

**ATKINS**

**WS Atkins plc**

Preliminary results for the year ended 31 March 2007

**26 June 2007**

**Plan Design Enable**

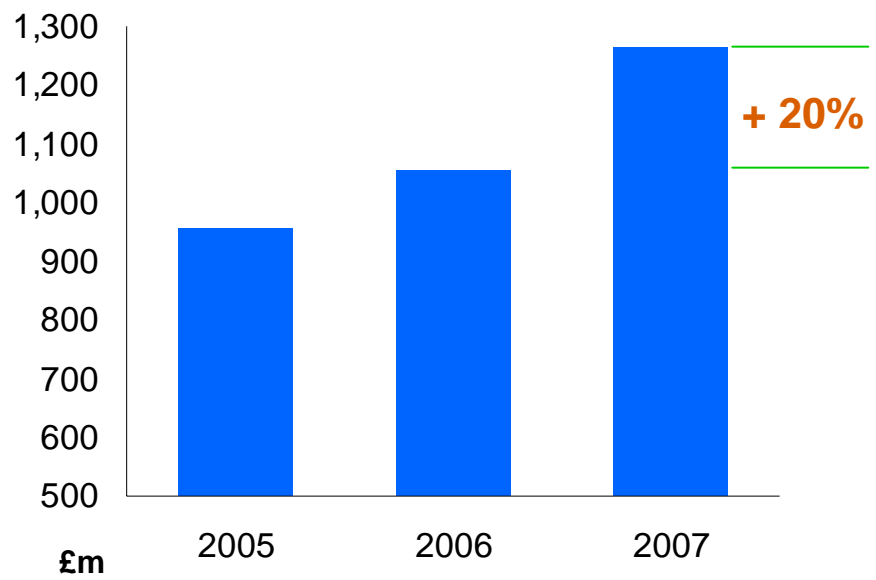
ATKINS

**Keith Clarke**

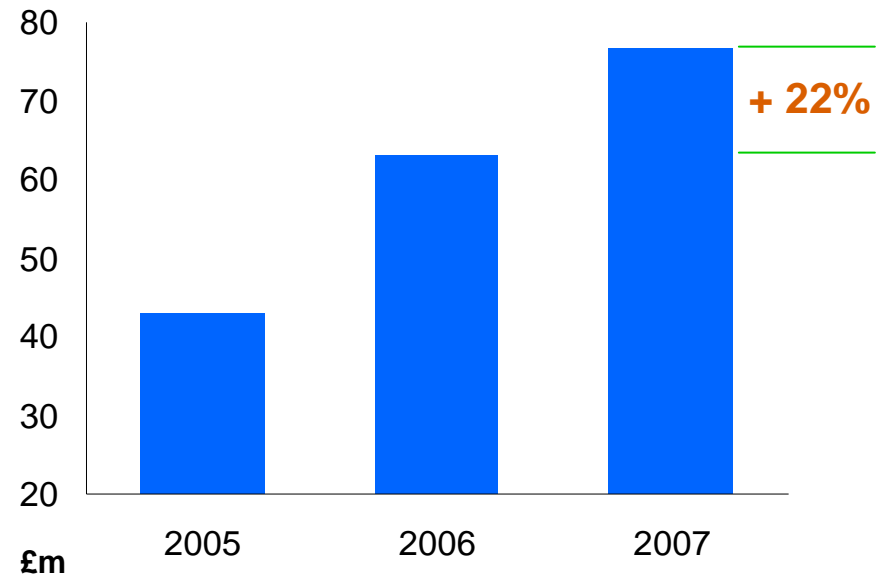
Chief Executive

# Record Year (pre exceptionals)

**Revenue**

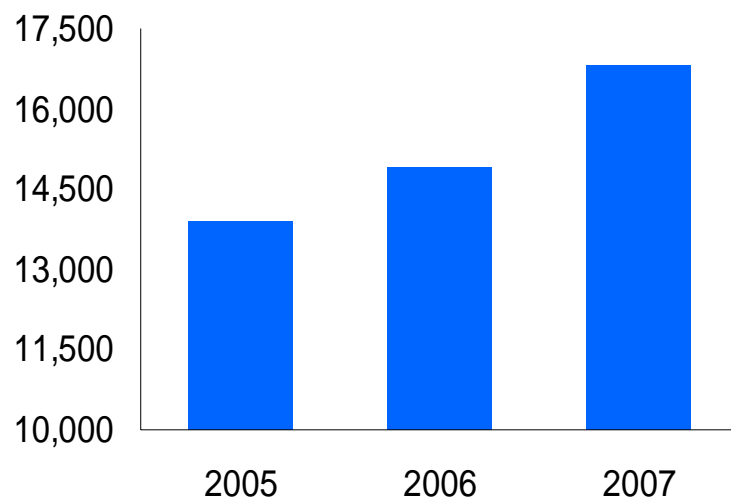


**Operating Profit**



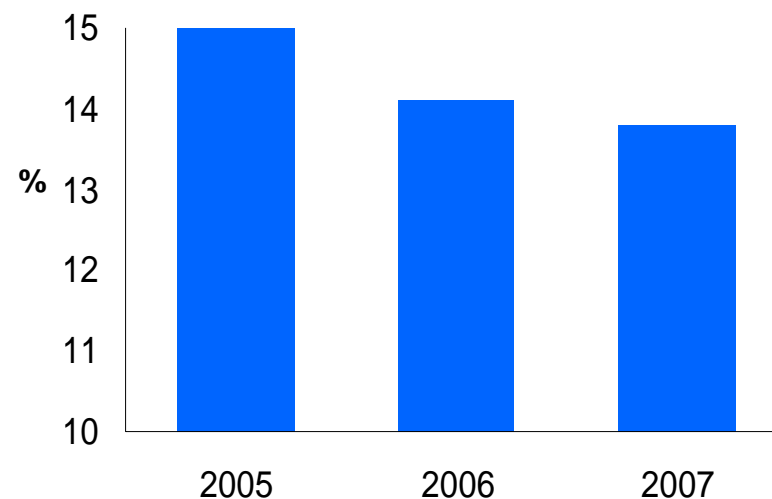
# Staff Growth

*Total Staff*



- Record but planned growth of 1,900

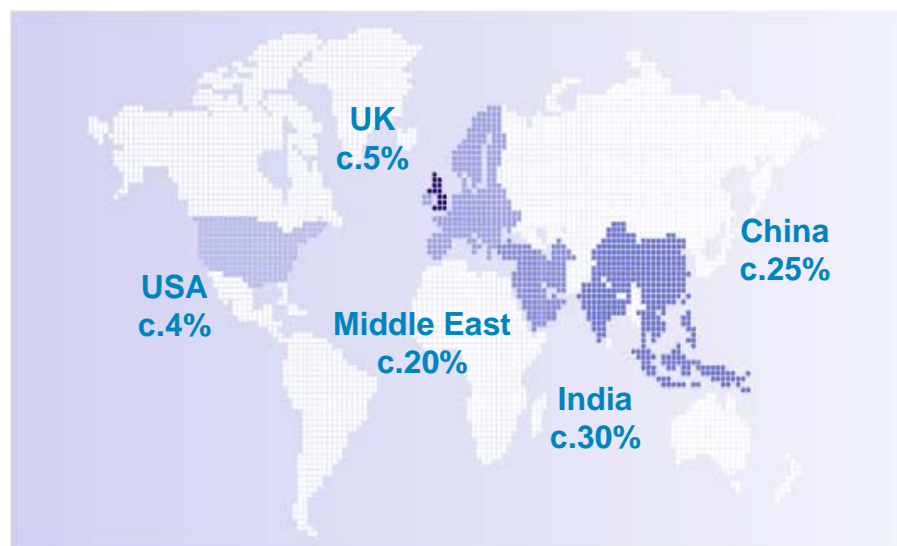
*Staff turnover*



- Improved retention in context of tightening market

## Wage Inflation

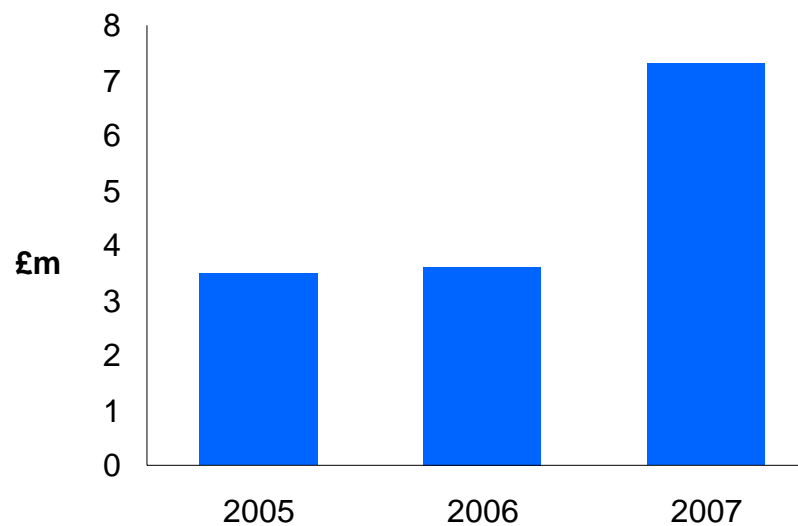
- Significant variations around the world and by skill level
- Anticipated pressures this year
- Majority is passed to client in medium term
- Anticipate in our budgeting



## Lambert Smith Hampton

- Sale agreed at £46.5m plus up to £10m
- Exceptional year with record year end
- Completion of the exit strategy

### Operating Profit



## Metronet Enterprise

- Notice of extraordinary review for both BCV & SSL

- Exceptional loss

Equity written down to zero	£91.3m
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Consequential supply chain exceptional	£30.0m
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	<hr/> <b>£121.3m</b> <hr/>
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ATKINS

**Robert MacLeod**

Group Finance Director

# Financial highlights

	Year ended 31 March 2007	Year ended 31 March 2006	
<b>Revenue</b> <i>(exc. JVs)</i>	<b>£1,263.6 m</b>	£1,052.5 m	+ 20 %
<b>Operating profit</b> *	<b>£76.6 m</b>	£62.9 m	+ 22 %
<b>Operating margin</b> *	<b>6.1 %</b>	6.0 %	+ 10 bp
<b>Normalised Profit before tax</b> *	<b>£81.7 m</b>	£68.4 m	+ 19 %
<b>Operating cash flow</b>	<b>£106.1 m</b>	£111.7 m	
<b>Normalised diluted eps</b> *	<b>61.5 p</b>	50.1 p	+ 23 %
<b>Dividend per share</b>	<b>20.0 p</b>	16.0 p	+ 25 %
<b>Net funds</b>	<b>£199.1 m</b>	£176.6 m	
<b>Work in hand</b>	<b>58 %</b>	62 %	

\* *before exceptional items*

# Metronet Enterprise

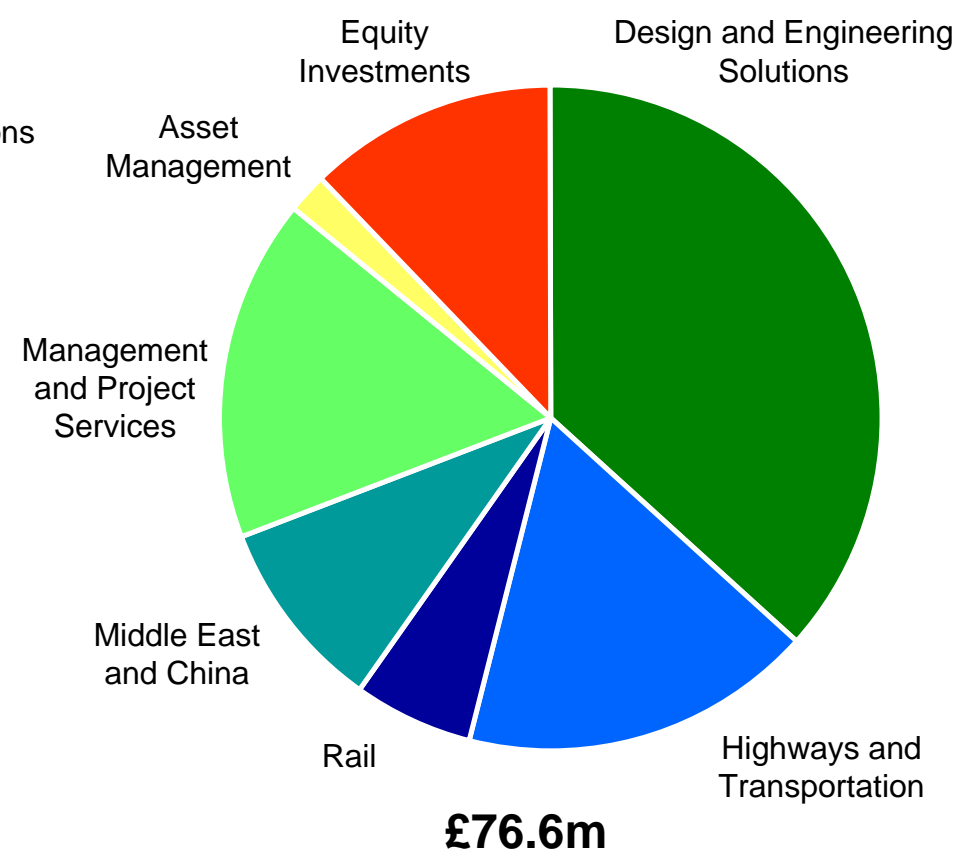
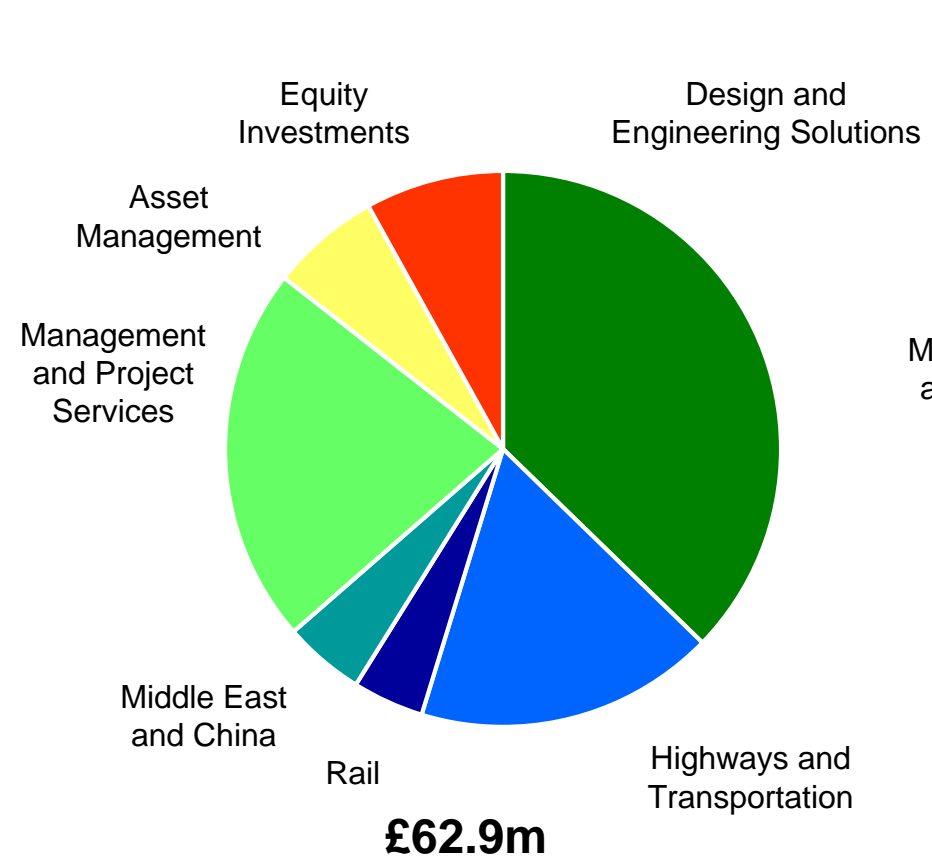
<i>£ million</i>	31 March 2007			2006
	Pre-Exceptional	Exceptional items	Total	Total
Metronet	-	(91.3)	(91.3)	7.5
Costs of letters of credit	(1.3)	-	(1.3)	(2.0)
	<b>(1.3)</b>	<b>(91.3)</b>	<b>(92.6)</b>	<b>5.5</b>
<i>Supply Chain</i>				
Trans4m - Share of JV	(1.0)	(26.0)	(27.0)	(1.0)
Business segments	1.7	(4.0)	(2.3)	(2.7)
<b>Metronet Enterprise</b>	<b>(0.6)</b>	<b>(121.3)</b>	<b>(121.9)</b>	<b>1.8</b>

- Prudent exceptional supply chain provisions
- Heads of Terms agreed to collapse Trans4m – requires banks approval
- 620 staff currently engaged on Metronet related work

# Segmental analysis

Before exceptional items

**2006**      **Operating Profit**      **2007**



# Design and Engineering Solutions

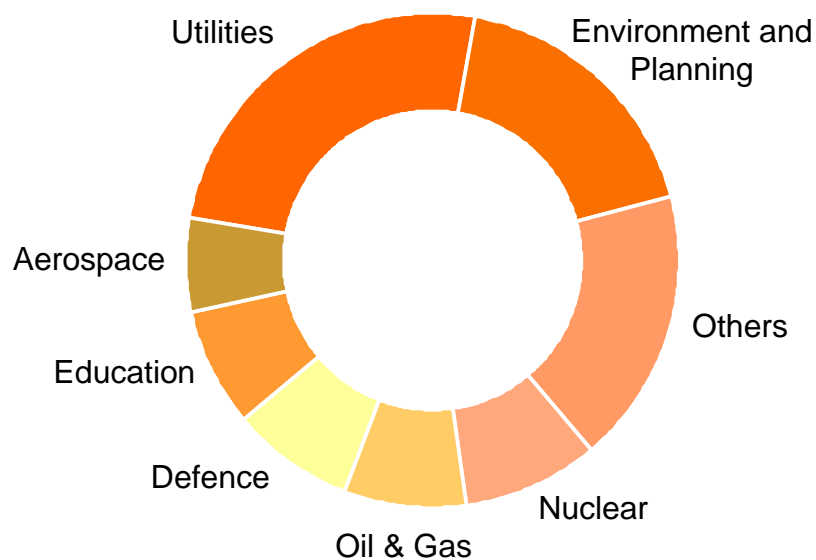
Before exceptional items

	Year ended 31 March 2007	Year ended 31 March 2006	
<b>Revenue</b> ( <i>exc. JVs</i> ) (£m)	<b>339.2</b>	286.3	+ 18 %
<b>Operating profit</b> (£m)	<b>28.1</b>	23.4	+ 20 %
<b>Operating margin</b>	<b>8.3 %</b>	8.2 %	
<b>Work in Hand</b>	<b>42 %</b>	44 %	Good
<b>Headcount</b> ( <i>FTE inc. agency</i> )	<b>4,721</b>	4,026	+ 17 %
<b>Average headcount</b>	<b>4,306</b>	3,679	+ 17 %

- Good year in strong markets
- Acquisitions performing well
- Headcount growth key – c.200 staff in GDC

# Design and Engineering Solutions

## Markets



## Drivers

- ✓ **Utilities**
  - Increased AMP4 programme
- ✓ **Environment and Planning**
  - Strong UK regeneration programmes
- ✓ **Nuclear**
  - Energy review and decommissioning requirement
- ✓ **Oil&Gas**
  - High oil price
- ✓ **Defence**
  - Through life costing considerations

Strong Markets

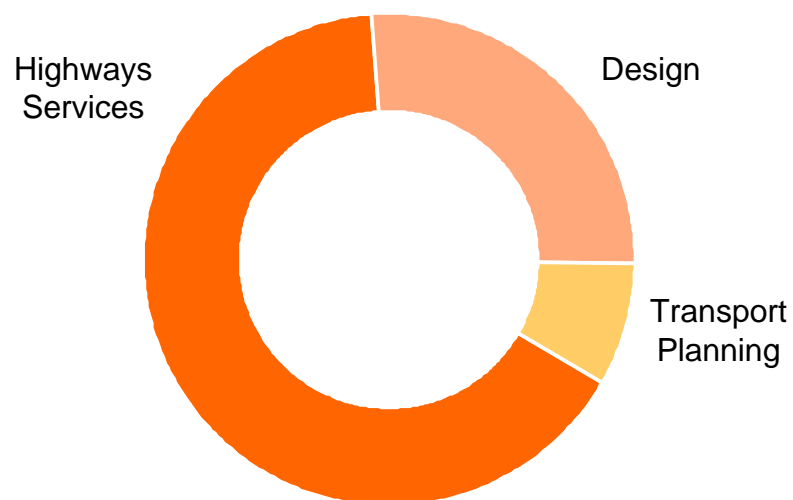
# Highways and Transportation

	Year ended 31 March 2007	Year ended 31 March 2006	
<b>Revenue</b> ( <i>exc. JVs</i> ) (£m)	<b>250.5</b>	215.4	+ 16 %
<b>Operating profit</b> (£m)	<b>13.2</b>	11.0	+ 20 %
<b>Operating margin</b>	<b>5.3 %</b>	5.1 %	
<b>Work in Hand</b>	<b>77 %</b>	75 %	Good
<b>Headcount</b> ( <i>FTE inc. agency</i> )	<b>3,095</b>	2,891	+ 7 %
<b>Average headcount</b>	<b>3,067</b>	2,834	+ 8 %

- Good year across all part of business
- New contracts performing well
- 2007/08 significant bid activity

# Highways and Transportation

## Markets



## Drivers

- ✓ **Highways Services**
  - More Local Authorities adopting integrated services model
  - Competitive market
  
- ✓ **Transport Planning and Design**
  - Public sector funding under strain
  - Funding to TIF, London and other cities
  - Eddington Review

Innovative solutions required

# Rail

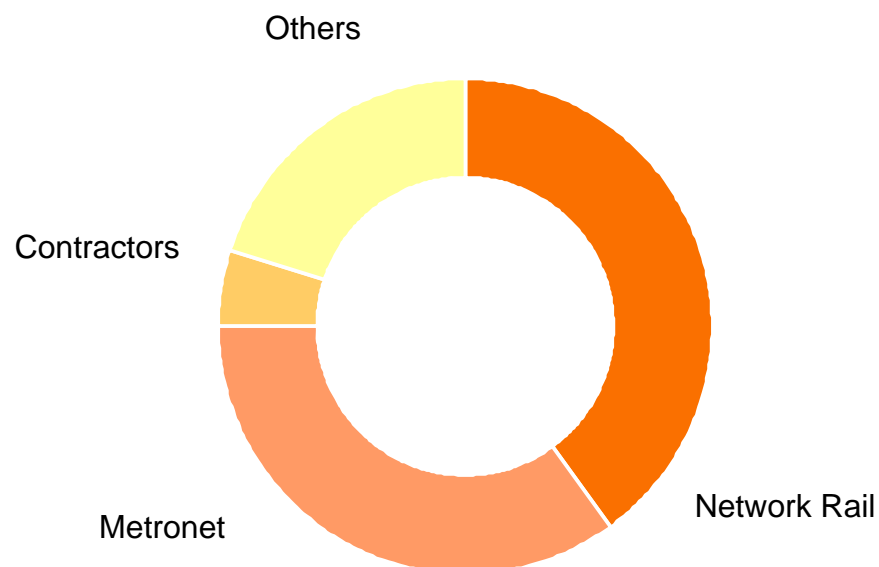
Before exceptional items

	Year ended 31 March 2007	Year ended 31 March 2006	
<b>Revenue</b> ( <i>exc. JVs</i> ) (£m)	<b>237.4</b>	176.5	+ 35 %
<b>Operating profit</b> (£m)	<b>4.4</b>	2.6	+ 69 %
<b>Operating margin</b>	<b>1.9 %</b>	1.5 %	
<b>Work in Hand</b>	<b>66 %</b>	75 %	Good
<b>Headcount</b> ( <i>FTE inc. agency</i> )	<b>1,974</b>	2,004	-1 %
<b>Average headcount</b>	<b>1,956</b>	1,886	+ 4 %

- Recovery in Network Rail related activities
- Offset by loss on contracts in Poland
- Significant activity in Rail signalling projects

# Rail

## Markets



## Drivers

- ✓ **Network Rail**
  - Robust re-signalling programme >£2bn over 5 years
- ✓ **Increasing passenger demand**
  - Capacity constraints require new solutions
- ✓ **Regionalisation**
- ✓ **Metronet**
  - Secured work to fall but significant requirement remains

Robust renewals programme

# Middle East and China

**Year ended  
31 March 2007**

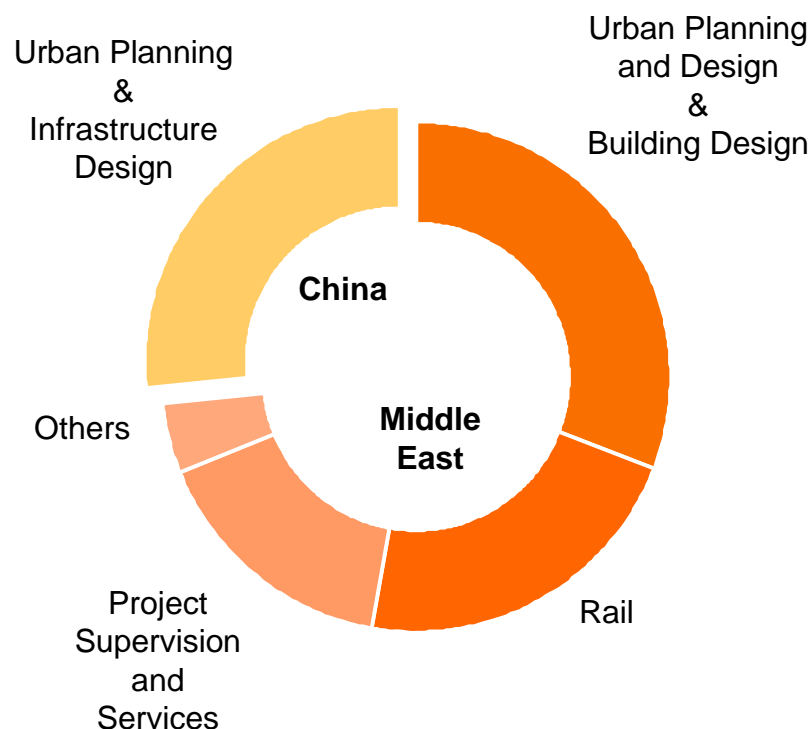
**Year ended  
31 March 2006**

<b>Revenue (exc. JVs) (£m)</b>	<b>108.2</b>	67.1	+ 61 %
<b>Operating profit (£m)</b>	<b>7.2</b>	3.0	+ 140 %
<b>Operating margin</b>	<b>6.7 %</b>	4.5 %	
<b>Work in Hand</b>	<b>64 %</b>	78 %	Very Good
<b>Headcount (FTE inc. agency)</b>	<b>2,602</b>	1,708	+ 52 %
<b>Average headcount</b>	<b>2,253</b>	1,548	+ 46 %

- Excellent performance in Middle East
- Rail business established in year
- China profitable with good opportunities

# Middle East and China

## Markets



## Drivers

### Middle East

- ✓ Building Design – Remains strong with emphasis on sustainability and innovative projects
- ✓ Rail – Regional expansion
- ✓ Infrastructure – Future opportunities to expand services

### China

- ✓ Strong urban and infrastructure development
- ✓ Relaxation on licensing is happening

Excellent prospects

# Management and Project Services

Before exceptional items

Year ended  
31 March 2007

Year ended  
31 March 2006

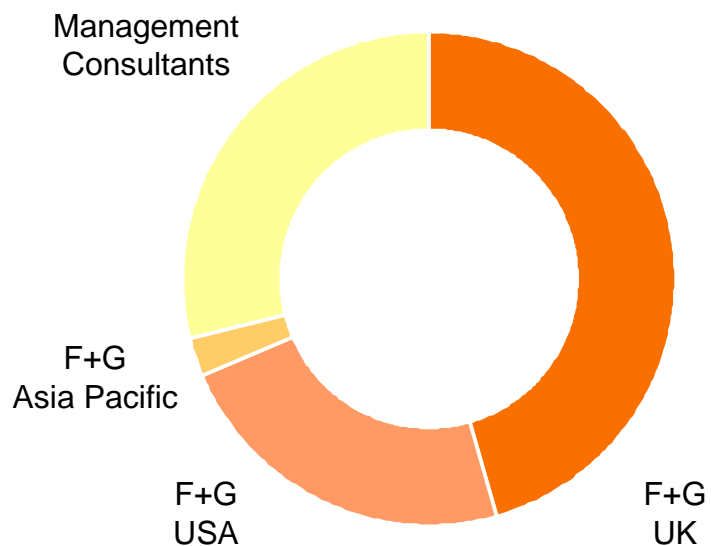
<b>Revenue</b> ( <i>exc. JVs</i> ) (£m)	<b>193.6</b>	171.9	+	13 %
<b>Operating profit</b> (£m)	<b>12.8</b>	13.9	-	8 %
<b>Operating margin</b>	<b>6.6 %</b>	8.1 %		
<b>Work in Hand</b>	<b>42 %</b>	39 %		Fair
<b>Headcount</b> ( <i>FTE inc. agency</i> )	<b>2,260</b>	2,146	+	5 %
<b>Average headcount</b>	<b>2,203</b>	2,049	+	8 %

- Faithful+Gould performing well with growth in USA
- Management Consultants performance disappointing – due to
  - Reorganisation
  - Integration of Mantix

# Management and Project Services

## Markets

## Drivers



### F+G UK

- ✓ Robust market
- ✓ Strong property and education sectors

### F+G USA

- ✓ New focus upon large market
- ✓ MD now in USA

### Management Consultants

- ✓ Continuing Government demand expected
- ✓ Increasingly competitive marketplace

Robust markets

# Asset Management

Year ended  
31 March 2007

Year ended  
31 March 2006

<b>Revenue</b> ( <i>exc. JVs</i> ) (£m)	<b>50.5</b>	61.5	- 18 %
<b>Operating profit</b> (£m)	<b>1.6</b>	4.0	- 60 %
<b>Operating margin</b>	<b>3.2 %</b>	6.5 %	
<b>Work in Hand</b>	<b>99 %</b>	96 %	Good
<b>Headcount</b> ( <i>FTE inc. agency</i> )	<b>680</b>	730	- 7 %
<b>Average headcount</b>	<b>669</b>	877	- 24 %

- Profit reduction due to one-off benefits in 2005/06
- Modern Housing Solutions recovered from poor start
- Niche Business

# Equity Investments

Before exceptional items

	Year ended 31 March 2007	Year ended 31 March 2006		
<b>Revenue</b> ( <i>exc. JVs</i> ) (£m)	<b>84.2</b>	73.8	+	14 %
<b>Operating profit</b> (£m)	<b>9.3</b>	5.0	+	86 %
<b>Share of post-tax profit from JVs</b>	<b>1.2</b>	8.1		
<b>Operating margin</b>	<b>11.0 %</b>	6.8 %		
<b>Headcount</b> ( <i>FTE inc. agency</i> )	<b>956</b>	887	+	8 %
<b>Average headcount</b>	<b>947</b>	880	+	8 %

- Exceptional LSH performance – £7.3m (2006: £3.6m)
- Disposal of non-core business to management team for £46.5m
  - £40.0m cash
  - £6.5m loan note
- Up to £10m further payable depending upon current year performance

## Taxation – Effective Tax Rate

	Year ended 31 March 2007	Year ended 31 March 2006
Standard UK Tax rate	30%	30%
R&D Tax credits	(5.0)	-
Overseas Profits	(2.7)	(0.7)
Others	0.3	0.3
<b>Normalised Effective tax rate</b>	<b>22.6%</b>	<b>29.6%</b>

- Reduced Tax Rate due to:
  - 3 years R&D benefit
  - Increased profits from Middle East
- Cash tax rate expected to be <15% due to pension payments

## Cash flow Dynamics

*£ million*

	Year ended 31 March 2007	Year ended 31 March 2006
<b>Operating profit</b>	<b>72.6</b>	62.9
Depreciation/amortisation	32.1	24.3
Working capital	9.0	40.1
Pension	(20.9)	(18.4)
Provisions / other	13.3	2.8
<b>Cashflow from operating activities</b>	<b>106.1</b>	111.7

- Lock-up days 27 (31 in 2006)
- Working capital improved due to:
  - Metronet Supply Chain
  - Middle East performance

# Pension

	Gross	Net of Deferred Tax
Net deficit at 1 April 2006	(299.9)	(209.9)
Service cost	(22.5)	
Net finance cost	(2.4)	
Total cost	(24.9)	
Contributions - committed	18.4	
Contributions - additional	25.0	
Actuarial gain	31.3	
<b>Net deficit at 31 March 2007</b>	<b>(250.1)</b>	<b>(175.1)</b>

- Consultation regarding Atkins Pension Plan change ongoing
- Formal valuation underway (30 June 2006 estimated: £187m)
- Buyout deficit c.£520m pre-tax

ATKINS

**Keith Clarke**

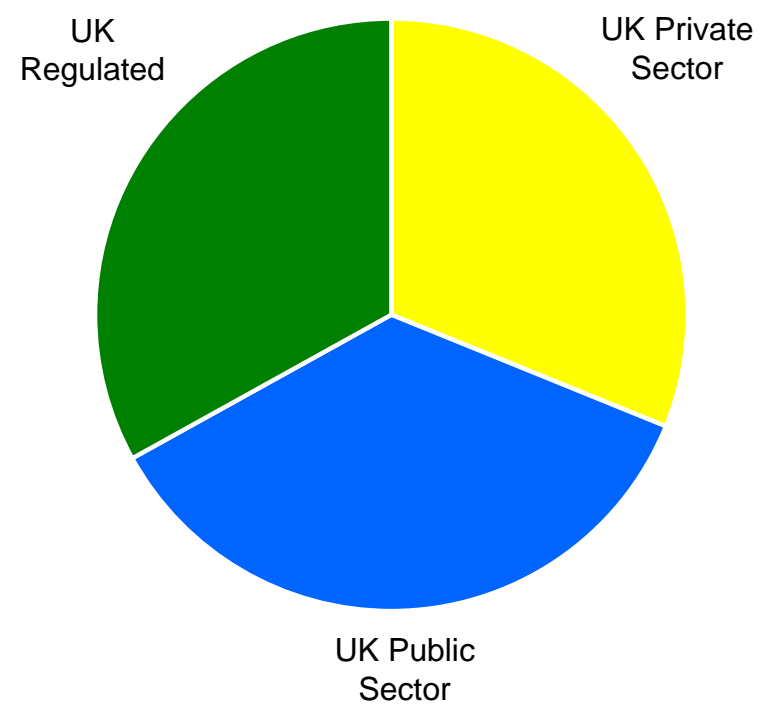
Chief Executive

# Strategy

- Identity + Excellence
- Preference for organic growth
- Selective bolt-on acquisitions

# UK – 12,500 staff

## Revenue



## Markets

- Nuclear
- Defence
- Oil&Gas
- Environmental Engineering
- Rail
- Highways
- Architecture
- Cost consultancy
- Aerospace
- ....

Strong underlying demand

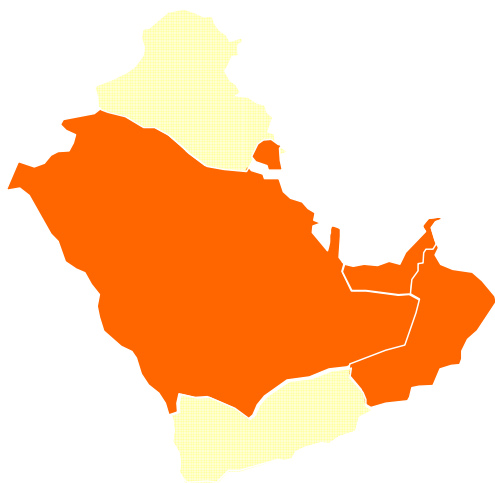
# UK market ranking

## NCE Consultants File 2007 – Market Ranking

UK rank	Company	Building	Project Management	Defence	Environment	Facilities Management	Flooding & Coastal	Geotechnics	Health & Safety	Manufacturing	Power	Public Sector	Rail / rail bridges	Roads / road bridges	Telecoms	Transport (ports, harbours, airports)	Transport planning	Tunnelling	Waste	Water
<b>1</b>	<b>ATKINS</b>	2	9	1	4	1	2	2	1	2	3	1	1	1	1	8	2	3	4	4
2	Mott MacDonald	7	3	4	15		8	4	16	6	2	3	2	4	4	1	7	1	5	2
3	Arup	1	7	10	12	11	11	1	3	3	5	14	3	8	3	2	5	2	13	10
4	WSP	3	15		2	8		6	8	4	9	9	7	6	2	4	1	8	4	19
5	Mouchel Parkman		5		20	2						2	5	2			17		11	3
6	Jacobs	14	11	2	5	4	4	7	12	1	4	4	10	3		10	10	6	2	9
7	RPS				1															
8	Scott Wilson	11	13		11	12	13	5	14	9	6	7	4	5		5	15	7	6	14
9	Halcrow	17	18	12	13	15	1	9	13		7	8	6	7		3	8	4	21	5
10	Capita Symonds	12	6	9	16	8	9	10	5	14	15	6	13	10	8	22	11	5	14	28

## Middle East and China

*Middle East – staff c.1700*



- ✓ Resilient market
- ✓ Clients taking us abroad
- ✓ Strong brand

*China – staff c.900*



- ✓ Emerging Market
- ✓ But market accessibility is key
- ✓ Sustainable profitability is yet to come

## Europe and USA

*Europe – staff c.670*



- ✓ Refocused market
- ✓ A Group Executive member now appointed
- ✓ Act local and leverage group resources

*USA – staff c.650*

# ATKINS

FAITHFUL  
GOULD  
CONSTRUCTIVE EXPERTISE

- ✓ Cost consultancy and oil & gas
- ✓ Growth potential

## Conclusion

- ✗ Government efficiency drives
- ✗ Government spending pressures
- ✗ International competition
- ✓ Excellent market position
- ✓ Very strong skill base
- ✓ Robust market needs

Sustainable growth and continued incremental  
overall margin improvement

**ATKINS**

**WS Atkins plc**

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**26 June 2007**

**Plan Design Enable**