Amec PLC

Interim 2010 Results

Q&A Session

Fiona Maclean – Merrill Lynch

Thank you; it's Fiona Maclean from Merrill Lynch. I've got three questions. Firstly, you've outlined the growth potential in each of your main sectors. Could you give a bit of flavour on what you see in terms of margin progression in each?

Then, for Neil Bruce, in Natural Resources you talk about pricing pressure. Can you maybe just give an indication of what segment in Natural Resources you're seeing that most, and how far down the line that's going to continue?

And then I have a question for Ian. You've talked about not much chance of additional shareholder returns in 2010, but are you really saying that we could potentially see something in 2011?

Ian McHoul

Okay, I will go first. What we're trying to do is to drive value going forward and improve the efficiency of the balance sheet, as I've said. Our priority is, has been, and remains acquisitions. We look across the globe and the sectors and the geographies that Samir has already touched on. We see significant opportunity for acquisitions. As I say again, that's our preferred route to utilise the balance sheet.

However, if at any moment in time we feel that the outlook for acquisitions (what's in the pipeline, how likely they are, the scale) is low or insufficient - then we will also consider shareholder returns. So, that does not mean it will happen in 2010 - it definitively means it won't. Could that mean 2011? It could, but I'm not going to be definitive because it depends on what's in the pipeline for acquisitions. We'll maintain flexibility on that.

Samir Brikho

Second question.

Neil Bruce – AMEC PLC, COO

Okay, on the Natural Resources piece in your questions Fiona – I'd like to take the opportunity to say that I think margins of 11% across the CAPEX, OpEx businesses – is best in class, certainly top quartile performance, and there are probably three things that are going on there.

The first is something that Ian flagged; we bought GRD Minproc at the end of last year - at a very competitive price, right at the low end of the market. We knew that we were going to have to implement Operational Excellence and Step Change in the short-term. So, from that perspective, Minproc is in the numbers in terms of revenues, but we broke-even, which was our plan, at the half-year. So that's actually pulled the margin down slightly.

The other thing that's going on - on an ongoing basis - is customer pressure on margins. And that's right across the board. We are seeing it with the oil and gas customers; we're seeing it with the mining customers; we are seeing it with a combination of the two within the unconventional and oil sands.

But at the same time we had the foresight a couple of years ago to implement Operational Excellence to increase our efficiency, but also to go after specific types of contracts, which are around long-term customer relationship, front-end - operating as the customer's engineer or architect engineer.

Customers are pushing margins and pushing costs, but they are also still rewarding us for good performance or excellent performance. So the base is being pushed down - but we're actually doing quite well in terms of the efficiency that we are delivering to customers - therefore you see the margin we're getting.

So it's a bit of a mix, but the main factor in all of this really, I would emphasize, is GRD, in the first half of the year. But customers are pushing hard, and I think everybody sees that in the marketplace. The oil companies are pretty focused on driving the cost base down. And we want to be in a position where we are helping them do that and getting rewarded for it.

Samir Brikho

On the first question, Fiona, you may remember back in 2006, we had a number of questions about how far we can take the margin of each of these businesses. And what we said (and we are still confident) that each of these divisions has the potential to reach 10% and beyond. And, as you see, Natural Resources already achieved this margin performance a couple of years back in time now. In the Power & Process division, you see a major improvement in terms of margins and we see a bounce-back in Earth & Environmental going forward. We still believe that they have the potential to do so.

Now, in Vision 2015 we've been discussed an EPS gross - and what we have said is that we need to find the right balance between margin and growth. And we need to find the right equation there. But are we maintaining the margin, let's say, and we still would like to go for high margin project? You bet.

Ian McHoul

If I could just add Samir, what you saw on the chart was our estimated sector growth. And to pick up on Samir's point and be clear, that doesn't necessarily mean that's what we're expecting from our revenue growth in those sectors. It could be above that. It could be below that.

What Samir said -- earnings growth which translates -- cash flow growth, earnings growth, bottom line profit. It may be that in some sectors and in some geographies it is better to go quicker on revenue and slower on margin. In others, at the same time, it might be the other way around. So it is up to us to judge the right balance at the time - how it feels in the marketplace at that particular moment… So we're not going to give specifics on margin or revenue because we're trying to manage the balance to optimise overall value. That's how we see it.

Iqbal Nasim – Nomura International

Thank you, good morning, Iqbal Nasim from Nomura. Just a few questions: first of all, on the explanation of - or using GRD as an explanation for - the first half margin decline, there's something I'm struggling to understand given that, as far as I can see from the numbers, £37m of revenue came in the first half. Even if you were doing 15% margin on that, it's a difference of £5m or £6m of EBITA in absolute terms. So is it true to say that really the bulk of the issue for the first half is on the pricing pressure side of things?

And secondly, going into the second half, it's not clear to me at the moment where the source of the margin uplift really is going to be coming from in the second half. In order to deliver above 8.5%, we're looking at 100 to 120 basis points increase in margin, 2H on 1H. Given all the comments so far, I'm struggling to see where that's going to come from, so if you could please provide clarity on the sources of that uplift.

And then in terms of the backlog, obviously £3.48bn today is up on the start of the year but down slightly on where we were at the end of April, given what was last reported. I'm just wondering if you've been slightly disappointed by the progress in the last couple of months of the first half, or is that just a blip? And what have we seen, if you like, since the mid-year stage? And, sorry, one final ---

Samir Brikho

We finish here, Iqbal, because there will be too many questions.

Iqbal Nasim

Okay, fine. I might have one follow-up.

Samir Brikho

You can follow up on that one.

Neil Bruce

Maybe on the first one, I hope I didn't use the word, the bulk of the thing was GRD. I said it was a mixture of things of which that certainly was one. It's very difficult to give one single summary answer. As I said before, it is a mix of things. If you look at the market, look at some of our main customers, for about the last 18 months they've been very clear about what their strategy is which is to drive costs down. Now I think if you looked at the cost reductions that they have achieved and applied it to our Natural Resources business, and then, if it was a like-for-like, you would see our margins coming down considerably.

What we are saying is there's a whole mix of things going on here. With the type of work that we do for our main customers, especially the oil and gas customers, we are delivering lower cost solutions for them, including some of our pricing. But we are almost countering that, not quite but almost countering that, with the risk and reward payments that we're getting through delivering efficiencies to them and delivering better product to them.

So there's a whole mix of things going on here and I certainly wouldn't like to portray that the vast majority of this is GRD because you're absolutely right, it's a portion of it. So it's a mix of things.

Samir Brikho

Also, just to add to that point, we have been already saying that the mining business for the whole AMEC group is actually business is above the 10% margins. And today it's (GRD) broke-even first half.

Ian McHoul

Okay, on the margin point - our margins, everything else being equal, our margins are typically much stronger in the second half than the first half. Last year we delivered 7.5% in the first half, we delivered 8.9% in the second half, so 140 basis points up. And the reason for that, generically, is because a lot of our contracts are based around KPIs and target achievement. Contracts tend to be calendar-year driven, not exclusively but largely. We recognize KPIs cautiously so they tend to get recognized at the end of the year in the second half. I'm being general, obviously.

So the first point is second half margins are much stronger than first. Look back through our history. In the first half we beat last year by 40 basis points. At the full-year, margin last year was 8.2%. So if in the second half, we simply beat the second half of last year by the same uplift we achieved in the first half, 40 basis points, we go from 8.2% to 8.6%. We simply carry on the same; everything happens in the same trends, we will be up 8.6%, that's just an arithmetic function.

Now, what else is at play that could move that? We've talked about pricing pressure in NR, which will no doubt stay. But equally we've got momentum into the business now. P&P, Power & Process, just coming out of a downturn as you know and there's momentum build there. Earth & Environmental, you saw the margins go up in the first half. In the second half of last year, margins went down in Power & Process by nearly 1.5%. So there was a change on margins driven by growth and operational gearing in Earth & Environmental.

So, yes, we've got some pressure in NR. But we've got momentum in P&P, we've got momentum in E&E, we've got the GRD impact hopefully turning around, and that's our view. But all of that added together and the fact that H2 is always stronger than H1, as I say, is the rationale, the reason for our confidence of beating the 8.5%.

Samir Brikho

There was a question also on the order book.

Neil Bruce

Our order book is not linear. If we were to publish our order book on a monthly basis, you'll actually see it going up and down. So from our perspective, if you just take it in terms of the half-year numbers, our main aim is to make sure that the trend continues to grow.

If you take points in time - you may find that the order book could go up or down slightly. But if you just take it in general trends, we're looking to continue the momentum up on a progressive basis. But, frankly, if you take it on a monthly basis, it doesn't go in a linear direction at all.

Iqbal Nasim

Am I allowed my very quick follow up?

Samir Brikho

Not yet, no.

Martijn Rats – Morgan Stanley

Hi, hello, it's Martijn Rats from Morgan Stanley. I had a follow-up on Fiona's question on distributions. Because it seems to me that there is very little in the share price for the cash on the balance sheet, the non-distributed earnings, which means that the dividends are rather key to the share price.

Now I understand the preference for flexibility at this point in time and I understand the preference for acquisitions at this point in time, but in the first half you made acquisitions of £84m, if I remember correctly from seeing in the cash flow statement, which is roughly equal to the net income of the first half. So acquisitions so far go -- you're spending as much as you're earning, which doesn't really resolve the problem.

So the question that I have, despite the preference for acquisitions, despite the preference for flexibility at this point in time, what is the argument against not distributing more of your current earnings, let alone what you have on the balance sheet, or, asking pretty much the same question another way, do you feel you need to build the cash balance further from hereon to make the acquisitions that you want?

Ian McHoul

Much of what you say I agree with. I think there is not so much value in our share price because of the cash on the balance sheet. Really it comes back to a similar answer that I gave for Fiona, we have to look at what opportunities are out there, and clearly we're in a position to know what we're doing, who we're talking to, where the opportunities are. So we have to assess those opportunities and the likelihood of those opportunities crystallizing against increasing shareholder distribution.

And it is our assessment sitting here today that it is prudent, it is wise, not to increase shareholder distributions. But, to your point, we will leave open that opportunity because as you move through, there may come a point in time when we say actually the pipeline for transactions isn't there or doesn't appear to be there at a value that makes sense to us; and then we'll be more aggressive maybe on shareholder distribution. So I appreciate that's a generic answer, but it's a judgment balance as to how we feel about it.

Martijn Rats

Right, as a quick follow-up I only have one along similar lines. There have been other companies in the past that were in a similar situation as you. Unilever several years ago had $2bn on the balance sheet. What they told the market at the time was we will either use this money within two years or we will give it back. Now I understand it's unlikely I'm going to get a similar answer from you, but would you be inclined to say well, it's like one year, two years, or its five years? Because that will allow us either on a reasonable timeframe to value the cash as it is, or value the potential returns from those investments. But now we're stuck in the middle where we value nothing.

Ian McHoul

I'm not going to put a specific time limit on it because it will depend -- we could say we'll give it back at 18 months bang. If in 18 months time we haven't done any acquisitions but the pipeline looks wonderful and we're about to, it would look odd. So you've got to allow us a bit of latitude there. The only guidance we've given is that it won't be anything in 2010. Now Fiona said did that imply something in 2011? The answer is it implies we will look at it again through 2011 and be -- and cognizant of your point, be more open to that option. But it will depend on what's available on the pipeline at the time.

And the other thing I'd say which is pertinent, we do not feel constrained by having £700m worth of cash. Zero cash, zero debt means nothing. Would we be prepared to take on reasonable amounts of debt? Of course we would, yes. If the acquisition targets are there, we'll do that. So it's not about -- the discussion is not around £700m, it's around the overall balance sheet management. Which probably makes it even more unclear now?

Phillip Lindsay – RBS

Good morning, it's Phil Lindsay from RBS. A couple of questions if I could please. Currency obviously had a positive impact on results. Did it also have an impact on the order book growth? And can you also say what impact acquisitions had on the order book please.

Ian McHoul

It did have an impact on the order book. And it wouldn't have been massive. Of the order book growth of £300m, probably something up towards £75m or £100m will be due to currency I would guess. Acquisitions will be small. There will be some, but it's tiny.

Phillip Lindsay

Second question: some of your peers are actually saying now that the pricing pressures in the industry are starting to ease. Are you seeing any signs of that?

Neil Bruce

No. I think all of our customers are continuing to keep the pressure on in terms of the cost base. I think our positioning -- we positioned ourselves two or three years ago - in terms of partner with our customer, in order to help them reduce their cost base and increase the efficiency and delivery of their projects is still valid. I still firmly believe that working with our customers to help deliver more efficient projects will help us with our margins and our returns. I don't see any customer out there saying that they feel like they're happy with the cost base and they're going to ease off on their commitment to reduce it. No.

Samir Brikho

And I need to add to that this is not a new phenomenon. Key global customers - whether it's Shell or Exxon or BP, they have always discussed cost cutting - even 2008 and 2007 and 2006. It's a continuous process. It never stops. But again, but if you see about how the impact on, for instance, on the Natural Resources margins, we're not speaking about cutting the cost with 50%. You don't see that.

Yes? Thanks Phil. Andrew?

Andrew Dobbing – JPMorgan

Andrew Dobbing from JPMorgan. Quick question on Natural Resources. I see the revenues are shifting more and more to CAPEX work, while the backlog is shifting more and more to OpEx work.

Can you tell me, and I know that gets complicated a little bit by the shorter nature of CAPEX projects, but can you explain, or guide us a little bit, how you expect revenue to develop over time, because, obviously, that has some impact on margins?

And, secondly, I guess it sounds like you're getting squeezed a little bit on the Sellafield project as you're getting better and better, and it's harder and harder to meet these targets. Is that likely to continue? I mean if you do worse than expected, do those targets get easier?

Neil Bruce

I can certainly cover the second one too.

You're absolutely right in terms of the numbers. If we go back to our last two presentations, including Vision 2015, when we gave an update of our positioning within the market, and how we saw the outlook certainly over the next couple of years… We positioned ourselves absolutely at the front-end of upstream deepwater projects, the front-end of mining developments, certainly the front-end of oil sands; and we also began to position ourselves at the front-end of a number of our activities within Power & Process. Things like the nuclear new build, and some of the work that we're doing in Eastern Europe.

Now, if you actually translate that into an order book: when you win an OpEx contract, it tends to be three to five, to seven year - to evergreen contracts where there is a chunk, if you win it, there's a chunk goes in. Now, conservatively stated, but you intend to get three to five years going into the order book.

Because we could see a downturn in major capital work, or a slowdown in major capital work across the other markets, we positioned ourselves at the beginning and the front-end of these projects in order to make sure that we could continue to maintain our growth and our earnings. This is a lot of the work we have been doing.

Now, when you put that into the order book, if you get a front-end piece of work, we can hardly put anything in. And, in fact, in some of the front end projects that we do, we're actually putting things in and out almost on a monthly basis, because the customers looking for us to -- with BP for instance in the select phase, well, the work that we're doing is almost on a month-to-month-to-month basis, in order to try and tool up and prove that a concept is going to be valuable.

So, we've had a huge amount of front-end work where we can hardly put anything into the order book over the last year or so. In the meantime, we've continued to be reasonably successful in the OpEx world, but when we are successful there, then three to five years' worth of work gets put in, and that's why you're seeing these numbers skewed and going in different directions.

We're very hopeful that as customers begin to go through that investment gate and start to move projects on, like BP Clair Ridge for instance, where we've gone through the selecting to defining the project. And, hopefully, if we can come up with something that economically works, then it will go into execute later in the year. Then we really see the prospects for that shift back to CAPEX growing within the order book as a sign of large projects taking off and AMEC getting our fair share, if not above that.

Just in terms of Sellafield - we've gone from £7m in the first year to £6m in the second year. This is just like a lot of the oil and gas customers, where it's very much KPI driven. So, you finish one year, you do very well; well, what happens? The KPIs get ratcheted up, and it gets harder. The move from £7m to £6m we don't see as anything significant at all. So, no, we will have to continually perform and improve in order to continually deliver to Sellafield.

Andrew Dobbing

Thank you.

Samir Brikho

Okay, I have a question here from the first row, please.

Peter Bassett – Westhouse Securities

Peter Bassett, Westhouse Securities. I've got two questions. Firstly, to Ian: all the acquisitions have been agreed, as far as I'm aware. Would you ever contemplate a hostile acquisition if you saw the right target and couldn't negotiate it and felt that it was good for the future of AMEC?

And, Neil, on page 27, that's a very interesting chart. You're talking about on the Natural Resources business, talking about the shift in situ extraction over the next five years for oil sands. Is that SAGD - I've heard of some pretty exotic processes like putting, large electric thermal installations down there and bringing the oil up that way. Is it mainly SAGD, or are we talking about processes beyond SAGD here?

Neil Bruce

Well, let me answer that one first. It is SAGD, it's in situ, and it’s a variety of processes. But it's more akin to oil and gas, rather than mining. So it's about process engineering. It is about extraction. It's about heating up, separating the oil, and extracting in, more than a mining operation, which has been the majority so far. And this just plays back to, again Samir mentioned earlier, probably two and a bit years ago we bought BDR, who were an absolute market leader specialist in situ SAGD developments.

When the oil price came down, and the expenditure within that market came down - in situ SAGD shut off very quickly. So, from that perspective we are incredibly well positioned, because we bought this company that are specialists in this area, who are champing at the bit to get after the in situ and the SAGD work.

Samir Brikho

The first question on the acquisitions, whether going hostile, or going a friendly bid.

I think we have been very successful up to now in order to present the real value to the companies which we have been looking to acquire. And, obviously, about joining the AMEC Group, how are we able, let's say, to both enhance the geographies, and the customer relationship, and that's a strength which we have.

And if you go back to all the acquisitions, we have happy acquisitions, because people are very much excited about it. We had nobody leaving us; they are with us, and even the contrary. We have been elevating some of these guys we have been buying, and having, today, more responsibility than they had before. So it is our way to do so.

Now, it is unlikely that we go to hostile bids, because at the end of the day you pay with the premiums and you need to be very high premiums in order to get a deal, which I say is unlikely.

Ian McHoul

It's also we're a broad people business.

Samir Brikho

You buy a company and if they leave, then what did you buy?

Ian McHoul

You buy Heinz Baked Beans, and everyone leaves, you've got Heinz Baked Beans. We buy a business; if everyone leaves we've got nothing. So it's unlikely.

Kenan Najafov – Citigroup

Kenan Najafov from Citigroup. I was wondering if I could just zoom out of the detail a little bit and ask you about nuclear? About long-term, about the growth strategy, and what value do you attach to nuclear, potentially? Considering that you've spent a lot of time presenting on nuclear, arranging nuclear dinners, which sounds very appetizing, but --

Samir Brikho

We did not need any lighting at least.

Kenan Najafov

So, I wonder how big it's going to be -- as a percentage of revenues, or earnings?

Samir Brikho

Yes. Well, first, maybe I start from the macro. So, there is very good reports out there that say that electricity growth forecasts for the future is going to be about 1.4% to 1.5%, which means that there will be enormous power generation need to be actually put on line.

But there is also a secondary effect here, because many of the installed power generation facilities are not allowed to continue to operate with the current environmental emissions they have. Which just means that you have a lot of possibilities for new generation, and then also for substitution generation.

And, going forward, there is more and more drive for low emissions. That means if you're going for conventional power generation, whether it is coal or combined cycle, then you need to see about how you are going to connect it with some type CO2 capture and so on. And, therefore, you see that renewable energy is picking up.

But it is also our belief, according to the IAA report, that as much as we want to implement renewable energy, whether it is wind or solar or geo thermal, the forecast today is that wind is going to be around for 4.1% of the total installed capacity in the world by 2030, and solar is going to be about 1%. So that means, up to 2030, we'll still be depending on energy outside of so-called the renewable line.

Which brings you, in a way, in a situation where many of the countries in the world, they say 'what's the option?' 'What options do I have left?' And that's where nuclear is coming up. So, it's not only countries normally of the western world, or of the eastern world, like normally has been Japan and Taiwan, and the US and Germany, and France and UK, and a couple of countries in Scandinavia who used to have the power generation. Because seven countries in the world have today 90% of the installed base, and that's changing.

And with that change, we're seeing now today countries like Abu Dhabi, like Egypt, like Morocco, like Turkey, like Kazakhstan, or everybody, yes? You cannot believe how many people are asking today to want to build nuclear power generation. Why?

Despite that, today, there is an uncertainly on the delivery time, uncertainty on the cost, that, from an operational point of view, once you've got there, it is a very stable, predictive business. And, therefore, it's becoming very exciting for so many countries. And, therefore, we believe that this business is going to be a big business, and, therefore, we'll be making that investment.

Today, if you go back to our AMEC, we started from a very low base in the nuclear, and we have been investing in the capabilities and skills, so that's why we have about some 3,000 people in the nuclear business. But what is interesting, we see about how it's picking up in the last couple of years, and, today, it represents 30% of the Power & Process business.

So, going forward, we have always said that the Power & Process is going to play a major role, together with the renewables. That's [particularly in] technology. Christyan?

Christyan Malek – Deutsche Bank

Hi, Christyan Malek from Deutsche Bank. Three questions if I may, gentlemen? First, assuming you do a very large acquisition, say, should we be surprised if that acquisition, or that company that you bought, had a high degree of lump sum exposure, given your last three or four years of pitching cost plus as the new business model for AMEC? And, I guess, inclusive in that is can you guys actually work together with a lump sum model?

The second question is the BP divestments. Does that impact you on a net basis positively or negatively? The positive being that there's more work as those that acquire those divestments want to basically crystallize what they've bought. Or negatively in that you've lost a major client in a big -- in a major CAPEX.

Samir Brikho

BP?

Christyan Malek

Yes.

Samir Brikho

On the first question, we can discuss about the theoretical case. What we have presentation in Vision 2015 in that it is not that we would like to grow in certain areas, and we understand that in certain areas it could have a lump sum turnkey in it. So, we have said that we maybe go that road, but not to convert the company to a lump sum turnkey business. That's definitely not part of the vision.

But are we able to do some part of it in that? Yes. So that means if you buy a company, if it is 100% -- it's a large company. If it is 100% lump sum, I think we'll be having a problem, because it just doesn't fit with the numbers in a way. But if you are saying that it has, maybe, 20%, 30%, 40% that's doable, yes. I'm not saying that's what we are going to do; I'm just discussing this from a theoretical point of view, yes?

Now then the second question is on BP. Why don't I give it to BP specialist here? But are you referring to the BP selling of assets, for instance, in the North Sea?

Christyan Malek

Selling of assets in --

Samir Brikho

In the world?

Christyan Malek

The entire divestment process.

Samir Brikho

Yes. Well, let me comment on the one which have been announced. I actually asked this question the first day when I heard about the negotiation taking place between BP and Apache, and whether is that -- what does that mean? And I sent a note actually to Neil and asked him that. So who's managing all these relationship? And he said, we have a great relationship with Apache, so for us, actually, no change.

But the beauty with this is that people come to us because of the skills and the capabilities of AMEC. And as we're doing all these type of investments in our people, they are coming back to us because they see that we're very serious about what we're doing. So, even if there is this change, if a plan which has been dealt with BP and us, if a change has, I think it would be a very good recommendation that they continue with us.

Neil Bruce

I think the other -- I mean putting it into context in terms of the assets that BP are selling off, are either aging assets, or assets in countries that we are currently not in, or not operating on. And we're doing very little for BP in terms of pretty basic work on aging assets.

So, from our perspective, the simple answer is, don't really see any downside, but actually see an opportunity for us to work with whoever buys these assets. And, certainly if its companies like Apache, then we've got a great relationship with Apache, certainly in the North Sea, and we've got an opportunity to expand the business there. But there's absolutely nothing to date that BP have announced that they're selling that we're currently working on. So do you see, there's upside?

Christyan Malek

Great. Just two follow-ups, if I may.

The 30% threshold you have for lump sum that reduces the number of companies you can buy to maybe, I don't know, it's a lot smaller. Would you be prepared to go up from 30%? Would you be able to go up from the 30% threshold that you've got for lump sum? If it were up to 50%, 60%, because that would widen your scope.

Samir Brikho

I cannot answer that question, as you know, Christyan. But you need to look, in general, that we want to have a business, which is a controlled business, and we do not want to buy a business which is not controlled. We don't want to have adventures. We're not interested in that. We just finish the turnaround. We don't want to go from a turnaround to jump into another turnaround in that sense. So we would like to take a business which is maybe underperforming, but it has at least control of the projects, yes, and that's the mix.

Can I go to this area, please? Because I've been seeing many hands on this area that have not been-- Or are there no more questions on this side? Okay, who has more questions? There was a question here from the lady in front, but --.

Francesca Raleigh – Numis

What do you say on the visibility of revenues as a Group, for the year you're in and next year? What comments do you make?

Samir Brikho

In my speech I said that the revenues which we have today give us a good visibility for the second half of 2010, 2011 and 2012 and beyond. Because the simple reason is that when you get some of these big CAPEX jobs they normally go in the range of 30% in the first year, 30%, 40% the second year, 15% third year and 15% in the fourth year. On OpEx business, which is going sometimes three to five years, and you need to split it up on five years; but we have that visibility now, at least.

Francesca Raleigh

[inaudible - microphone inaccessible] in the Company that you'd start the year with a certain percentage of revenue visibility. Do you ever state what that is?

Samir Brikho

Do we make statements on that?

Ian McHoul

We don't give cover out because if we get too much -- we have margin targets. If we give too much information out on revenue cover, we get pretty close to profit forecast, if we're not careful, so we don't. But I think the market's improving, or gradually improving. That's the message we've been giving.

Francesca Raleigh

At the start of the year, just very crudely, can you see half of your present year ahead of you?

Ian McHoul

Typically, if we look at our order book at any one time, roughly 40% of it will be for execution in the following 12 months. That's not answering your question I appreciate, but it's giving you an indication.

Samir Brikho

Remember we at the point, at a certain period of time, we used to say, because when it was a recession period, everybody was so nervous, and everybody was asking about how much visibility you have in this year. Is it 30%, 40%, 50% or 60%? But I think we walked away from that now after some certain period of time.

A question there, Jon?

Jon Bell – Shore Capital

Jon Bell from Shore Capital. You've obviously had a very strong second quarter. Correct me if I'm wrong, but I think you last talked to the market back in May. It suggests to me that late May and June were very strong for you. Should we be extrapolating that into Q3? And given Ian's comments earlier about working capital flows, is there a possibility of a further drag on working capital in Q3, resulting from very strong revenue performance?

Ian McHoul

I think there are a couple of arithmetic points there. Q2 last year was very weak, so we had a pretty strong Q1 last year, we had a pretty weak Q2, and so the comps were soft. From Q3 last year it started to pick up a bit -- look better. So I don't think you can say great Q2, that's -- see Q3/Q4 booming away. I think you've heard what we said about revenue growth and market. We see a gradual recovery, but don't extrapolate Q2 necessarily. Frankly, if it's more robust than that and we get a cash drag, that's a pretty high quality problem because it means revenue is going through the roof.

Samir Brikho

Yes, which is good news.

From the floor

James Evans from Collins Stewart. Just a question on your mining business, if we look at Vision 2015, obviously, you are talking about being the leader in all the sectors you operate in. If we look at mining, you've not really done too much work for the Tier 1 guys, which are the Anglo's, the BHP's and the Rio's. Do you need further acquisitions to actually become a big EPCM provider to those companies? And how do you feel after your acquisition of GRD?

Neil Bruce

I think if we went back, maybe, just say, went back a year, I think we acknowledged that we were probably Tier 1 in certain geographies. So we certainly were in Canada, expanded to North America, and then we made really good progress, in terms of building the business in South America, specifically in Chile, and to a lesser extent in Peru. So we would consider ourselves to be Tier 1 in Canada, North America generally, and Chile.

The next part of that was very much about geographic expansion, and that was the reason for the GRD Minproc acquisition, to push ourselves towards the top of that in Australia. It gave us access, certainly, to South Africa, albeit still a relatively small player. But it also gives us a little bit of access as well to China, in terms of China/Australia.

So this is a continual -- our objective is certainly to be Tier 1. I would say we are, geographically, in the Americas. We are not yet in Australia, but we have an aim to be. And we're certainly not in Africa yet, but again, we have an aim to be. And we're continually looking at the potential of further acquisitions, specifically in underground mining, as identified in the acquisition targets, because we are more -- we've got a weaker CV in the underground mining, so we want to push upon that. So, yes, we are continually looking for acquisitions in that space to get there. But I think we're approaching it very much on a geographic basis.

Samir Brikho

Thank you. I see that there are a lot of questions also to be asked, but I'm really limited by time, so I'm going to give the chance for Alex to ask the last question. It does not mean that we cannot continue after the official session is closed. The teams are here, you can speak with them up to 6 o'clock in the evening. So, after that, they need to do something different. But, Alex Brooks from UBS, shoot.

Alex Brooks – UBS

Good morning, everybody. I have just actually got two follow-up questions. Firstly, on GRD, can you share with us the timeline of when you see that business being at the right level of profitability? Clearly, it wasn't in the first half. When do you get there?

Neil Bruce

Second half of the year.

Alex Brooks

Right. So, --

Samir Brikho

But not to the same level as the rest of the business, that was the question?

Alex Brooks

Yes, exactly.

Neil Bruce

But on plan for the business plan in the second half of the year, and ultimately then, becoming part of the overall Natural Resources group and similar to other parts of the Group.

Samir Brikho

I still remember the days when were discussing with GRD and discussing with them about acquisition and so on. And there were a lot of positive sentiment that they would be delivering quite a big result. We were very cautious in the due diligence in order to understand whether this is going to happen. And we were able to convince them that I don't think that they are on the right track. And it's not that I'm happy that we have been able to convince them, but reality is as is.

And, therefore, you remember when we bought them at quite a good price, yes, because we'd been able to convince them, as we're seeing the market. But that's -- now after Step Change, Operational Excellence coming on board, that's going to pick up very fast.

Ian McHoul

And to be clear, we'd still expect a return on invested capital on the GRD Minproc business to hit WACC in the second full-year.

Alex Brooks, UBS - Analyst

Okay. Thank you. And then my second question actually is -- the subject of both the mining majors and hostile acquisitions has come up. Potash has been a big customer for you in Canada. I wonder if you could comment on the impact of that were that deal to go ahead, who knows whether it will or not, on your business and how much it would be, and whether actually it's an opportunity for you.

Samir Brikho

Well the good story here is that Potash is a good customer of ours. We have a very good relationship with Potash; we do a lot of work with Potash as part of a strategic alliance. We have a good relationship with BHP, and we understand exactly what they are trying to do in Saskatchewan, not only buy Potash, but doing also other mining activities there. We have been entertaining a very good discussion and we don't see actually this as a bad story. Where it goes is the decision of the Canadians, I call it at the moment. But in both ways, we are in good shape.

Alex Brooks

Thank you very much.

Samir Brikho

Well, thank you very much for your presence today, and the trust in AMEC. We have been giving a lot of promises and are very happy to wake up this morning with a big smile, and a good feeling. We are beating the expectations of the 8.5% EBITA margin, which we have promised a couple of years back on time. Thank you very much.

[End]