

# **WS Atkins plc**

Preliminary results for the year ended  
31 March 2010

17 June 2010

# **Keith Clarke**

Chief Executive

## Summary

### Results

- Continued successful navigation of turbulent markets

### Resilience

- End market diversity and quality

### Growth

- Ongoing investment in skills and capabilities and positioned for opportunities

# Heath Drewett

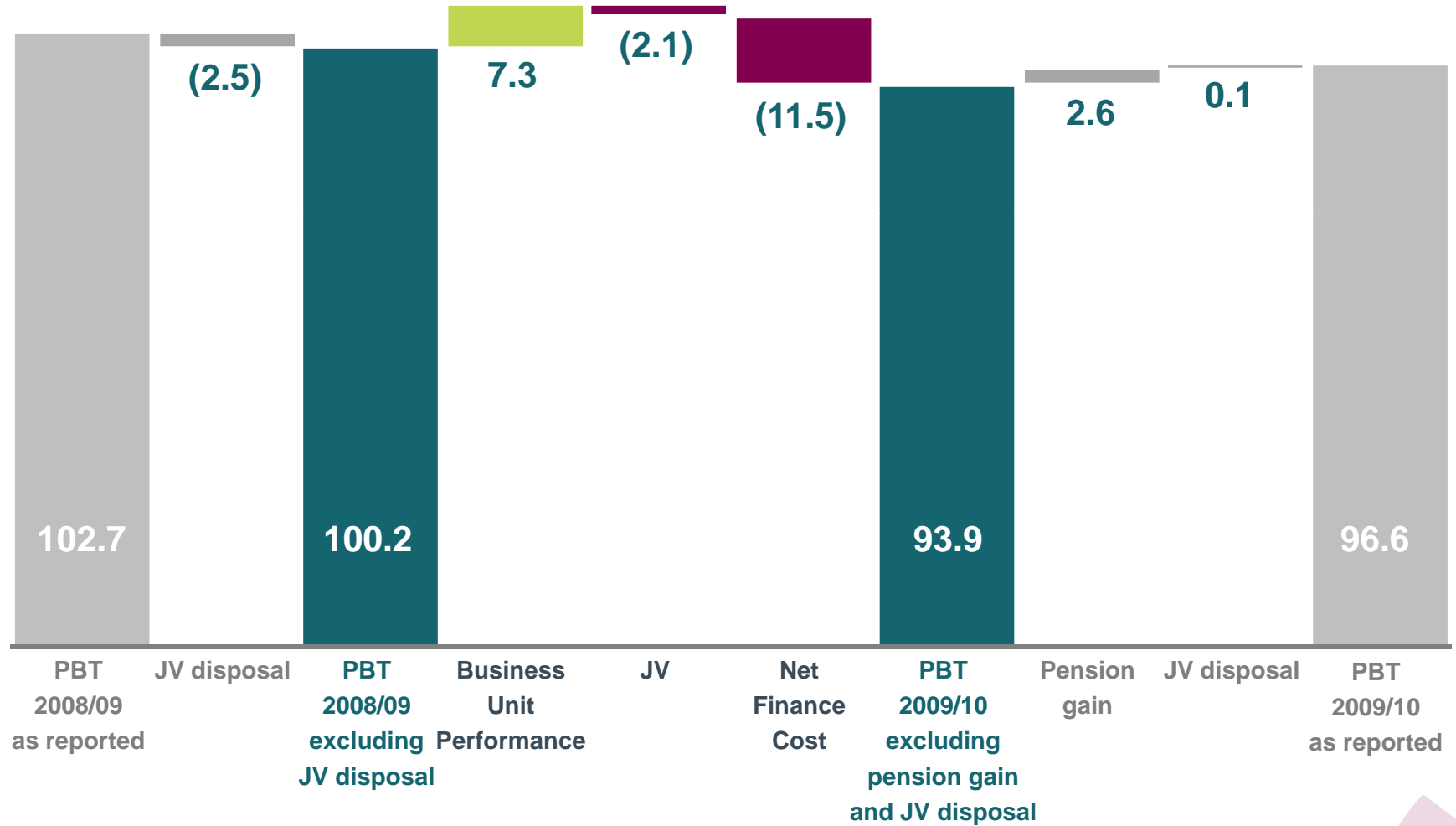
Group Finance Director

## Financial highlights

£m	31 Mar 2010	31 Mar 2009	
Revenue	1,387.9 m	1,487.2 m	(7)%
Operating profit	113.0 m	103.1 m	10 %
Operating margin	8.1 %	6.9 %	120 bp
<i>Operating margin *</i>	7.9 %	6.8 %	110 bp
<i>Profit before tax *</i>	93.9 m	100.2 m	(6)%
Normalised fully diluted eps	77.8 p	82.3 p	(5)%
Dividend per share	27.5 p	26.0 p	6 %
Cash flow from operations	126.5 m	125.5 m	1 %
Net funds	302.5 m	234.2 m	
Headcount	15,601	18,017	(13)%
Work in hand	54 %	54 %	

\* Segmental margin excluding JV disposal and pension gain in 2010 and JV disposal in 2009

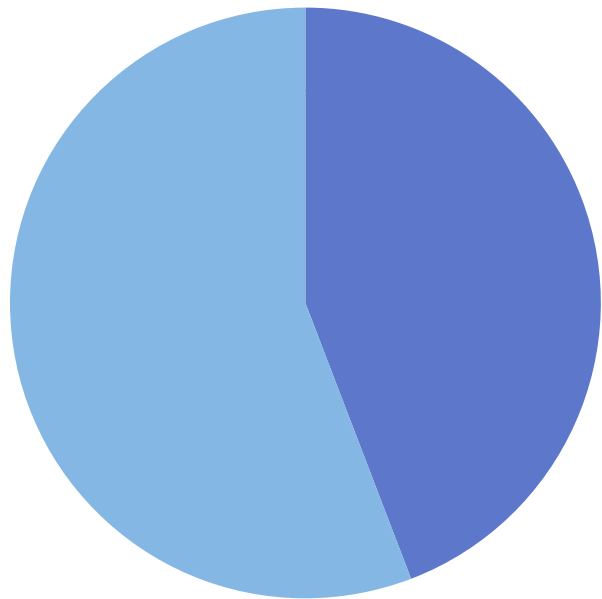
## Profit before tax



## Restructuring costs

Taken above the line

£16m



■ Redundancy   ■ Vacant property

- Redundancy costs of £7m for 1,300 employees
- Vacant property costs of £9m as office consolidation continues

# Design and Engineering Solutions

		31 Mar 2010	31 Mar 2009	
Revenue	(£m)	390.3	435.0	(10)%
Operating profit	(£m)	31.3	31.6	(1)%
Operating margin		8.0 %	7.3 %	70 bp
Work in hand		45 %	43 %	Good
Average headcount		4,664	5,133	(9)%
Closing headcount		4,400	5,167	(15)%

- Water and UK building design businesses restructured
- Solid performances from defence and aerospace
- Energy business performed well – significant win with ITER
- Overall outlook is good

# Highways and Transportation

		31 Mar 2010	31 Mar 2009	
Revenue	(£m)	300.4	308.2	(3)%
Operating profit	(£m)	21.4	19.9	8 %
Operating margin		7.1 %	6.5 %	60 bp
Work in hand		69 %	62 %	Good
Average headcount		2,975	3,016	(1)%
Closing headcount		2,931	3,075	(5)%

- Revenue and margin benefitted from UK Government stimulus and M25
- Strong demand in year for higher margin consultancy activities
- Good wins in highways services business – including Oxfordshire County Council
- Uncertain market outlook partially offset by recent contract awards

## Rail

		31 Mar 2010	31 Mar 2009	
Revenue	(£m)	185.7	196.1	(5)%
Operating profit	(£m)	16.8	17.0	(1)%
Operating margin		9.0 %	8.7 %	30 bp
Work in hand		53 %	61 %	Fair
Average headcount		1,483	1,635	(9)%
Closing headcount		1,420	1,624	(13)%

- Solid performance in year – margin benefitted from project phasing
- Signalling business remains busy
- Good wins in design including Crossrail
- Challenging outlook with reduced work in hand

## Middle East

		31 Mar 2010	31 Mar 2009	
Revenue	(£m)	136.6	186.0	(27)%
Operating profit	(£m)	14.0	17.3	(19)%
Operating margin		10.2 %	9.3 %	90 bp
Work in hand		57 %	53 %	Good
Average headcount		2,154	2,823	(24)%
Closing headcount		1,867	2,824	(34)%

- Successful navigation in difficult economic climate
- Confidence and liquidity are slowly returning as expected
- We are securing new work but timing of commencement unpredictable
- Overall outlook positive

## China and Europe

		31 Mar 2010	31 Mar 2009	
Revenue	(£m)	134.1	117.2	14 %
Operating profit	(£m)	6.1	4.9	24 %
Operating margin		4.5 %	4.2 %	30 bp
Work in hand		57 %	54 %	Good
Average headcount		1,780	1,675	6 %
Closing headcount		1,774	1,741	2 %

### China

- Buoyant Hong Kong rail infrastructure market
- Prospects for China remain good

### Europe

- Mixed performance in European portfolio
- Outlook for Europe overall is good although we expect continuing challenging conditions for parts of the business

# Management and Project Services

		31 Mar 2010	31 Mar 2009	
Revenue	(£m)	202.8	230.0	(12)%
Operating profit	(£m)	15.9	18.9	(16)%
Operating margin		7.8 %	8.2 %	(40) bp
Work in hand		44 %	44 %	Good
Average headcount		2,094	2,405	(13)%
Closing headcount		1,991	2,294	(13)%

- Faithful+Gould: competitive market – early action to reduce headcount
- Management Consultants: very good performance
- Stable outlook for the segment

## Asset Management

		31 Mar 2010	31 Mar 2009	
Revenue	(£m)	56.0	47.6	18 %
Operating profit/(loss)	(£m)	5.0	(6.8)	
Operating margin		8.9 %	(14.3) %	
Work in hand		73 %	99 %	Fair
Average headcount		613	682	(10)%
Closing headcount		562	671	(16)%

- Results favourably impacted by one-off benefit arising from exit of legacy PFI maintenance contract
- Remainder of business performing in line with expectations

# Cash flow

£m	31 Mar 2010	31 Mar 2009
<b>Operating profit</b>	<b>113.0</b>	103.1
Depreciation/amortisation	<b>22.8</b>	33.4
Working capital	<b>29.6</b>	10.9
Pension	<b>(36.3)</b>	(40.6)
Provisions/other	<b>(2.6)</b>	18.7
<b>Cash flow from operating activities</b>	<b>126.5</b>	125.5

- Strong operating cash flow
- Working capital inflow despite lengthening of debtor days in Middle East
- Provisions/other includes release of residual provisions in Asset Management

## Working capital

£m	31 Mar 2010	31 Mar 2009	Δ
Trade receivables	229.9	275.4	
Amounts recoverable on contracts *	32.6	58.3	
Fees invoiced in advance	(169.8)	(178.7)	
Lockup	92.7	155.0	62.3
Other receivables/prepayments	38.2	45.0	6.8
Trade payables	(50.6)	(64.4)	(13.8)
Other payables/accruals	(213.9)	(235.6)	(21.7)
Inventories / other			(4.0)
<b>Movement in working capital</b>			<b>29.6</b>

- Material reduction in lockup partially offset by paydown in creditors

\* 31 March 2009 on continuing operations only

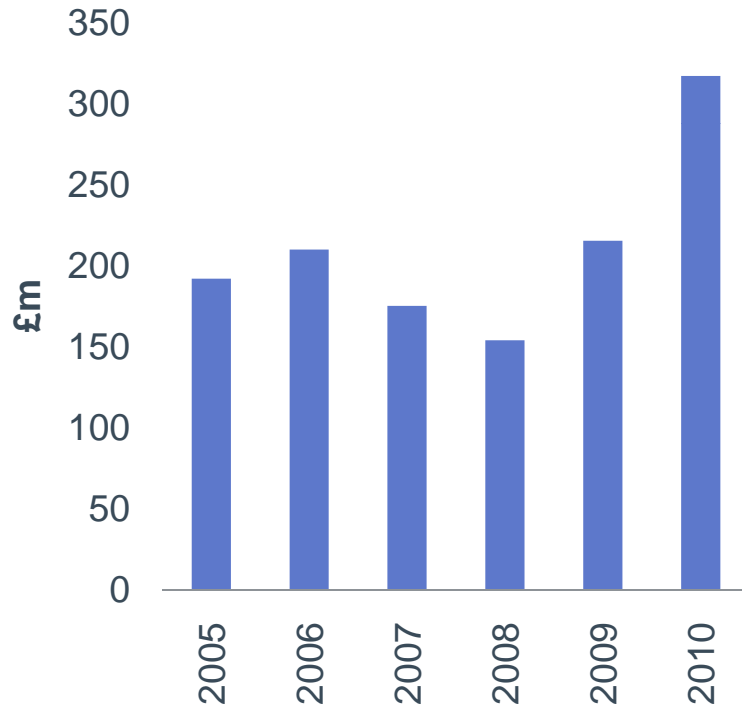
# Taxation

%	31 Mar 2010	31 Mar 2009
<b>UK taxation at</b>	<b>28.0</b>	28.0
Non-deductible expenses	-	0.7
Overseas tax rates	<b>(6.4)</b>	(4.2)
Share-based payments / other	<b>0.6</b>	3.3
R&D tax credit	<b>(2.4)</b>	(2.4)
ETR before consortium relief	<b>19.8</b>	25.4
Consortium relief	-	(6.9)
<b>Normalised effective tax rate</b>	<b>19.8 %</b>	18.5 %

- One off benefit of acquired tax losses in 2008/09
- ETR benefit from operations in lower tax jurisdictions

## Pension

IAS19 Deficit net of Deferred Tax



- IAS 19 deficit increase driven primarily by reduction in discount rate and inflation increase
- Strong asset performance over the last year
- £32m deficit funding in line with agreed funding plan
- Actuarial valuation due as at 1 April 2010 – expected to complete later in FY 2010/11

# Pension

## Committed to deficit and volatility reduction

- Actions already taken
  - Closed Atkins Plan to new members as of 1 April 2001
  - Future service accrual terminated in 2007
  - More than £100m of deficit cash funding since 2007
  - Volatility hedging programme now in place
- Options for further action under review

## Results summary

- Strong operating margin performance
- Continuing to generate cash
- Dividend increased

# **Keith Clarke**

Chief Executive

## Summary

### Results

- Continued successful navigation of turbulent markets

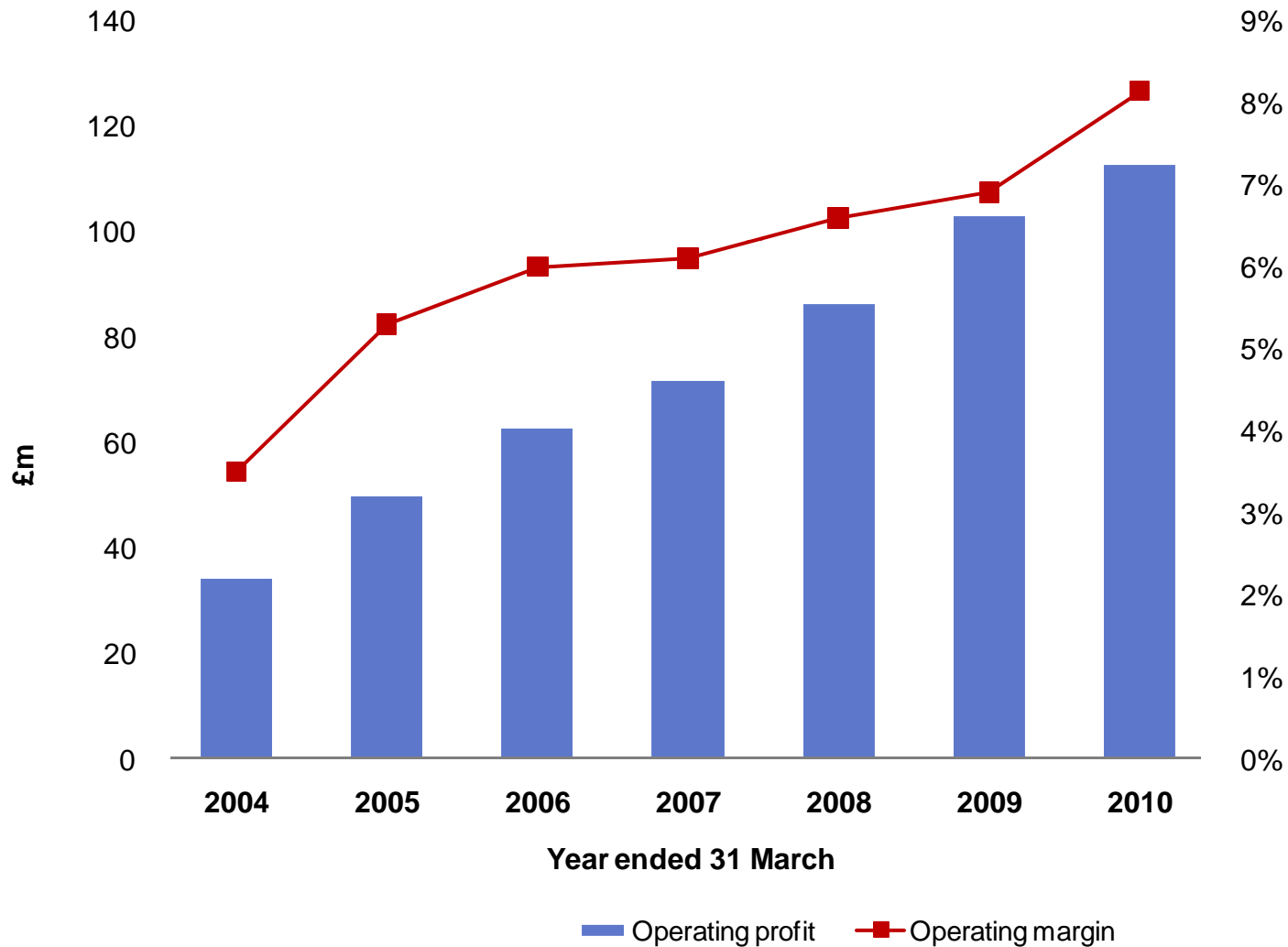
### Resilience

- End market diversity and quality

### Growth

- Ongoing investment in skills and capabilities and positioned for opportunities

## Margin progression



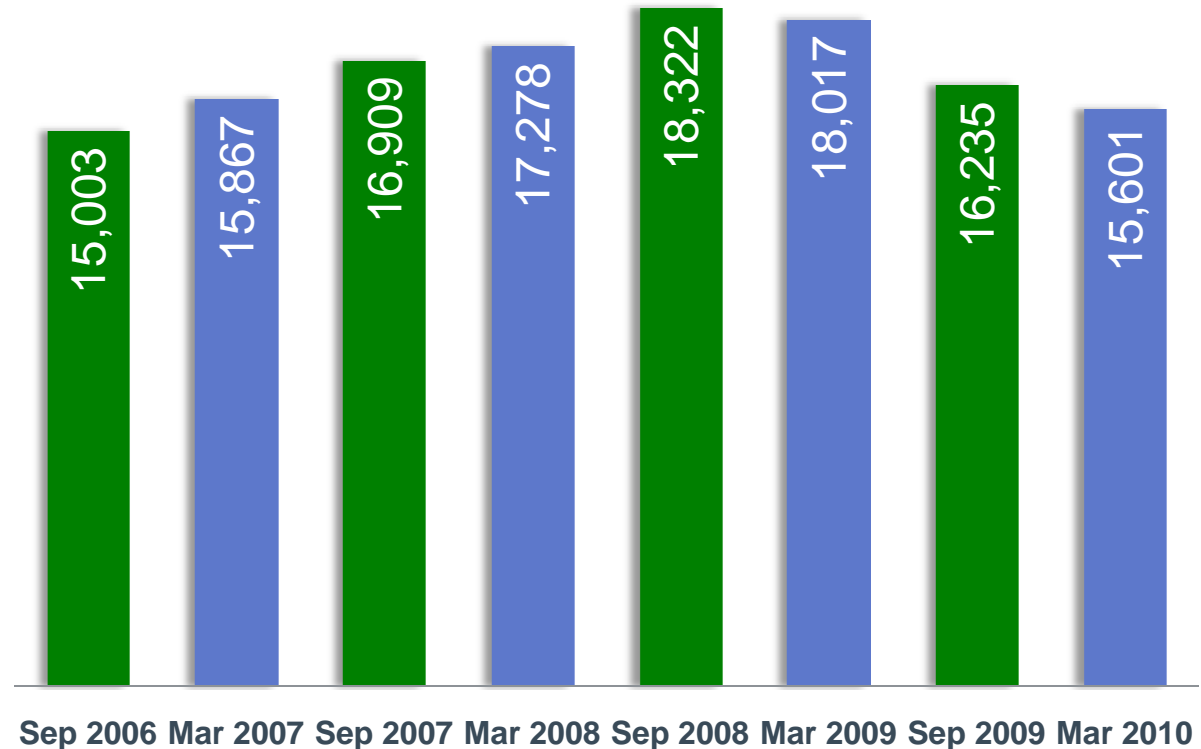
## People

c.15,600 staff

Focus on utilisation  
and efficiency

Ongoing investment in  
training and  
development

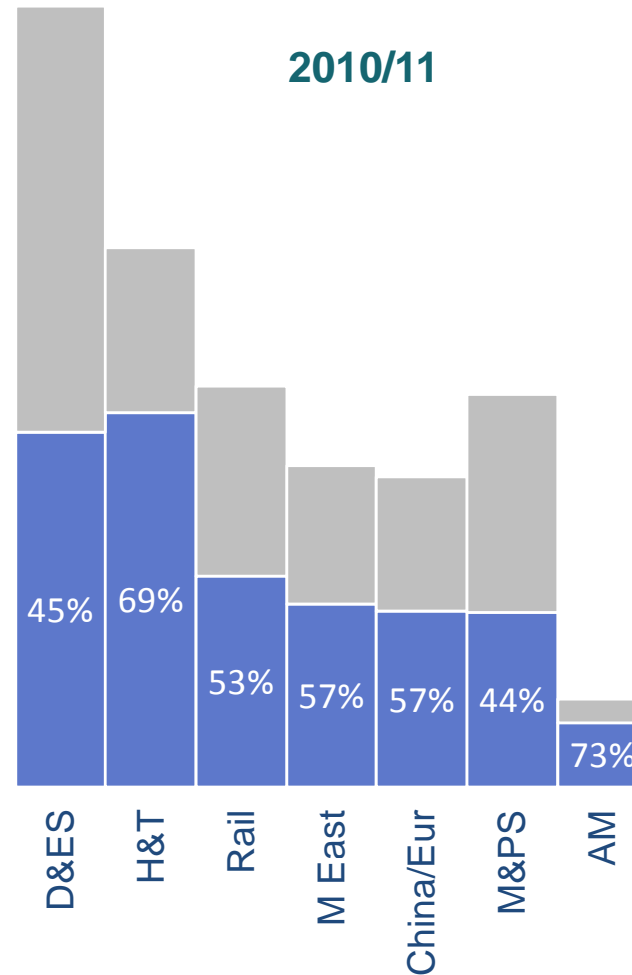
Employee survey  
engagement index: 73  
(2009: 75)



## Work in hand

Entering the year with good contracted and committed revenue comparable to last year

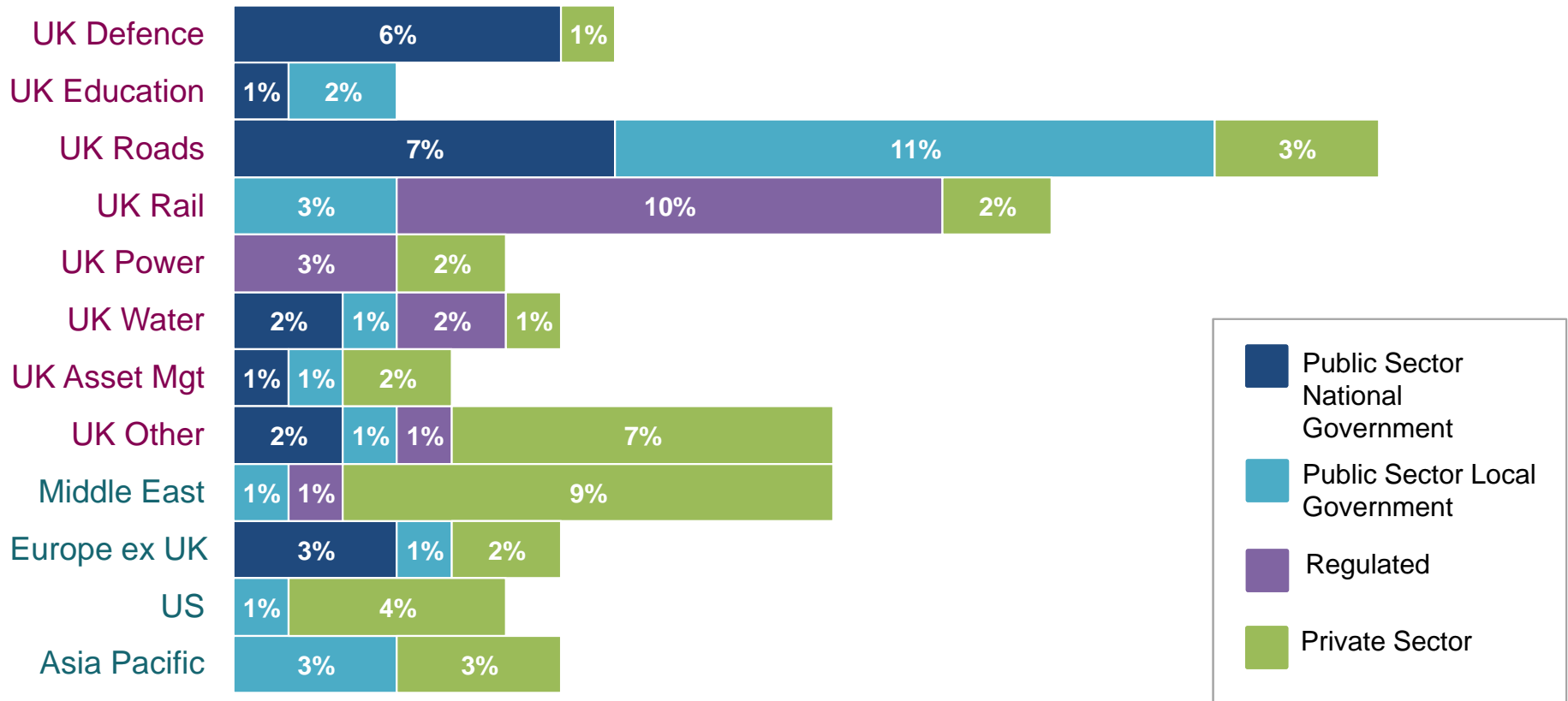
**54%**  
(2009: 54%)



# Resilience

- Diversified exposure to end markets
- Strong Group
  - Scale
  - Breadth
  - Cash resources
  - Higher end activity
  - Adjacencies / skill transfer
- Quality of technical services a key determinant
- Market demands work on existing as well as new infrastructure

## The Group's diversified exposure to end markets provides resilience



Approximate percentages are of total Group revenue

## UK and Middle East

### UK

- We are prepared for a period of reduced government spending
- Planning and design will assume greater importance
- Resilience and agility will be required
- Value and quality will remain determinants

### Middle East

- Market sentiment is improving
- Confidence and liquidity slowly returning as expected

## Rest of the World

### Europe

- Securing significant work and expanding capabilities in Scandinavia
- Ireland remains challenging

### USA

- Cost consulting business continues to develop
- Oil & Gas activities expanding

### Asia Pacific

- Buoyant Hong Kong rail market underpinning opportunities in transport
- Improving quality in Mainland China

## Our multi-skill, multi-local strategy has three priorities

### High performing businesses

- Exceptional people and management
- Focussing on quality

### Addressing attractive markets

- Renewables
- Nuclear
- Mass transit

### Taking advantage of opportunities by adding technical/niche skills in good markets

- Organic investment
- Acquisitions – cultural fit is paramount

## Conclusion

- Results**
  - Continued successful navigation of turbulent markets
- Resilience**
  - End market diversity and quality
- Growth**
  - Ongoing investment in skills and capabilities and positioned for opportunities

Strong results in a tough economic environment demonstrate resilience of our strategy

# **WS Atkins plc**

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31 March 2010

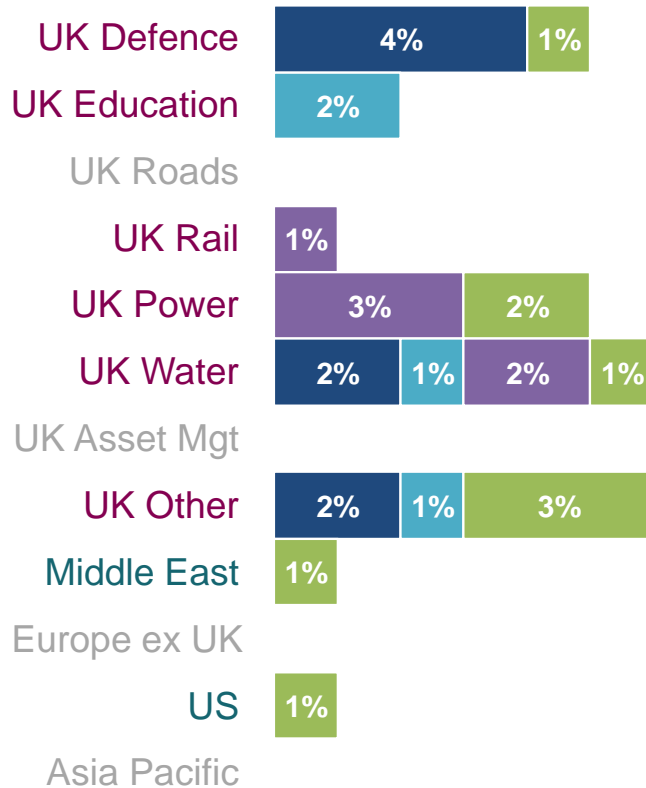
17 June 2010

# Appendix

## Net funds reconciliation

£m	Cash	Loan notes	Financial assets	Borrowings < 1yr	Borrowings > 1yr	Leases < 1yr	Leases > 1yr	Net funds
<b>Operating profit</b>	113.0							<b>113.0</b>
Depreciation/amortisation	22.8							<b>22.8</b>
Working capital	29.6							<b>29.6</b>
Pension	(36.3)							<b>(36.3)</b>
Provisions / other	(2.6)							<b>(2.6)</b>
<b>Cashflow from operating activities</b>	126.5							<b>126.5</b>
Net interest	2.3							<b>2.3</b>
Tax	(18.0)							<b>(18.0)</b>
Net capital expenditure	(10.8)							<b>(10.8)</b>
	100.0							<b>100.0</b>
Acquisitions / disposals	(0.8)							<b>(0.8)</b>
Joint Venture loans	2.1							<b>2.1</b>
Dividends	(25.7)							<b>(25.7)</b>
<b>Net cash flow</b>	75.6							<b>75.6</b>
<b>Non-operating items</b>								
Foreign Exchange	1.4							} <b>(5.8)</b>
EBT share sales	(7.2)							
<b>Financing - I</b>								
Discount unwind	-	0.4						} <b>(1.5)</b>
Transfer	-			(0.6)	0.6	(1.9)	1.9	
New leases	-					(1.9)		
<b>Financing - II</b>								
Investments	(7.9)	7.9						} <b>-</b>
Financial assets	(3.7)		3.7					
Borrowings - short term	(2.7)			2.7				
Leases : principal	(4.9)					4.9		
<b>Movement</b>	50.6	8.3	3.7	2.1	0.6	1.1	1.9	<b>68.3</b>
Opening balance	209.7	12.9	28.7	(2.8)	(0.6)	(4.8)	(8.9)	<b>234.2</b>
<b>Closing balance</b>	<b>260.3</b>	<b>21.2</b>	<b>32.4</b>	<b>(0.7)</b>	<b>-</b>	<b>(3.7)</b>	<b>(7.0)</b>	<b>302.5</b>

## Design and Engineering Solutions

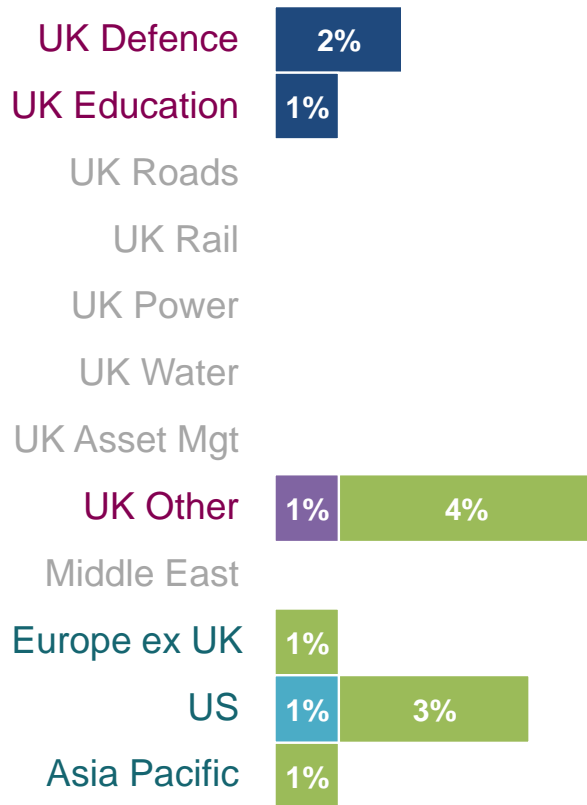


This segment contains a mix of complementary businesses that are at different stages of the economic cycle



Approximate percentages are of total Group revenue

## Management and Project Services



This segment comprises  
Faithful+Gould  
and our Management  
Consultants business



Approximate percentages are of total Group revenue

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