

Question and Answer Session

Peter Basset– Westhouse Securities

I noticed in the Power and Process section that you're not going into hydrogen processing. Is this a reflection of your skills, or the fact that you don't believe in the hydrogen economy in the future?

Neil Bruce - AMEC

We do believe in hydrogen processing in terms of its long-term future. However, it is not a focus area for us in terms of 'Vision 2015'. In order to determine the key focus areas [in Vision 2015], we considered our core skills (project management and engineering) , our customer relationships and the combination of the two. After a long detailed study of: our customer relationships, our markets, the capital expenditure and the value that we can add, we believe we have selected the best areas to deliver value to the customer. And, while we are hugely ambitious, we also recognise that we need to be very focused in the areas that we wish to grow. So, while we do believe hydrogen processing will be part of the future energy mix, it is not one of our selected areas in terms of our short-term focus. It may very well be in the longer-term.

Samir Brikho - AMEC

I just want to add a further comment about the refocusing of Power and Process., We have made it clear that we're not interested in pursuing our [process] activities in the areas of cement, food and pharma. However, we do have a lot of work on gas receiving stations, gas processing stations and so on in the process area. We also do a lot of work in the Pulp and Paper sector connected with biofuels, because that's where we can use the technologies to break down either a straw or waste wood and convert that to gas. These activities we wish to keep.

Iqbal Nasim - Nomura

Thanks. Just looking at the four levers to get to 100p earnings per share, can you confirm whether the revenue growth is purely organic, or does it actually link into the cash investment lever as well?

Ian McHoul - AMEC

It's a mixture. If I look back historically at our 8% number that we've achieved since 2006, that is roughly 50% organic, 50% through acquisition. It's difficult to judge precisely going forward what the split is going to be because it depends on our pace of acquisition and the pace of market recovery. But I think it's fair to say that we expect both organic growth and acquisitions to make a meaningful contribution to revenue growth going forward.

Iqbal Nasim - Nomura

I don't know if this is a fair question, but there must be some assumption as to how much of the £700m gets used in acquisitions. So, to get to 100p EPS, what proportion of the £700m will be used in acquisitions?

Ian McHoul

You're right; we do consider it an unfair question! What we're trying to do is maximise earnings and maximise cash flows – and that's about growing value. We've given four levers: revenue, margins, use of cash and tax efficiency. Now, it will depend on market conditions and it will depend on our priorities and our strategies as they develop and evolve over time, which levers we push and pull at any one time. So we're not going to be overly precise on any particular lever because it's a balance. That's what we're here for as a management team, to balance those levers at our disposal to maximise the overall objective, which is earnings growth and cash generation. That's what we've put down. So it was a very fair question obviously, but I'm still not going to give it a precise answer for the reasons stated.

Iqbal Nasim - Nomura

Thanks and just one final one, please. On one of the earlier slides you highlighted four areas, where you want to bulk up your capability: SURF, mining, renewables and water. Are these all areas in which you need to acquire to grow, or are some of these areas ones which you think you already have the capability to bulk up organically?

Samir Brikho

As we have already said if you take a look at the 2009 revenues, the Water sector represents about 9% of the E&E business. In the presentation, Roger was very clear - we are going to make a major investment in order to make the water sector a significant business line. So it requires investment - beyond just pooling the skills and talents which we already have in the organisation. The same is true when it comes to the other businesses which you mentioned.

Alejandro Demichelis– Bank of America-Merrill Lynch

A quick question on the cash flow generation: the cash conversion you talked about - is that also going to be a gradual improvement or should we anticipate it happening a lot quicker than the growth that you are indicating for the EPS?

Ian McHoul

It's a good question. I think we've come from a position of significant volatility. We have seen that volatility improve quite dramatically already. Will it come? Absolutely. And will it be over a very short period of time? Yes. So as I said, you should expect the '09 cash flow to be significantly better than '08 and going forward, we expect it to get up to full levels very quickly thereafter. I would expect the difference between cash generation, free cash flow and profit after tax to be very small representing really only working capital investment. So we get the gap to be small quickly.

Alejandro Demichelis– Bank of America-Merrill Lynch

That's great. Thank you.

Christyan Malek – Deutsche Bank

I have two questions. Firstly, you've given four 'levers' as you describe them - if you don't make a large scale acquisition (and this is going to be an unfair question, I'm sorry) will you still be able to achieve your target with all the other alternatives you've got?

Secondly, connected to the operational efficiencies that you've achieved so far - will there be another round of this associated with the merger of Power and Process and Natural Resources, because I've seen no mention of cost cutting. It strikes me that, given the common denominator across those two divisions, Power and Process should, in theory, reach the sort of margins of Natural Resources mid-to-longer term. Is that something you're looking at in achieving?

Samir Brikho

Christian, during the Vision 2015 planning phase, we conducted a number of different sensitivity analyses. First, we did sensitivity analysis on what we call 'best case scenario' and 'worst case scenario'. Then we looked at the sensitivities around deploying the £700m or £800m, or whatever number of million cash to understand what the impact might be? And, similarly, if you deploy zero, what does that mean? We also looked at both organic and non-organic growth - so we also had sensitivities around that.

Next we looked at the third dimension: how to further optimise our taxes and we're seeing we have been able to do that also more. Then, we looked to see how much we can drive the top line and how we are able to continue to maintain some level of margin. So you have a number of levers.

In one year we may have more investment and the second year less investment - and you can deal with this in order to have stabilised growth for the years to come. If we did not have a plan that we are comfortable with, and confident that we will deliver, then we would not say that we're going to deliver greater than 100p.

To the second part of the question, I will consult my CFO.

Ian McHoul

I think what we can say specifically to the question: does delivery of this vision and the 100p per share depend on one large transaction? "No".

Christyan Malek – Deutsche Bank

Thank you.

Neil Bruce

On the Natural Resources and Power and Process piece, the reason we don't talk about a round of cost cutting is because we are expecting significant growth. Will we merge the management

structures to be more efficient and ultimately reduce our overhead costs? Absolutely. But we see huge opportunities to deploy and re-deploy, really good people elsewhere in the business to help us grow and deliver our plan. So that's why we talk about this in terms of the management efficiency not cost reduction. We do plan to put together the management teams. We do plan to reduce the numbers and the duplication that we have currently, operating as two distinct units.

Christyan Malek – Deutsche Bank

So, is it fair to assume on the back of that, that the margin of Power and Process from a modelling perspective, can actually reach that of Natural Resources? Where is the range in terms of closing that gap?

Neil Bruce

The strategy is about growth, it is about continual improvement of our risk profile, and continual improvement of our efficiencies and of our margins. We're not going to be specific about whether we think Power and Process can actually reach the level of Natural Resources. But be assured, we're going to continue to push on efficiencies and margin growth, as well as growth within the selected markets.

Samir Brikho

In different parts of the Power and Process business we make double-digit margins. But because of some of the issues which we have had in the past, or because some of the businesses that we currently have, it had not been a great story because it has taken us quite some time to deal with the lag issues. Now that we have put the issues behind us, we can invest and grow on an accelerated basis.

Christyan Malek – Deutsche Bank

Thank you.

Jon Bell – Shore Capital

A couple of questions from me. Firstly, you've outlined some quite ambitious EPS targets. Are you going to extend the transformation incentive plan (TIP) to reflect the new targets? Also, are you going to incorporate a cash flow target in there as well?

Secondly, on acquisitions, is it possible for you to give us some insight into how you go about sourcing some of the deals that you've done?

Samir Brikho

To the first question, because we have been very busy developing Vision 2015, we have not come to the idea yet to see whether we should have a special TIP. But it's a very good idea. I'll take it! And if you have more ideas about how should we formulate the TIP, please let us know. But we have not got that far yet. It's not because it's not important, but we have not been there. So first let's take the Vision 2015 and have a clear plan on that.

Ian McHoul

Acquisitions comes from the traditional sources. An awful lot of it comes from within the business as you'd expect. We've got experts on the ground in over 40 countries. They have much more information about what we do, where our customers are, where our customers are going, what our customers want, and what the local opportunities are. So most of the opportunities are sourced internally - virtually all of it.

Now will we get a piece of insight or a particular angle sometimes from external sources? Of course, but a large majority comes from inside the organisation.

Neil Bruce

Just maybe one final point, Francois Champagne heads up the M&A group. We, the divisions, work really closely with the M&A team. In terms of the business, we identify lots of stuff, but it all goes into Francois's group in the centre to make sure that we do everything using a common process, common system, common targets, but the identification in the main tends to come from the business.

Roger Jinks - AMEC

Actually one of the powers of having such a decentralised outfit is virtually all the acquisitions we've done we knew in advance. Our people knew and suggested the opportunity to us. That's partly why they've been successful. So we have a lot of people talking, identifying, coming up with ideas and talking to companies that they know through professional practice.

Samir Brikho

To complete the picture, I introduced a tool more than a year ago to monitor all the acquisitions, that we do. It is one thing for an engineer to come with a great opportunity which he believes can generate these synergies, and strengthen these customer relationships and can build up the top line and the bottom line.-, all that is great.

But, at the end of the day, you need to monitor one, two, three, four, five years after the acquisition closes in order to be sure that what has been promised, is actually delivered, and, if it is not delivered, it is important we understand why not. This helps us close the loop in the learning process - otherwise we will never learn.

Alex Brooks – UBS

I've got a number of questions. The first one is on GRD, which I believe is close to closing, or indeed, is closed. Can you make some qualitative comments on what will be approximately 5% of your revenues when completed? Such as this is your biggest acquisition to date. You've said very little on it in this presentation other than that you have done it. Can you say a few words on the growth opportunity it gives you? How this helps?

Neil Bruce

Oh sure, absolutely. The key drivers, or what we look for in pretty much all of the acquisitions that we do, is either a strengthening or broadening of our capability or geographic expansion, or a

combination of the two. So the appeal of GRD Minproc was very much around the combination of the two. We have got a very strong mining presence in Canada, and, over the last year, we've grown in South America (Chile and in Peru). Our objective with GRD Minproc was to replicate what we achieved in South America over a wider geographic expansion. So that was the first driver.

The second driver was looking at our mining and oil and customers in terms of hot areas for investment. Where is the market investing? Where are our core customers investing? Australia is just a huge area of investment across the whole natural resources piece. So what we tried to do was find a company that could give us both core skills and geographic expansion. Our aim was to build a natural resources business by combining the mining business together with our oil and gas activities that we've already got within Australia.

80% of our people that work within Natural Resources can work right across the three market segments: Oil and Gas, Oil Sands and Mining. So don't think that this is just about a mining expansion. It's about a Natural Resources expansion. We intend to leverage the customer relationships, now that we've got over 1,000 people in Australia.

Alex Brooks – UBS

Thank you. My second question is on Power and Process. Firstly, you've talked about alliances in Power and Process and how they are much more important than in Natural Resources. One of the important things that has driven the story in Natural Resources has been the gap in margin that you've achieved between yourselves and the direct competitors in that business. Clearly, if there is a great deal of alliances in that business that gap will be harder to achieve, given your competitors will be in the same contracts. Can you give us some scope as to how important that is and to what extent that will really act as a barrier to growing the margin as Christian was asking earlier?

Neil Bruce

I think alliances can create a little bit of a barrier. However, if you look at the work that we do in Natural Resources, within Oil and Gas, we are also in alliances with our main competitors in the UK North Sea. We work with two of our 'competitors' or 'partners', on the Sigma 3 contract. Similarly, we also work with two of our competitors on the One Gas contract in the Dutch sector. We also have very successful alliances and partnerships in Indonesia, Malaysia, and in Australia, within the asset support side. So in that regard it is not too dissimilar. I think what we were trying to emphasise within Power and Process is there are similarities and difference. One of which is there is more areas where you have strategic partnering. So we don't see it as a huge barrier, but we're also not ignoring it.

Within Power and Process, one of our flagship contracts that Didier and his team secured was the Sellafield decommissioning contract, which is being operated in partnership. It's a key contract within P&P and the sort of contract that we want to do more of.

Alex Brooks – UBS

Thank you. I am drawing to a close. The next one concerns the lump sum exposure that remains within Power and Process. Can you explain why the ongoing lump sum exposure will continue because I'm still a little unclear as to why you would continue to be in that business given the focus you've got elsewhere of avoiding any kind of lump sum risk? Also, believe some of the legacy contracts were lump sum, so believed Power and Process were planning to exit?

Neil Bruce

In terms of the markets that we operate within, and in terms of the desire for growth, lump sum contracts are not all bad. The issue is really more about your capability to execute efficiently within that business model. Historically AMEC lacked discipline which created the issues. We mixed different contracting styles up. We had people doing both, which is a really bad discipline. In 2006 we went through and we separated them. We learnt that lesson. We still have some pre-2006 contracts, which we are in the process of completing, so that is partly what we were talking about there. We don't intend to do contracts like that going forward. But there are huge possibilities within the market place, with key customers where you do have a strong relationship, to do lump sum contracting if you've got the skills and capabilities to execute. Part of the whole piece around operational excellence is also about developing part of that capability.

Lump sum will be part of a portfolio, and it will be a smaller part of the portfolio than it has been historically. But, where we've got the skills, where we've got the relationship, we will continue to do a part of that lump sum contract work - approx 10%, 20%ish.

Alex Brooks – UBS

Okay. Thank you. My final question is on key performance indicator (KPI) related payments in whatever form those take. A number of your customers are adamant that they refuse to get involved with KPI payments in their public tender contracts and therefore, it has been a bit of a problem for us as external analysts to understand to what extent these KPIs are important to you and to what extent they're not. Is that difference in the directly negotiated contracts which form such a large part of your business?

Neil Bruce

It's all part of the discussion about why would you negotiate direct with us. In terms of the Kearsley Project, the client believes that we are the best engineer in that space to do that work. They came to us and negotiated with us.

Now, was Exxon concerned about cost and did they want to drive cost efficiencies? Absolutely. So did we have discussions about the multipliers in the margins? Absolutely. But they also recognised the fact that we have a huge influence over the out turn of that project in terms of what we're doing at the beginning. So we also had a conversation about KPIs and value creation.

I don't think there is any customer who would have a conversation with us about KPIs without also having a piece around cost efficiency too. So over 50 percent historic contracts, and some of the Power and Process contracts, the conversation revolves around some sort of key performance indicator or incentive or value creation.

Alex Brooks – UBS

Thank you very much.

Alistair Stewart – Investec

A couple of questions for Neil first and then Roger. In terms of the industrial slice of Power and Process you're exiting from - its 30% in '08, 20% 2009, is it going to be linear or is it slow fade out -

and when will you completely out of them? Also, have you got a feel for the underlying growth in the other markets without acquisition? Is it low single digit percentage growth? Is it higher looking over the next five years? Can you give any indication of the profitability of that slice of the pie?

Finally, a question for Roger on the stimulus package: I think it was at the Earth and Environmental seminar a while ago, you were beginning to get very early signs that the stimulus package was coming through. Is it getting any better? Is it quicker or slower than expected?

Neil Bruce

Okay, first question, as you said, in 2008, industrial represented 30% of revenue. This year we shaved it down to about 20%. I would expect it will be less than 10% next year and very quickly exited after that. So it's not something that's going to go on to 2015 - absolutely not.

In terms of the market, the reason we've selected a customer/geographic/market segment push in terms of our whole vision is because we believe that that's where the customer relationships are. We believe it's where the customers are going to invest. So in terms of generalities you can look at all sorts of data that's produced in terms of how much is Power going to grow over the next five years, how much is T&D going to grow, how much is Nuclear going to grow? I think what we've done is we've looked at all of the areas that we are confident can give us real opportunities to do quality work, get quality returns, get quality growth within the timeframe to support our overall objective of an EPS of 100p or greater.

Samir Brikho

I just want to add a further comment in response to the Power and Process question. If you take a look on the Nuclear domain, there are currently more than 300 plants that are scheduled to be built. In the next seven to eight years we expect to see serious applications for something around 130 to 140 plants to be built. Let's assume that each plant has two units, so we are speaking about 280 units and if you multiply that by something around £5bn for each unit give or take, that tells you a little bit about the size and growth of the market..

Then you need to look on this from a different perspective and ask: does the world have enough capacity in order to deliver these jobs? The answer is clearly "no". That's where AMEC comes into the picture because we feel that this is going to be another opportunity for us. Because we are not going to sell this at a low margin!. So we expect it is going to be a good deal for us. But the thing is that we need to be very clear on is this (and that's my discussions with the UK government), let's not be naïve -because once you start these type of jobs, once they accelerate and once you have engaged your capacity - then it is engaged - and it is difficult/impossible to redeploy them.

Today, in the 'best case' estimate, maybe we can build about five to six units a year to start with. So, if we're discussing say 280 units, you can imagine how much capacity is missing – and now you can understand why we have been building up our nuclear capability.

What I'm trying to say, enormous investment is required. It is not just a matter of catching up with the demand of energy, it's a matter of substitution. The world is not going to continue with the normal thermo power generation unless it is connected with carbon capture. But there is going to be an energy mix solution which is going to solve let's say the question of the climate change.

So there is a big market. The question is: how are we going to play it? Are we going to be a smaller player in many places or are going to be a bigger player in only some of the places. At the moment

we are a technical consultant with EDF, on the four plants which are going to be built which are eight units, but they have not announced when they expect to start. They are waiting for the outcome of Copenhagen. EDF has been pushing to have a carbon price before they start to build anything.

So , because of the future energy substitution, there is enormous business which is going to be done in the Power and Process and that's a good space for us to build on.

Alistair Stewart - Investec

Then just for Roger on the question of the profitability, or lack of it, in that slice of pie. Can you give any indications?

Samir Brikho

It will get better. It's very clear, the whole world has been discussing about stimulus package]. This morning there was a new announcement that some countries (Japan) are going to release funds to stimulate the economy. And for us, who have been very much involved in the environmental business in the US, we have been hoping that the stimulus plan will already kick off in 2008 and 2009. As we see there is a delay.

Are we going to see it happening in 2010? Well we see a lot of work actually being deployed more and more now versus let's say the months before and we are also getting part of that work.

Are we seeing an improvement there? Yes.

Roger Jinks

It's slower. The answer to your question is it is slower than expected partly because when they did the stimulus package it came out in the US as lots of small jobs which didn't actually help the bigger companies very much. We're starting to see more larger stuff come out now which is more likely to impact 2010 with things like the navy. Actually, the biggest impact we've seen so far is in renewables because part of the US stimulus package emphasised and put money into renewables projects. I think it is 20% for DoD by 2020. So that's generated a lot of activities on stuff like solar, wind, so that's actually the biggest practical impact we've seen so far. There's a much bigger focus on renewables and renewable projects.

George Gregory – Och Ziff

Hi, I know acquisitions are an integral part of your plan, but what's your baseline growth? What do you think organic growth will be where the business can grow organically over the next five years?

Samir Brikho

We got the same question three times.

Ian McHoul

Up until now we've talked about margin growth. That's our target and we've delivered 8% revenue growth plus significant margin accretion that you've seen. The balance between those two things is

shifting a little. It's not a big swing, but it's shifting. We're saying the rate of margin growth is going to be less but the revenue is going to grow more. That will be part a function of acquisitions and part a function of organic growth in all the areas we've been talking about.

But how we play those two pedals against each other, and we can go much faster in revenue, but pushing the margin, holding the margin back, or we can go less aggressive on revenue and slightly more for margin. So we're not going to give you specifics on that because it will vary depending on the market conditions and the opportunities at the time. So I'm sorry if you want more, but we can't do that and we're not going to do that because there are a range of scenarios which are all leading up to 100p per share at least which we are comfortable with.

Unidentified Audience Member

Let me ask the same question a fourth time. Is it zero percent, 2% or 5%? What can your business grow back organically?

Ian McHoul

It's not zero.

Unidentified Audience Member

You made the assumption to do your five year plan. Allocation of capital is a big deal here. Getting to 100p is not shareholder return. It's how you get to 100p.

Ian McHoul

I accept that.

Unidentified Audience Member

What's your underlying assumption?

Ian McHoul

We talked about the sectors we're in and we've chosen the sectors because they're growing and we talked about some of the growth rates. Growth rates of other sectors are available generally from various external data. We don't intend to lose market share. So you can assume organic growth is at worst a function of the sectors we're choosing to play in because we don't expect to lose market share. But what we don't want to do (sorry this is another way of saying the fourth answer) we do not want to box ourselves in to specific targets, specific numbers or specific levers because what we're trying to do as a management team is to keep that balance going and push on one and pull on another because that's the job.

Samir Brikho

For the organic growth which we have now - pure organic - and that we've been transparent about this. In 2009, which was the most difficult year maybe for the industry for some years, we had zero growth. We did not have a negative growth. That tells you that in 2010, where we see already

signs for an improvement versus 2009, it cannot be zero growth. So it would need to be a plus. Is that going to be plus 5%? Maybe - but it's too early to say because we need to see how fast we can deploy and manage these jobs. But definitely is going to be something between zero and 5%.

Andrew Dobbing – Cazenove

I have a question specifically to slide 20 and this is to Neil. I don't know whether you want to pick it up there? Neil, this is I guess talking about the share of invested capital to Phase I and Phase II. Can you give us a rough idea on the ratio of Phase I and Phase II contracts you're exposed to at the moment and how you expect that to change over time?

And following on from that, just a rough idea about how many of your Phase I contracts materialise into Phase II contracts?

Neil Bruce

In terms of the overall picture, we're obviously involved in a lot of additional capital projects beyond those that are on slide 20. So we're doing a lot more capital projects than is listed on that chart; whether it's through into the next Phase II or ultimately, right through into OpEx too.

I was not trying to paint a complete picture on slide 20. I was trying to illustrate what we've been doing for the last year, when we realised that the market was going to be difficult. We recognised that capital investment was going to slow or to stop in certain areas so we focused on getting in with customer relationships at the front end of these complex projects.

So - to be clear - I'm just trying to highlight that the strategy seems to have paid off. We have secured all of these world class projects in the last year which was a particularly difficult market. In the main these contracts were secured on a negotiated basis or under a global agreement.

In terms of these projects, I would expect that most of the customers want to take them through the investment gate and onto full development assuming that the concept and the economics are right. So I would imagine that they've all got the ambition to take these projects right through to investment, but that's something that only the customer is going to decide.

Looking at the link between Phase I and Phase II, I would be pretty disappointed if we didn't secure in excess of half of these if they moved into the full investment case. It's really trying to do two things. One is highlight what we've been doing in a difficult turbulent market and second, to explain the reason why. This is why we are pretty optimistic about our current positioning through to 2010 and beyond.

Andrew Dobbing - Cazenove

I guess there have been some delays in projects. But as there more and more projects get sanctioned, you're going to have more of an exposure to Phase II. That will, support your revenue growth because obviously it's a much bigger [multiple speakers]?

Neil Bruce

This is absolutely not about us saying we've changed our focus away from Phase II to Phase I. That's absolutely not the message here. We want to secure more and more in a Phase II type arena because that's where we get real revenue growth, real margin enhancement because it's

typically anything between eight to 12 times larger than the work that we're currently doing with these projects.

Andrew Dobbing - Cazenove

Thanks.

Samir Brikho

Before I go to James, I just want to make a comment while I'm thinking about it because some of the comments which you have been making is depending of course on the share price, that you will be doing a share buyback of the £700m or £800m then you may actually hit 100p on that week in a way. But that's not what we are looking for. The presentation which we are trying to say, we're looking for a sustainable value growth year after year. The same thing on the journey which we have been taking from 2006 up to now because many of the people said oh okay, if 2008, at that time we were saying 6% and 2010 is 8%, what does it mean let's say in 2011? Are you going back to the 3% then or what? Well that's not the journey which we have been driving to. What you see now, and that's the answer to the question which people which have been asking us that question at that time, we said no. The 2008 and the 2010 are only milestones in preparation for the growth which we are going for. We want to go ahead with sustainable value growth.

That means that 2015 is not in a way a journey to land on the moon and then we are done. That's not what we are trying to do. We are trying to go to 2015 and from there to go for the 2020 with an even bigger company, more ambitious, maybe in more fields and that's what we discussed one time. We said the journey to 2015 is going to be focused on what we are doing today. Beyond 2015 could be totally different journey, but that will work as a base for us for the future. So therefore, when we are taking a look on this, we are not sub-optimising this just for the purpose that we want to show you we can make 100. That's not the point. The point is how are we able to create the value on the long-term for AMEC. I just want to make that clear.

Andrew Dobbing - Cazenove

You sort of answered the question because I was going to ask where you would be if you did buy £700m of stock back. But there's another part to the question. In terms of acquisitions going forward, will you make an assumption in the return over the WACC calculation to reflect the market returning from the bottom of the cycle to neutral? Or can you make the returns above WACC despite adding to your portfolio? In other words, in the acquisition, are you willing to pay for the cycle?

Ian McHoul

What we're looking to do is to hit WACC in year one or year two. Now in that, do we say it's going to leap up in year one or year two because of a significant change in the economic conditions? No, we're not going to do that.

Now, if there is an acquisition that has got a fantastic growth curve - it's starting from a low base, and it is being run very badly - then would we tolerate a period beyond two years? Yes we would because we'd be looking at the long-term value. Would that longer-term then take account of an uptick over a longer period? It might, but we'd look at it case-by-case obviously.

Dave Thomas – Citigroup

I've got three questions please. Firstly on one of the levers, the operating margin, if I'm right in my calculations, you're looking at something around 11% to deliver the 100p EPS. Samir I think you've said that the 8.5% margin you're close to delivering is actually top class relative to peers which begs the question how can you deliver a step change in margin without it being competed away?

The second question is on Nuclear. Can you give some colour on how you see this market expanding for you and will you be able to achieve growth organically or through acquisitions? This may in part answer the margin question, do you see this as being an increasing contribution to equity affiliates rather than consolidated subsidiaries?

The third question is, is there any intention to merge the reporting of Natural Resources and Power and Process?

Ian McHoul

Let me take the last one first. There is no intention to merge the reporting. Going forward, just so you are clear, we're not going to tie ourselves down to reporting the way we do now. You can't do that. Under reporting standards you must report externally the way you report internally. If ever we were to change, we would make what we have done transparent and we would change the history on the back of that. We're not planning to change. So I think that's an easy answer.

On the first point, I don't quite know how you get to 11%. It would depend on your revenue assumption. We're not saying we're going to get to 8%. We're saying we're going to get more than 8%. Obviously that's quite a big spectrum. Do we anticipate our margins going up? Yes. As we've said, at lower rates. Can we paint a scenario where revenue growth is less bullish when we're at 11% and 100p? Almost certainly we can. Do we require that? Very certainly we don't.

Samir Brikho

By the way, it's very interesting because up to last week we had been working on a scenario where we are going to present to you numbers, percentages, rather than EPS, but we changed our mind. Bad for you.

Dave Thomas - Citigroup

The other question was about equity affiliates and Nuclear. I want to understand where you see your market expanding in nuclear, and whether you'll achieve it organically or through acquisitions. Furthermore, I want to understand if equity affiliates are likely to feature more in the future? The Sellafield decommissioning projects comes in as an equity affiliate. How will that progress in the future?

Samir Brikho

Decommissioning is one of the jobs which we are doing. There are a couple of further decommissioning opportunities in the UK: one is in Dounreay, which we are positioning ourselves for very strongly. Then the third opportunity is Magnox, which will come some years later – it is unlikely to be before 2014..

In the international arena, many companies have cooled down major decommissioning work because of the financial crisis. The decommissioning work that is taking place, is mainly on Chernobyl-type reactors in Eastern Europe, or other places in the world. but it's not like the whole world now is going for decommissioning, that's number one.

We are actually seeing a renaissance on nuclear 'new build' and this is where we see the biggest area of growth.

Ian McHoul

Then on equity affiliates, they are not an end in itself. They are a means to an end. You have heard us talk about more complex situations, which we like because that attracts the level of margin that we want. If those complex situations require a mix of skills, then a joint venture or an equity affiliation is absolutely perfect for that. You've heard Neil talk about the fact that we do this in Power and Process. We also do it in Natural Resources. So we find them useful conduits to access and to get involved with complex situations.. Would we do more? For the same reason, absolutely.

Colin Smith – Icap

I have a couple of questions about 1) market segments and 2) customers.

If you look at the Natural Resources, the things you are talking about, deep water and heavy oil, are all areas of growth that the integrators are involved in. Another area that the integrators are also looking pretty hard at is sour gas because it is a major area of growth. You didn't really mention it, so I just wondered if there was anything you wanted to say about it.

The second question concerns customers: you don't seem to talk about how you see your relationships with the NOCs evolving. Part of the reason that the majors are in these deep water and heavy oil areas is they are complex, and you can make good margins while oil and gas prices remain high. But the cheapest oil and gas is still in OPEC countries. Therefore, there is always a risk that if, for example, Iraq picks up, that the oil price goes down rather than up.

Neil Bruce

We are looking to develop our business progressively with NOCs in the areas where we believe they value our services. On the slides we talked about KMG of Kazakhstan and the work that we are doing as a technical consultant on some of the biggest projects in the world and we've developed a very, very strong relationship through our consulting business with KMG. Also, our major area of growth in the Middle East is in Kuwait in terms of the work that we're doing for the Kuwaiti Oil Company.

This is not a strategy about just working with IOCs. We also want to grow our business with NOCs. As Samir outlined, we are planning to expand our geographic footprint in places like South America, Brazil, and the Middle East, which absolutely requires a bigger emphasis (and growth) in terms of our business with NOCs. So, we will focus our attention where we believe we can develop a strong relationship, where the customer values what we bring, and where we can have the dialogue for continuous improvement. These are the focus areas for us in terms of NOCs and we absolutely want to grow that business. So, if it didn't come over in the presentation, then that's something that's missing, because it is a big emphasis.

When we consider other growth opportunities such as sour gas or shale gas, (or a lot of the areas that are developing in places like Australia in Queensland) we look at 1) the competitive landscape - who else is in that marketplace, and 2) who the customers are? We do not think it makes sense for AMEC to make a global push into that market, because we believe it's quite competitive. However, when we see a combination of a key customer and this area and the geography all coming together, then it becomes a focus for us. So, for instance, we are interested in the onshore gas projects in Eastern Australia, which some of our key customers are developing. Are we going to try and become a leading player in that market globally? No, we're not.

Mark Wilson – Macquarie

A question for Roger; your focus on North America, we've seen a lot of shale gas and [unintelligible] activity onshore North America. I'm just wondering if that has any feed through to the earth and environmental group in America at the moment?

Roger Jinks

Yes, it does actually. I'm based in Philadelphia and a bunch of it is happening right in Pennsylvania in the [unintelligible] Shale and there is also a bunch in the Front Ranges. Yes, it's potentially lots of work and work which again overlaps with Natural Resources. One of the big issues when you do those wells is the deep [unintelligible]. It involves an enormous amount of water, a lot of water disposal and again, these are big issue with the local communities. We are working right now for developers and we're helping them develop their water plans, water disposal plans, and community consultation plans. Anywhere you do that kind of work - anywhere in the world - those concerns are going to be big issues for a developer.

Mark Wilson

Thanks.

Unidentified Audience Member

Delivery of your strategy is critically dependent on acquisitions. That's been very clear throughout the presentation. There are a lot of other big services companies that have been very profitable over the last few years, have a strong balance sheet and are looking for similar acquisitions. What is it about AMEC that means that you can sell to potential sellers of businesses as to why you would have an advantage that means you wouldn't just be paying up more than the competition?

Neil Bruce

If we take some of the acquisitions that we've done, and I'm sure Roger can add in terms of Earth and Environmental. we normally know within the first couple of weeks, or maybe even the first couple of days whether we're going to be successful or not. The card that we always play is about being part of a progressive people business. The businesses we are looking to buy are also people businesses. They're not manufacturing companies and they are not 'heavy' in terms of plant and equipment.. Therefore, very, early on in the process we usually know, give or take, 80%, 90% chance of whether we have engaged with and convinced these people to be part of the AMEC company. Occasionally, they also want to maximise the price that they get for the business too. So occasionally somebody will come along and offer more money than we think the company is worth

and you lose out. But I'm convinced that 80%, 90% of the time we know early on whether we're going to be successful or not.

Samir Brikho

I would like to add to that. I was in Australia a couple of weeks ago to meet with the GRD Minproc employees. I asked some of the teams what attracted them to be part of AMEC rather than any other company. And there were a number of companies interested in GRD Minproc. They were very clear in their responses. One of the things they like is AMEC's clarity of vision and goals. We are very clear about what we would like to do and what we would like to achieve, and I think that is one thing which attracts them.

Secondly, they see that AMEC intends to invest in our core business and really grow the business. They would like to be part of that growth.

Thirdly, they like the historic performance which we have had. We take things seriously. We have demonstrated that we promise more and we deliver more. That has been very important.

But it is the investment in people that is key. People are a very important issue for an E&C business. Without people you are lost. We take people very seriously at AMEC. It is a complex issue. It is much easier to deal with numbers. It's much easier to deal with technology. It's much more difficult to deal with people. But this is becoming now our bread and butter business. This is our business.

Over the last three years, we have been working to understand what our people need. We invested in employee opinion surveys in order to get feedback from our employees about what they want, what type of career paths they would like to see, what type of development they want to have, what type of work they would like to grow into and therefore etc. We then communicate openly with our employees: 'this is what you like, this what you do not like'. And every year we select four or five key areas, which we believe are the most important, and we commit to making a change.

Now, are we perfect? No, definitely not. Are we trying to be the best? Yes - and people see that and it makes a difference. And you know, in this type of business it is a small world. We often have a situation where one guy phones another guy and says, "look, I understand your company is looking to buy ours. What type of culture do you have?" And that makes a big difference.

Roger Jinks

I was going to add to that: some of our best sales people in terms of future acquisitions have been the people that we have acquired previously. This is because we will happily put them out, say look go talk to these guys and tell them what we would like because we do put a huge amount of effort on creating a joint vision and a joint strategy. You have got to know going in to the process, that you have a joint vision and that you are trying to achieve the same things together. We put a lot of effort into creating jobs and opportunities for those people that have joined the company via acquisition. You will very rarely find a senior person who is still doing the same job two or three years later, because if he is, you haven't created much value. So we're always looking for opportunities.

Samir made a very good point earlier on. We are a 'learning organisation'. We're always looking back at acquisitions and saying what did we do wrong, what did we do poorly, what can we do better? So we're always trying to improve. I think that's what differentiates us.

Samir Brikho

Good. I think I'm going to close. I don't have any more remarks, but it has been a very exciting morning from 10.30 to 1 o'clock. That means that you are very much interested in AMEC, which is very good.

I say we have a plan and we intend to deliver it. I thank you very much.

[End]