

AMEC plc YEAR END TRADING UPDATE
8.30am 14th January 2009

Speaker key

| | |
|----|--------------------------------------|
| SA | Sarah [call co-ordinator] |
| SB | Samir Brikho, Chief Executive |
| IM | Ian McHoul, Chief Financial Officer |
| PL | Philip Lindsay, RBS |
| AS | Alastair Stewart, Dresdner Kleinwort |
| AD | Alejandro Demichelis, Merrill Lynch |
| CM | Christyan Malek, Deutschebank |
| FM | Fiona MacLean, Citigroup |
| AW | Andrew Whittock, Oriel Securities |
| JB | Jon Bell, Shore Capital |
| GD | Gilliaume Delaby, Societe Generale |
| AB | Alex Brookes, UBS |
| NS | Nick Spoliar, Altium Securities |
| IA | Ian Armstrong, Brewin Dolphin |

SB Good morning, and welcome to our conference call, giving you our 2008 year-end trading update. On the call today, the chief financial officer, Ian McHoul, Sue Scholes, the director of communications, and Neil Jamieson, the director of investment relations.

First of all, I hope that you have had an opportunity to look at our announcement, issued earlier today. Since the time of our interim management statement in November, there has been continued evidence of the deteriorating global economic climate, and we acknowledge that ongoing market volatility has resulted in reduced certainty about customers' discretionary spending plans for the next 12 months. But despite these extreme market conditions, I'm delighted to be able to report today that we'll continue to view the future with the same measured confidence we saw last November. And we expect 2009 to be another year of improved performance.

We know that the focus of your attention today is our view on the outlook. Now allow me for a moment to reflect upon what has been another year of record performance for AMEC.

We have continued to see improvements in our divisional margins and confidently expect group capital margins in 2008 to be approaching 7%. We have continued to invest in our operational excellence programme; it is now producing benefits, and will be the major contributor to further margin improvements over the next two years. Through our internal initiatives and selective acquisitions, we have continued to improve our competitive position, and since the November IMS we have been awarded a number of milestone contracts. Some of this was BP, KMG, and the UK Nuclear Decommissioning Authority, you know about. But last night there were two further milestone contracts that we were unable to disclose at that time.

At AMEC we greatly respect our customers' preferences on disclosure of certain of their projects. Whilst we would, of course, like to be able to share details of all awards with you, I regret that, until such a time as our customers decide to make these contracts public, we had to maintain our silence and confidentiality.

However, recognising the importance attached by the market to the transparency on our order book, I'm delighted to say that overnight we have managed to gain approval from Imperial Oil to announce the Kearl contract in the Canadian oil sands, details of which were released at the market just ahead of this call. This is a milestone contract in every sense, and confirms our leading position in this long-term growth market. I would add that this, together with all our contract awards, is hugely gratifying and demonstrates the increasing recognition that today AMEC is possibly the best army of engineers, project managers and consultants in the world.

Moving on now to the balance sheet; our net cash position remains extremely strong with over £750 million net cash at the end of the year, as expected. And so, moving on to the outlook; we do acknowledge the ongoing risk that customers may curtail their capital spending plans. However, our order book has good visibility for 2009 and beyond, and there remains a strong and diverse range of attractive prospective contracts across the group.

However, we continue to expect improvements in the EBITA margin over the next two years. Driven by our own internal initiatives, the 2009 investment in operational

excellence is expected to be similar to the 2008, at up to £10 million, but this is expected to be more than offset by benefits during the year. And our exceptionally strong net cash position gives us flexibility to make further selective acquisitions, with the focus on improving AMEC's competitive position through investment in people, capabilities and geographic footprints.

We acknowledge that things generally remain uncertain. However, our chosen end-markets continue to provide a strong and diverse range of prospects, and we remain confident that we will continue to improve our competitive position and levels of performance.

And so, in summary, we continue to view the future with measured confidence, and expect 2009 to be another year of improved performance. And I want to reiterate that all of our contract awards are hugely gratifying for our army of engineers, project managers and consultants around the world.

Before taking your questions, can I remind you that this conference call will be available on demand later today at our website, [.amec.com](http://amec.com)? And so at this point I will be pleased to take your questions. Sarah, may I have the first question, please?

SA Thank you. The first question comes from the line of Philip Lindsay from RBS. Go ahead, please.

PL Good morning. Can you just confirm that the Power and Process backlog improvement from the November IMS, that order book is being replaced with higher gross margin work? And also just thinking about how you've been able to increase the order book that much in such a short space of time, and given that, in terms of the Sellafield contract, I'm aware that there's a lot of associated revenues with that, can we attribute most of that increase to the North American power transmissions contract?

SB Well, thank you very much. If I understand your question, what you are looking for is where the order book is coming from on the P & P, and how are we able significantly to improve on the order book in the last month. As you remember, when we started with our presentation, I'm sorry, to go back to the 2006, it says it's a P & P business; it's a business which we did not have under control before. There

was a lot of focus on volumes rather on profitability and margins. They were contracts which had, [audio stutters].

SA We have a question from the line of Alastair Stewart from DKIB. Please, go ahead.

AS Hello, everybody. Three questions, please. Was the Imperial contract just announced earlier today, was that the contract referred to in the statement as another contract in North America being undisclosed? Is that the same contract, because I think if I heard you right on the conference call, to me you referred to two major contracts undisclosed? So that's a first question. And then any clarity you can give on the Kearn Oil Sands contract, that would be welcomed. Secondly, you say, in the year to date that there's been insignificant cancellations during the year; you acknowledge the ongoing risk that customers may curtail capital spending; but have you actually seen any substantial evidence of that to date, or is that just that you're looking forward and highlighting the risk? And, finally, if you could give any sort of colour to the Korean agreement yesterday, there was a press release that gives a sort of feel for where this might take the group on a two-, three-, four-year view?

SB Thank you very much, Alastair, for your questions. I hope that all you hear me well?

AS Yes, it's much better now.

SB Okay, very good, okay. So, to the questions which you have, Alastair. The first question on Imperial Oil, yes, this is the one which we have announced on the natural resources in America; this is effectively the same one.

AS Yes, fine, and I think you mentioned there were two large undisclosed contracts; was I mishearing or not spotting something in the statement?

SB That's true, because now we can announce one and the other one is still confidential, which was not announced.

AS Is that a US...? Can you say what part of the world...? It is natural resources, I presume?

SB No, one has been the natural resources, the second one is the Power and Process.

AS Oh, right, so it is. Yes, all right, fine.

SB And this is also in North America and it is in power transmission.

AS Power transmission; great.

SB But we're not allowed to disclose...

AS Yes, fair enough. And the second question: evidence of cancellations?

SB The evidence of cancellation: as you remember in our November statement, what we have been communicating with the market that I have installed, I call it in AMEC, a tsunami warning system, which we were following in detail in many aspects on about which are the businesses which have been seeing any cancellation or postponements first in the order book, to in the [?] of projects. And I mentioned to the market that we are able to see it from a division point of view, from a region point of view, from a client point of view, from a technology point of view, in order to give us a better assessment on what has been working well, what is not working well, where are the risk areas, which clients are maybe postponing more, or moving more. And, as a result of that work, we have seen that, for AMEC, on our end market we have not seen any significant delays or significant postponements, and therefore we have been moving forward with measured confidence. The measured confidence is coming out because we are measuring these things; that's why we call it measured confidence. As we are moving forward, we do need to monitor this on a weekly basis; so I get a weekly report; and I can tell you, on the last two prints in four or five weeks, I did not get any alarms at all of any of the projects which have been cancelled or postponed. So, the third question on the Korean: I think this is a great, actually, opportunity for AMEC to be a player in the area of nuclear. As you know, that KEPCO has an engineering company with KEPCO which has been responsible for building more than 24 nuclear power plants in Korea, of which the last 18 nuclear power plants have been built on budget and delivered earlier than the time schedule. So the Koreans have been delivering a lot of technologies, which they are very proud of, which everybody is taking a look on, to see about what type of learning they can get from the Koreans and enable the world to deliver better on their projects. And we

have been able now to come to an agreement with KEPCO to work on the nuclear, but also to work on CO2 capture, and also to work on renewable energy. And that is not only for the Korean market; it is for the Asian market, so that gives us a very good entry into China and Japan, and other places. And that will give us also possibilities, let's say, in other places in the world when it comes to the power business. When it comes to the gas business, as we know, KOGAS is the largest importer of gas, to my knowledge, in the world. And they have a lot of projects within Korea, but they have also a lot of asset developments outside Korea, which they would like to have our support, that we can put the things together and develop projects in the world, which I think is a very exciting future for both the Koreans and ourselves.

AS And have you any idea whatsoever when you could start seeing ends and contract wins on the back of that?

SB Well, I mean, we signed the agreement...

AS Only yesterday.

SB Just yesterday. Of course, we have in mind a number of projects which we have been looking on both sides, and there is a discussion taking place, which I cannot disclose yet, about which are the projects which we are going to focus on, because that will be too early.

AS Sure, thank you.

SB Thank you very much, Alastair.

SA The next question comes from the line of Alejandro Demichelis from Merrill Lynch. Go ahead, please.

AD Yes, good morning, gentlemen and Sue. Two questions, if I may: the first one is: you have a fantastic backlog here; maybe you can give us what's the schedule of the execution of this backlog; how much is for 2009, how much for 2010, and how much beyond that? And the second question is: you're acknowledging what are the headwinds out there; what's your comfort in terms of maintaining this kind of backlog as we go into 2009?

SB Well, I mean, thanks, Alejandro, for your question. As you know, I mean, the whole world has been, obviously, very nervous about, let's say, which companies have a very good visibility on their order books for the years to come, and with this strong order book, as we have ending in 2008, we have a very good visibility, not only in 2009, it goes beyond that, it goes for 2010 and even beyond. Now, how much of that is going to be 2009, 2010, we have not been communicating to that; we have been telling, all the time, the market that this type of project, they go for figures as they see it. So that is the backlog facility which we have. Does that answer your question?

AD Yes. So let's put it in another way. For 2009, I mean, how much of your man-hours are already covered with this backlog? I mean, do you still need to get more contracts to get your workforce fully utilised here?

SB Yes, let me put it like this, Alejandro. I know exactly what you are looking for. I cannot answer that question in the way in which you would like to have, but let me answer it in a different way. The order book is so strong that it is, compared to the 2008, which we were quite confident, is equal, if not better.

AD Okay, that helps.

IM Alejandro, hi, it's Ian. And the other thing you could say that may be helpful is that if we look at where the order book is and what percentage of our expected sales next year are covered by the order book, or indeed this, that is broadly in line with where it's been historically.

AD Okay, that's fantastic. That helps. And in terms of how comfortable you are in terms of being able to maintain or grow this backlog as we go further into the year?

SB I think it has been a very interesting journey, Alejandro. Let's go division by division just to help to understand it. If you take a look at the Earth and Environment, you have been seeing that these are the guys who have been doing fantastic improvements in the 2008, in our November statements. The P & P, I was mentioning before that we had issues with the disciplines and the competence and the relations, and we have been able now to build it, and now we're seeing that they are getting good contracts, good high-quality contracts with good margins, which we are happy with, and which we are ready to implement and take the value to our

customers. So we see now the P & P business is coming back on line. I used to say, in the past, that you will not be seeing this for the second part of 2009. I'm happy or delighted to inform you that we have already started with this and we are starting to see the benefits of this already in the last couple of months in 2008 at a time when it's so difficult, actually, let's say, to get a good value project. Now, on the natural resources, I mean, you saw the order book; it's just getting stronger. We continued the deliveries which we have been having; our clients really see that AMEC is able to differentiate itself between AMEC and its peers, and we are benefiting out of this. And, so, I'm happy with the situation which we have, and therefore I say I look unto the future with a very measured confidence that this is going to continue. I mean, a real thing is that in the natural resources, which is, as we have seen, a very good order book which has been moving properly. I mean, this is both an improvement from the year before, and I would say this is taking a very, very strong [audio stutters] growth, value and [audio stutters].

AD Okay, and more a follow-up: are you still recruiting people? Are you still planning to increase your workforce?

SB Yes, I mean, that's what we have been doing, and what we're doing, Alejandro, is we have also communicated to the market that we've been adding, let's say, some 9% to 10% of the respective divisions on a number of employees [?] on a year-on-year basis. And we continue to do this on a constant basis, because we would like to improve all the time the qualifications of our people. We are also, I call it deputating [?] all the younger generation also to continue with the path which we have, and also need to have a lot of people also to deliver on the projects which we have on our order book. At the same time, what we are doing is that we would like to maintain a very high flexibility in [unclear] people and also having people working for us on contracts in the workplace so that if something happens, so we can actually have a proper workforce, one that's [unclear].

AD Okay, that's helpful. Thank you very much.

SB Thank you.

SA The next question comes from the line of Christyan Malek from Deutsche Bank. Go ahead, please.

CM Good morning, gentlemen. One question, quite simply: I mean, it's an excellent backlog number; visibility could not be better, but what I'd like, perhaps, for you to walk me, because of the constraints of your ability to disclose new contracts, is how exactly you can ensure or the rates, or, how we see it, margin, remains sustainable? I mean, the oil price has gone down by a \$100, I can't understand how oil companies won't want to mark to market that with the price they pay for your staff and your engineers. Again, within the structure of these contracts for the next two to three years, can you assure us that that will not materially impact you, as we are starting to see across the entire oil service group? And perhaps relating to that point, two or three NOCs, amongst many, have already started to show cracks within their funding and ability to source credit. Given you are relatively more exposed to those types of NOCs, again, are you not concerned that the contracts that you have in your backlog now do not get renewed within a year's time on the basis that these guys can't actually afford to pay you?

SB Yes, thank you very much, Christyan, for your question. You have a number of questions, so let me start to answer your questions by going to what we have been doing. The first thing; if you take a look on AMEC's business model, our business model is based on a reimbursable against KPIs, which means, actually two good news: I'm not in a lump-sum where I could be frozen with a lot of volatilities up and down, and I'm also not on purely cost plus where actually the upside or the downside is limited. Here I'm becoming a partner in the way of our clients, and by becoming a partner with our clients, we're taking together the challenge in a way that delivers projects on time, on budget and without any hurting of the environment, hurting people. And, by doing so, we have an upside if we do things correct; and that's what we have been doing, is that, to capture and share some of that benefit, let's say, with our clients. If you take a look on AMEC, you can say we have been lucky. In 2006, when nobody in the industry has been speaking about cutting down or trimming down of the organisation, or making a restructuring, that is exactly what we have done; and that's what we have gone through. Now, what does it mean in today's terms? In today's terms, even if you sitting hand in hand and working maybe on the project in a joint venture with one of your peers, we are able, through our own initiatives, to keep more cents for the dollar. So that means we are getting more profit than actually versus our peers for the same type of work, the same type of job. Why? Because our organisation is lean and mean, let's say, because of this move outside the organisation outside that. Now, what does this mean? Now, you asked me about the question on the visibility. Now, this contract that you have been signing, and also

some of your peers have been signing lately, because they are on the same terms as they were before, so that means that we are locking the prices for actually a couple of years with the same conditions as we have today. So we have not been getting a pushback from this contract which we have been signing lately, that we'll need to do a major thing when it's [?]. Now, this is the visibility for the future. You asked me then the question: is that going to be maintained like this? Well, I tell no, that's not the case. That's not going to be like this because what happened is that, as oil prices are coming down the cost also needs to go down, and we are able to manage the cost with our clients, and we do advise our clients, actually, as we are their engineer and the project manager, and about how are we able to go to many of the contractors with this work and tell them that the equipment prices are needed to follow to go down, as they need to follow the commodity prices. So this is the type of course which we do, and we advise our clients on also how better to implement on their projects. And back to the NOCs, I mean, there are different NOCs; we have the sensitivity on there are large NOCs, there are medium-sized NOCs, there are small NOCs. They have a different agenda, they have a different ambition. Some of them are continuing with the plan because they have no other choice. Some of them are taking a look on a very long-term, a look on the oil and gas in future, and therefore they continue some of the investments. And some of them are wanting to find financing while they need maybe to wait for sometime before, let's say, the market is a little bit better.

CM I think, perhaps as a follow-up, I mean, I can understand how you could be higher in absolute terms of margins, but the momentum, the fact that you could sustain or potentially go down, based on existing contracts with lots of prices and new contracts. I guess the question mark is for the new contracts. If your subcontractors have been asked to lower their prices, I can't see how you won't be asked to lower your prices. The engineering rate has gone up so much. It just naturally follows that you'll be equally as elastic on the way down.

SB There are still, but the thing is that as we have been doing a lot of work internally, so we have been able save, to reduce our costs and we have no problem actually to share some of the takings with our clients. As they give us the possibility to make money with them when they are able to, let's say, get their project on time on a budget, we have no problem actually to share some of the benefits that they have when we've cut down on our costs. The thing that's happening in the industry today, in general, I'm not speaking about only the E&C and the energy sector, I'm

speaking about the industry as a general, there are very few companies that despite all the crisis that's happening today, are actually going back and are saying, you know what, I need bite the apple and I need to do something about it. And people are not working to reduce their cost. We have been working on this for three years. And we have been preparing ourselves, and therefore we are able to manage this type of, I call it cycles, and up and down turns, I think, better than some of our peers [?].

CM Brilliant. Thank you very much.

SA The next question comes from the line of Fiona MacLean from Citigroup. Go ahead, please.

FM Thanks, hi. Could you talk about the level of cost inflation you've seen in 2008, and how you see that in the next couple of years? And, also, can you talk about the trends that you've seen in oil companies or tax spends in particular in the North Sea, and especially in the last three months?

SB Well, I mean, as you know, since October there has been a major shake up to the system, so whether it has been the North Sea or anywhere in the world, so, I call, let's say, in October and November we have been seeing very little movement on the Capex, it has been more and more movement on the Opex, as you know, in the North Sea. So there are a number of companies that have been making a number of investments, but it has been mainly on the Opex, and that continues. And what I've been seeing in the past is that, this is my view and I may be wrong, but I said there are a lot of sharks in the way of the feed, so if you start to take the water out from the pond, and the waves, so the sharks would start to eat each other. What I see is that there will be a number of smaller companies that will be, let's say, going through a consolidation, but the level of the investment on the Opex on the North Sea in the three months, at least seen from our point of view, has not been declining. But what we want to see, and maintain, is that we are keeping a margin on this type of business. We have communications with the market, as I said, during making of outcomes, 7% on the Opex and some 13% on the Capex as an average for our business of natural resources, and we would like to improve on that, and through our own initiatives and also through our discussions with the market. But do we get the pushback on the three-month date? Actually, no. On the Opex side it has continued, on the Capex side, there's a normal cycle that goes up and down, but nothing which we have seen as a major shift which we have been going through. Now, for the first

question of yours is that, so what type of cost inflations we have been seeing in 2008. Actually, we need to make this calculation, because before summer 2008 we were at a number, and after summer 2008, up to October, there was a second number, and October to December, there was a third number. So as soon as we will do this calculation, I think I will be able to tell you that number, so we'll follow up with you on this one about what was the inflation at the end of the day seen from us, or calculated by us, for the 2008.

FM Okay. But can you give an indication of what type of levels we're seeing for this year and next year?

IM I mean, if you remember, our costs are all people-related, and it's salary and remuneration, and it varies tremendously by country and even by area within country, depending on the degree of activity. For instance, in the oil sands there in Calgary, our rate of cost inflation's been very high. There's been a bit of pressure on activities, we know, and that's caused a bit of alleviation on the rate. If you look, on average the next year where do we think wage and salary, inflation, will be: in some areas it'll be 3% to 4% and others it'll be 5% to 6%. We can't give you a definitive answer. It depends on the mix of business. So, remember also, remember also what he said, that most of our contracts are moving towards reimbursable.

FM Okay.

SA The next question comes from the line of Andrew Whittock from Oriel. Go ahead, please.

AW Good morning. Just two or three things I'd like to clarify. First, on the Kearl contracts, and I may have missed this earlier, is it possible to give us an idea of the value of the contract or when you will start working on it?

SB Hi, Andrew. Everybody is telling me, don't tell anything here.

AW I thought that was just me you didn't tell.

SB Specifically for other people on the line. No, it's very clear, Andrew. I tell you it was very hard. I was up to 11 o'clock yesterday evening UK-time, when we have been able to get some type of message and some type of statement which we just

released, actually, before this call today. So I'm very sorry, Andrew, I will not be able to give you neither the value, nor the time-frame, nor who is going to be involved. But what we have been able to say, we have said it. Unfortunately, I cannot say more than that. What I think is very important, you know that our activities with Imperial and also with Exxon is very long, we have been doing a number of project, whether it has been in Africa, like Kizomba A, Kizomba B, we have been doing a lot of projects, even with Russia, we have been moving. Also we did in different places, in Gulf of Mexico we have been doing also work for them, feed work for the Kearn job, by the way, in 1999. So this is a follow-up, let's say, on that one, and I think it is just unknown, as I say, at this current stage that certain customers in this work has tried all the volatilities of the commodity prices which we are seeing, are willing, actually, to go out and make actual investments.

AW Okay. Could I move on to a couple of other things? You've implied that you'll at least meet your 2010 margin target. Can I just confirm that that means that we should be looking for higher margins in each of the businesses in 2009? And my other question just goes back to the Sellafield contract, and I just wondered if you...

SB Let me answer the question, is yes.

AW Okay.

SB So, what was the third question?

AW The third question is just going back to Sellafield, and again, I think we may have missed something on the earlier line. Could you just talk about whether or how the Sellafield contract gets into the backlog?

SB Well, maybe Ian would like to say some more about this.

IM No is the answer: it doesn't really, because it's equity-accounted. We have a significant minority participation in the consortium, as you know, and therefore what we do in equity accounting, we take our share of profits and our share of dividends which doesn't go through the top line. There's a small amount that goes through only, but for all intents and purposes, you can ignore it as far as backlog is concerned.

AW Yes. Okay, that's fine, Ian. Thanks very much.

SB Thanks, Ian.

AW All right. Thank you.

SA The next question comes from the line of Jon Bell from Shore Capital. Go ahead, please.

JB Yes, morning, Samir, morning, everyone. You made a couple of references or a reference in your statement to acquisitions. I was wondering if there is a particular area of focus that you have. Perhaps you could shed some light whether it would be across all three main divisions. And, secondly, are you seeing vendors moderate their price expectations in light of the current economic climate?

SB Thank you Jon, for your question. On the first question, I'm thinking now of the second question, but now I need to answer, however, the first question. On the first question, is we have already been sharing with the markets about which are the priority areas which we feel that we need to continue investing on. And we mentioned some of the players which we said that are of high interest for AMEC. One is a natural resources area, two is the nuclear area, which we found that this is very important, and then also in combination with some certain geography in the world, for instance, areas like Australia, Latin America is very interesting to us, [?] is interesting for us, and this is things which we have been looking at for some time. Now, as you have noticed, we have been very thorough, very conservative in turning the pound 100 times before we spend it, because we needed to be sure that we are creating value to our shareholders. So there was a nervousness, remember in 2007, from the market because they thought that as soon as we get the money, we're going to spend it unwisely. Now what we are doing is that, taking a very thorough look on what's happening at the markets and what types of opportunities it generates with it. And this is very interesting; we are seeing some of the things which in the past were considered maybe as not that interesting, but today they look interesting, but we have not made our find on any of them yet, otherwise we would have been making some type of communication. To the second question, you would like Ian to take some of that, or...?

IM Yes. I think the answer to the question is yes; we have seen spenders moderating their views. You can all see what's happening to share prices around the world, and the fact that many of our interesting acquisition prospects are private companies, what's going on in the public market, has an impact. So, yes, we do see that. Equally, we've got to be aware of the cost of finance for ourselves. And so what was the vendors' price that may be coming down, we've got to have a look at our cost of funds and make sure whatever we do, whatever the price is, that it makes sound financial, as well as strategic sense.

SB So, does it answer you question?

JB Yes, thank you very much.

IM Thank you.

SA The next question comes from the line of Gilliaume Delaby from Societe Generale.

GD Yes, good morning, everybody. Maybe I missed something, but could you give us a little bit more flavour about your Korean joint venture that you signed yesterday, maybe not the value of the contract, but what kind of contribution, I think, more or less the same question, we can expect for the next two or three years on that?

SB Well, a little bit about Korea, so Korea, they have a utility which is called KEPCO, it's like EDF in France. It is the [?] on the utility and they have thousands of megawatts installed on their grid, and we know they need to have power to almost 45 million people in Korea which are also highly consuming and there is an industry working there so they have more than 100,000 megawatts of installed capacity. And they have been working a lot actually on the nuclear field, and also they have been working on the renewables, very simply because they would like to cut down on the cost of imported energy, because they import almost 90% of the energy in Korea. So these guys have been working very hard for the last year in order to establish a very good, competent and skilled engineer base. Now what we are trying to do with the KEPCO, for instance, at this stage, is to see about how are we able to take the experience on delivery of on-time, on-budget nuclear plants and export it, possibility is not within all of Asian regions, but even outside of Asia. We're taking a look also

on the renewables, how much we can bring renewables together, mainly offshore, but we're taking also looking on onshore possibilities. That is with KEPCO. So we have signed a joint venture agreement, which means that they're going to the engineers from AMEC, engineers from KEPCO, which will be responsible to deliver the new project coming up. It doesn't go back to solve the backlog of KEPCO because that's KEPCO's problem. It all goes into the area of all the new projects that are coming up. And KOGAS, which is one of the largest importers, if not our largest importer of gas in the world, as they depend quite a lot on gas, so it's not only a matter of having the gas terminals within Korea and also having the distribution networks within Korea and all the gas facilities, but it goes also in the area of, that they're having a developing assets, a growth, in order not to depend 100% on support long-term supplies or deliveries for gas, but in order to develop its own asset with its own 30%, 40%, 60%, up to 90% sometimes for certain assets. Now these assets need to be developed and that's where we see the combination between KOGAS and AMEC in order to be able successfully together to deliver on this type of development. We have not disclosed yet any type of projects, any type of numbers, but, of course, there are a number of issues otherwise the agreements would not have been, let's say, signed. We are looking on a different possibilities, in different places in the world, where the Koreans, whether KEPCO or KOGAS, has a lot of relations and has lots of talent and skills and value which they can add in our combination to build up this system.

GD Okay. So, you haven't disclosed, but you just let us understand that it's quite a big project, isn't it?

SB Project? This is a joint venture.

GD Yes.

SB It's not one project, it is a joint...

GD Okay, okay. So it's a portfolio of future large projects.

SB Of all the jobs which these guys are going to do in the future, they will do it with AMEC.

GD Oh, okay. Thank you very much.

SB Thank you.

SA The next question comes from the line of Alex Brookes from UBS. Go ahead, please.

AB Yes, hi, good morning.

SB Yes, hi Alex.

AB I've got three questions I want to ask. The first one is, I don't know if you've talked very much about the KazMunayGas contract, and I understand this is a very significant one, and obviously it's a big and emerging national oil company with a growing portfolio. The second thing is more financial questions. One is the currency split of the backlog, I assume is little different from the revenue split that you had. And, finally, a question that I'm getting a lot from my clients is: the return on the cash, and, clearly, with interest rates falling, the anticipated rate of return is not going to be as high as it was in 2007 or 2008.

SB Okay. So, as a CEO here, I can delegate some of the questions which you have, Alex, so question number two and question number three is going to be taken by Ian, as he sometimes experienced that. Now, so the first question on the KMG, yes, as you have seen, this is also a very interesting story. As I said, we do respect our customers' preferences or wishes for how much they would like to communicate to the market, and in this case also, this has been long negotiation, in a way, with KMG, with our clients, on what are we able to announce. And at the certain moment of time, I need to admit that for almost six months, we failed to get anything, and after six months, we get a line. So that's a fact. For us, it is a very interesting contract. I cannot tell you the number of the years this type of thing, this is an interesting number, and I'll do anything on that. It is a high-end consulting. Our clients, not only the KMG, but other energy companies, they know about this because we have already started some work on this one. It's an exciting work for both us and our clients, but I cannot tell you much more than that.

AB Obviously, the value of it is not a public number, but should I think about it as a Capex-type margin contract, and when you say it's high end, it's going to be a very profitable deal?

SB Yes. Can I just note that these are, in a sense... Let me put it like this: I mean, do you know that our cost-base is relatively good. In Kazakhstan we have made a number of acquisitions there and we are one of the bigger engineers in Kazakhstan, and we really create a very, very good value for our customers. That's why I mentioned this is a high-end consultant. The moment when you come with a high-end consulting you normally have a good margin on that type of business.

AB Okay, okay. Thank you.

IM Alex, hi. On the currency split of the backlog, yes. Normally, I think you should expect the split of the backlog to be pretty much in line with the split of the revenue. I think, as of now, there probably is a slight bias to revenues in North American currency, given the big contracts now, we call it today in the backlog and we've talked about North American contacts, Imperial, and the other one, in P&P undisclosed, but that, because of the scale of those, that will put the bias in towards North America. But, broadly, your typical term, backlog, and revenue will match. On the return on cash: yes, you're absolutely right; everyone knows rates are coming down. We're looking at placing money reasonably short-term, because the security of the money and the flexibility of the money's important to us. Whether it's three months or whether it's six months, doesn't make a great deal of difference. If we're placing money on a three-month deposit now, we're probably getting 2.5% to 3%, some of it's joint money we've got over three months, we've got four. Going forward, that number could well come down to two and a half, depending on what happens, but, clearly, the returns are lower than they were. But, so again, the most important thing for us is to manage flexibility and security, the principal.

AB Yes, exactly. Okay. That's very helpful. Thank you very much.

IM Okay.

SA The next question comes from the line of Nick Spoliar from Altium Securities. Go ahead, please.

SB I find that we can hardly hear you sometimes. I really hope they can speak a little bit louder please.

NS Oh, hi there guys. Can you hear me?

SB Yes, we hear you very well.

NS Oh, terrific. This may be a tad premature, but just on the Sellafield SPV agreement in November, I know there was quite a lengthy transition process. I was just wondering if you had any comments on how this is evolving and whether there's anything you can say about this now that you've got your feet under the table.

SB Yes. Well, at least what I can tell you is that we also have a client there with a large sum of [unclear]. We have many of these clients nowadays.

NS Yes, yes. Within constraints.

SB Yes, what I can share with you, first in order to make it very clear, in November, I think it is the date, I can give you the date because I'm good with numbers, on 17 November 2006, that's when actually NDA has announced that they have reshuffled the priorities of the project, where we had been, so called, the engineer, together with partners like this, CH2MHILL and UKAEA for the Dounreay job. On the 17th of November, they said, well, Dounreay now, it's not the priority, it's going to be Sellafield, and therefore we would like that they, we would be making an offer on Sellafield. But in order to make an offer on Sellafield, it took us about almost a year to make that, because they had a very, very clear in mind about what they want. So all the parties, the four different consortiums which had been bidding on this, had almost more than nine months' time to look on this, study this, discuss this, ask questions. Then in order to bring everybody on the same level, so it's not like one party taking more risks than the other party, it's exactly the same contract. And now they told NDA, then give us the price from this one. I think, how are you able to manage this job to ensure that, because of the UK, you remember there has been a number of projects like the Dome, the Scottish Parliament, and now the Olympics, which has been run over budget, they needed to be sure that this was going to be done within the budget and even improve on the budget, and within, let's say, using the skills and the talents and building the future. It's supposed to be called NDA, it's supposed to be called, instead of Nuclear Decommissioning, it's supposed to be Nuclear Developing Authorities, because we need to develop the skills and the talents in the region. So it took us nine months to be able, everybody, to understand in detail, in thorough about what this is about. Once we have understood it, we have

been able to price it and prevent the values, and it took them some time to understand that the values. Or once they have got the bid, actually, they were on a very fast track. So they decided on this almost on two months' basis. Now on the transition, of course, now you need to agree on all the steps about what is in, what is not in, in order to be sure that nobody is making a mistake and everything was according to the contract conditions. That's why it took so long time. It's a big job. It's a 40 years' commitment.

NS Yes, fantastic.

SB Sarah, do we have any more questions?

SA We currently have no questions on the line. We have a question from the line of Ian Armstrong from Brewin Dolphin. Go ahead, please.

IA Good morning, everybody. I just have two questions. One was going back to this return on cash, Samir. How much pressure have you actually got now to actually spend that cash, given the fact you've got, dint of which the deal, interest rates across the globe on the money? And the second question with regard to the tsunami effect, so to speak; I cover the mining sector as well, and we're getting a constant drip, drip feed. Even today, for example, Rio Tinto's cutting back on expansion and its diamond operations. Are there any hints to say, look, well, we're not going to do the set project at the moment, we'll call back in three months' time or so and say, well, this could well be permanently postponed, particularly in the mining sector rather than say, the oils?

SB Yes. Thank you very much, Ian, for your questions. I will give Ian, my Ian now, the chance to give an answer on the first question and I will come back to you on the second one.

IM Oh, hi, Ian. The straightforward answer is we don't feel under any pressure to spend the money. It's not sitting here burning a hole in our pockets. As Samir's already said, we're looking at acquisitions across the globe in different sectors, and we evaluate them very, very cautiously and make sure they work. So what we want to see money there for is to be able to give us that flexibility within the opportunities that are value enhancing, present themselves, or are presented, put it that way. And as you all know, these are very difficult times from a credit perspective, so we are

comforted by the fact that that money is there. So you can rest assured, we are, it's not burning a hole in our pockets, and if and when it's spent, it's spent wisely.

SB Okay, Ian on the second question. So let me back a little bit on my model, and I call it tsunami, between quotation marks, because actually when I asked the organisation to do this I was on my way to Thailand, I think, and therefore tsunami was on my mind, that's why I call it tsunami. It's not that I'm expecting a tsunami in the business, to be very frank and open here. But anyway... So that was very short, Ian, but what does the model, will do? So what we do is that we measure the backlog, and we take a look on the future. We take a look on what does it mean in terms, as I said, of division, what does it mean in terms of different businesses, what does it mean in terms of customers, what does it mean in terms of geographical areas, and technology? So, by doing so, they are having a better chance to better assess about where that problem is. So the thing or the beauty with our models, now I'm a little bit exposing too much, but I give you this, is, I'm not doing this only and for the 2008 as a [?], what I was doing is that making a comparison to the 2007 numbers and the 2006 numbers, to see if these changes are actually normal changes in the industry, or is this because of the credit crunch which we are going through? Yes? Is it because of the special technology which has been now seen as tentative or getting substituted by something different, or is it that the credit crunch was just causing that. So I needed to analyse it in order to better assess about, so what is the problem which I had? So therefore, when we do a look through this, I do not make, in AMEC, I do not make an assessment on what's happening on the power, metal and mining industry. I don't take a look on the \$400 billion maybe which is spent on the E&C business for the oil and gas because it's very difficult then, for me, as an amateur here to do all this type of business or analysis. But what I do, is that we take a look on the domain which we are working in, we take a look on the clients which we are working with, we take a look on the geographies which we are present, we take a look on the technologies which we do support, and make that analysis on that part. And it may happen, Ian, you are completely right, in some areas, we could have a terrible change and some areas we don't have that change. And my statement, when I said we're having a measured confidence, the measurement is on the business which we do, in the market in which we are, with the clients which we work with, and the technologies we do have, own and develop.

IA Yes.

SB So it may happen that Rio Tinto is going bust in South Africa, and I told you, yes, bad luck for Rio Tinto, but I'm not in South Africa, and I'm not in diamonds in South Africa. That's what I meant. But if you tell me, for instance, that my client in De Beers in Canada, which I'm still doing one job, this is not finished, because I did a couple of projects which we have been doing there, as you know, one has been finished successfully ahead of time, and the other one Snap Lake, which is not finished, and if you tell me that De Beers in Canada went bust, well, that's definitely going to affect my numbers. Yes. Because that's important to me, but Rio Tinto in Timbuktu doesn't matter to me. But I look on it, of course, because if Rio Tinto is going bust in Timbuktu, then I need to see that that doesn't affect my business in Chile because I'm working with Rio Tinto in Chile, for instance. That's the analysis which I need to make. Yes?

IA Yes, I understand. It's just a very frightening... December actually was a month where Anglo had big announcements, Rio had big announcements, BHP Billiton had big announcements, and you just wondered now how many weeks does it actually take to get to the engineering company, when they're told, I'm afraid actually that debt has been cancelled now, rather than...

SB Well, I think they do that even before they make an announcement, to be honest with you, Ian.

IA Oh, right. So you'd know first then, that's good.

SB Yes, well, that's the way it is, Ian, because what, let's say whether it is now for our, I mean, we can think about the metal mining because we have a lot of activities in Chile and Peru and in Canada and so on, if we're dealing with, let's say, Teck Cominco, before they make an announcement in the market, you'll be sure that for three months they have been negotiating with us about how the future looks like, where we are not allowed to open our mouth and we need to be as a clam, and after three months of all the type of discussions, then they will go out with an announcement, says, well, this is what we are going to do. We know about it, but we cannot speak about it. So that's where the confidentiality is, because, you see, if you don't have the type of business relationship with your clients, the clients will not come back to you anymore, and therefore I'm very sorry, Ian, as much as I would like to speak about the Kearn job in Canada or other jobs, for instance, in the US, I would love to talk more about it, and I would love to talk more about the KMG, but I'm

bound and I'm not able to do it. And there are many projects which we have been working on, where we are working on today, by the way, where we are not allowed even a line or even a word because we are not allowed to, because our customers watch us, read also our website, they read also our announcements, and they see whether we are saying something or not. And I can promise you, if we say one word more on whether all this, we're out. So I'm not going to tell you this, neither on a confidential basis, between you and me, or between four eyes or six eyes or whatever.

IA Could I just have a quick one just before we finish, I suppose? Mr Obama's big stimulation package, is that something that your earth and environmental division could benefit, maybe not in 2009, but maybe 2010?

SB Hallelujah, yes.

IA Hallelujah, yes. Okay, that's answered that, right. I had one last one, I've forgotten it now.

SB Perhaps some other time when I see you.

IA It might come back. Later on that one, yes. Okay, thank you very much.

SB Thank you, Ian.

SA Ladies and gentlemen, a final reminder, if you would like to ask a question, please press seven on your telephone keypad now.

SB Well, I think Sarah, it was... I would like first to thank you for your questions. In closing, I would like to leave you with the following key messages.

The 2008 has been another year of record performance for AMEC.

Our pre-tax profits are expected to exceed £200 million.

We confidently expect the group EBITA margin of approaching 7%.

We see continued trends in demand led by our natural resources order book, up c.40% in 2008, and we continue to see strong and diverse range of attractive prospective contracts.

Our 2008 year-end cash is expected to be more than £750 million, and finally we're looking at the future with measured confidence, and we are delivering on our vision to create the best army of engineers, the best army of project managers, in the world.

Thank you very much, and have a good day.

SA Thank you for attending today's conference. You may now replace your handsets.