last couple of months. And how confident you are of maintaining the reported backlog level out to the end of this year.

And perhaps a related question is, clearly your 8.5% margin target for next year is based on some internal assumption about revenue. I was just wondering if there has been any change in that internal revenue assumption since, from the first point that you issued your 8.5% guidance to today.

Samir Brikho

We can share on this one. But the first thing is, you know we gave the backlog in the order book in December last year. So we have that information. And what we said at that time, it was -- sorry.

Sue Scholes

[Indiscernible]

Samir Brikho

It was £3.3 billion. So that's now £3.2 billion. And what we are saying today is that we have a higher quality than what we had in December last year. Now going forward, was that the question? That's the one which I cannot answer I think.

Iqbal Nasim

I was just wondering what your --

Samir Brikho

But did we change on order -- so, are we dampening the growth in a way for the sake of margin? No we're not doing that.

Iqbal Nasim

Okay. But you can't comment --

Ian McHoul

On the revenue, you say have we dampened our revenue expectations from when we first set the 8.5% margin? The answer is a little. I mean, we talked about the process industries in P&P for instance, they are down on what we would have expected when we set that number. But in general terms, it's modest only.

Samir Brikho

And we said also -- by the way I'm going back to my slides, I'm thinking about what can I say, what I cannot say. I said that you should not be surprised when you see many of the new orders coming up in the next 12 months. So I think we have very good prospects coming up online.

Iqbal Nasim

Okay. Thanks.

Samir Brikho

Okay we're coming to an end. Well I thank you very much. AMEC has been performing, is going to continue to perform, now and in the future. Thank you very much for your interest.

[End]