WS Atkins plc

Half year results for the six months ended 30 September 2011

17 November 2011

Plan Design Enable

Uwe Krueger

Chief Executive

Solid half year performance in challenging markets

- Underlying operating profit up 7% on revenue up 27% following North American acquisition
- North American acquisition integration progressing well with consultancy business margin improved by 100bps
- Diversification now delivering more than 50% of Group revenue from outside the UK segment
- Good asset performance contributing to IAS19 post-tax pension deficit reduction of £43m to £206m
- Net funds at 30 September 2011 of £96m
- Overall outlook for the full year unchanged

Heath Drewett

Group Finance Director

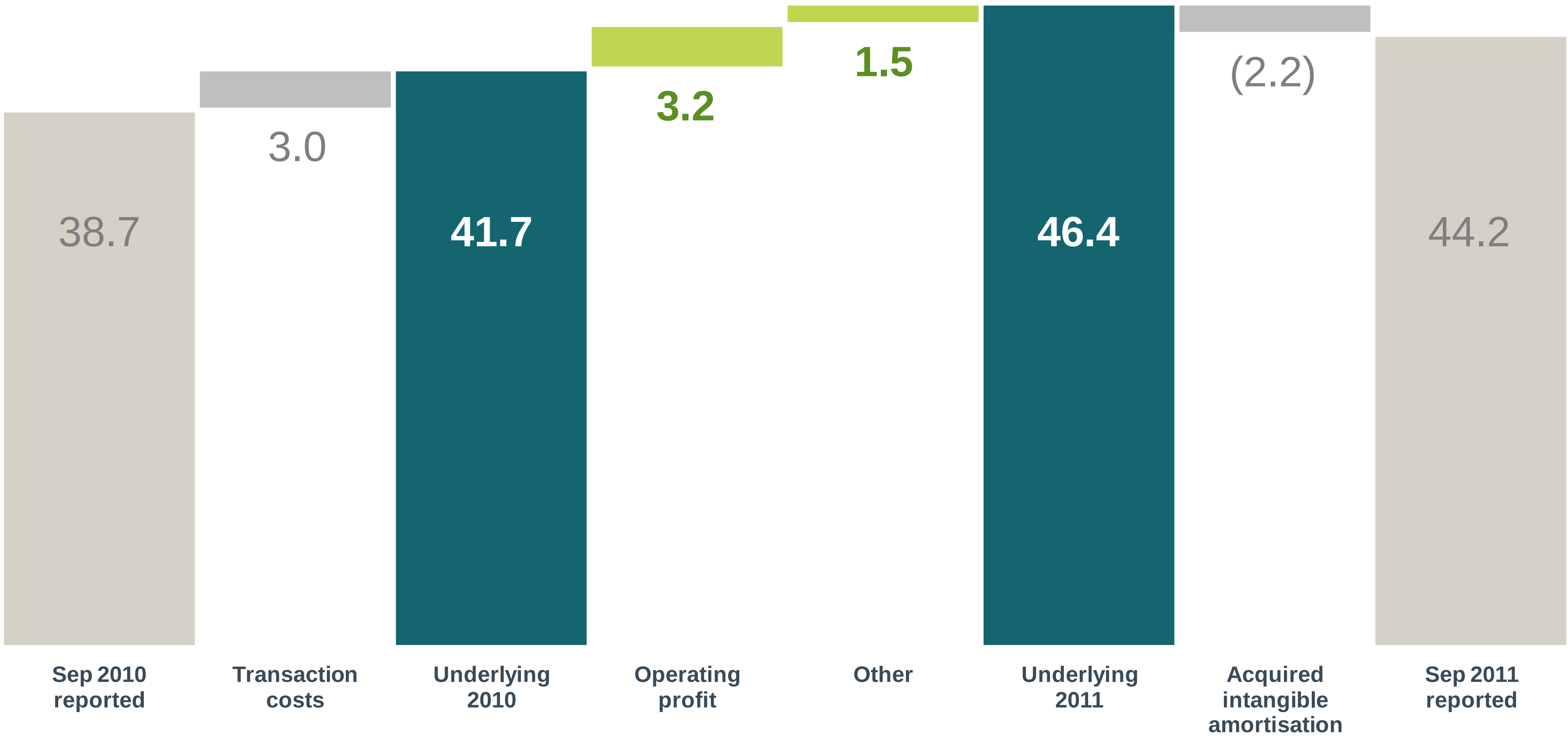
Financial summary

Solid half year performance in challenging markets

	30 Sep 2011		30 Sep 2010		
Revenue	**£842.9**	**m**	£664.2	m	27 %
Operating profit	**£49.3**	**m**	£45.3	m	9 %
Operating margin	**5.8**	**%**	6.8	%	(100)bp
Underlying operating profit	***£51.5***	***m***	*£48.3*	*m*	*7 %*
Underlying operating margin	***6.1***	***%***	*7.3*	*%*	*(120)bp*
Underlying profit before tax	***£46.4***	***m***	*£41.7*	*m*	*11 %*
Underlying fully diluted eps	***36.2***	***p***	*32.5*	*p*	*11 %*
Dividend per share	**9.75**	**p**	9.50	p	3 %
Work in hand	**88**	**%**	88	%	Good
Average Staff numbers	**17,529**		15,470		13 %
	30 Sep 2011		*31 Mar 2011*		
Staff numbers	**17,710**		17,522		1 %
Net funds	**£95.6**	**m**	£123.3	m	

Note: Underlying figures exclude PBSJ transaction costs in 2010 and acquired intangible amortisation in connection with PBSJ transaction in 2011

Profit bridge
Profit before tax



Segmental summary

Six months ended 30 September 2011

£m	Revenue	Operating profit/(loss)	Operating margin
UK	420.4	24.6	5.9 %
North America	226.0	11.7	5.2 %
Middle East	78.2	7.8	10.0 %
Asia Pacific and Europe	78.4	3.9	5.0 %
Energy	58.2	4.3	7.4 %
Total for segments	861.2	52.3	6.1 %
Joint Ventures included above	(18.3)	(0.8)	
Total before unallocated items	**842.9**	**51.5**	**6.1 %**
Unallocated amortisation of acquired intangibles	-	(2.2)	
Total for Group	842.9	49.3	5.8 %

UK

Ongoing market challenges

		30 Sep 2011		30 Sep 2010		
Revenue	**(£m)**	**420.4**		454.7		(8)%
Operating profit	**(£m)**	**24.6**		30.9		(20)%
Operating margin		**5.9**	**%**	6.8	%	(90)bp
Work in hand		**92**	**%**	89	%	Good
Average staff numbers		**9,449**		10,327		(9)%
		30 Sep 2011		*31 Mar 2011*		
Staff numbers		**9,403**		9,640		(2)%

- Delays in project awards in Rail – impact on margin in H1 and into H2
- Staff numbers stable with minor reductions in Highways & Transportation
- Disposal of Asset Management business (550 people) announced

North America

Strong margin progression in consultancy

		30 Sep 2011		30 Sep 2010		
Revenue	**(£m)**	**226.0**		27.5		
Operating profit	**(£m)**	**11.7**		1.6		
Operating margin		**5.2**	**%**	5.8	%	(60)bp
Work in hand		**83**	**%**	90	%	Good
Average staff numbers		**3,352**		497		

	30 Sep 2011	*31 Mar 2011*	
Staff numbers	**3,349**	3,336	0.4 %

- Good six months results from consultancy
- Peter Brown issues being addressed
- Stable staff numbers and good work in hand

North America analysis

Consultancy margin up 100bps to 6.8%

6 months to 30 Sep 2011	Revenue	Operating profit	Margin
Faithful+Gould	26.1	1.2	4.6 %
Consultancy	151.1	10.3	6.8 %
Peter Brown	48.8	0.2	0.4 %
Total	**226.0**	**11.7**	**5.2 %**

6 months to 31 Mar 2011	*Revenue*	*Operating profit*	*Margin*
Faithful+Gould	26.3	1.9	7.2 %
Consultancy	155.4	9.0	5.8 %
Peter Brown	70.0	1.3	1.8 %
Total	**251.7**	**12.2**	**4.8 %**

Middle East

Return to growth

		30 Sep 2011		30 Sep 2010		
Revenue	**(£m)**	**78.2**		70.5		11 %
Operating profit	**(£m)**	**7.8**		8.1		(4)%
Operating margin		**10.0**	**%**	11.5	%	(150)bp
Work in hand		**91**	**%**	88	%	Very good
Average staff numbers		**1,640**		1,678		(2)%
		30 Sep 2011		*31 Mar 2011*		
Staff numbers		**1,770**		1,555		14 %

- Growth in staff numbers reflecting increased activity and opportunity
- Investment for growth offset by further debt recovery
- Ongoing challenges of pace, scale and complexity

Asia Pacific and Europe

Improved business

		30 Sep 2011		30 Sep 2010		
Revenue	**(£m)**	**78.4**		73.4		7 %
Operating profit	**(£m)**	**3.9**		4.0		(3)%
Operating margin		**5.0**	**%**	5.4	%	(40)bp
Work in hand		**91**	**%**	88	%	Very good
Average staff numbers		**1,960**		1,932		1 %

	30 Sep 2011	*31 Mar 2011*	
Staff numbers	**2,010**	1,926	4 %

- Hong Kong and China growing
- Scandinavia performing well
- Mixed performance elsewhere due to difficult economic conditions

Energy
Continuing to invest

		30 Sep 2011		30 Sep 2010		
Revenue	**(£m)**	**58.2**		47.7		22 %
Operating profit	**(£m)**	**4.3**		4.0		8 %
Operating margin		**7.4**	**%**	8.4	%	(100)bp
Work in hand		**76**	**%**	80	%	Good
Average staff numbers		**1,056**		970		9 %

	30 Sep 2011	*31 Mar 2011*	
Staff numbers	**1,108**	993	12 %

- Margin reflects continuing investment
- Completed oil and gas acquisition in June (130 people)
- Outlook remains very good

Cash flow

Cash flow from operating activities

£m	30 Sep 2011	30 Sep 2010
Operating profit	**49.3**	45.3
Depreciation/amortisation	**12.8**	9.0
Working capital	**(37.3)**	(29.9)
Pension	**(14.0)**	(16.0)
Provisions/other	**2.1**	1.8
Cash flow from operating activities	**12.9**	10.2

- Working capital outflow in first half as anticipated
- Pension contributions in accordance with agreed 2010 funding plan
- Net funds £95.6m (March 2011: £123.3m)

Working capital

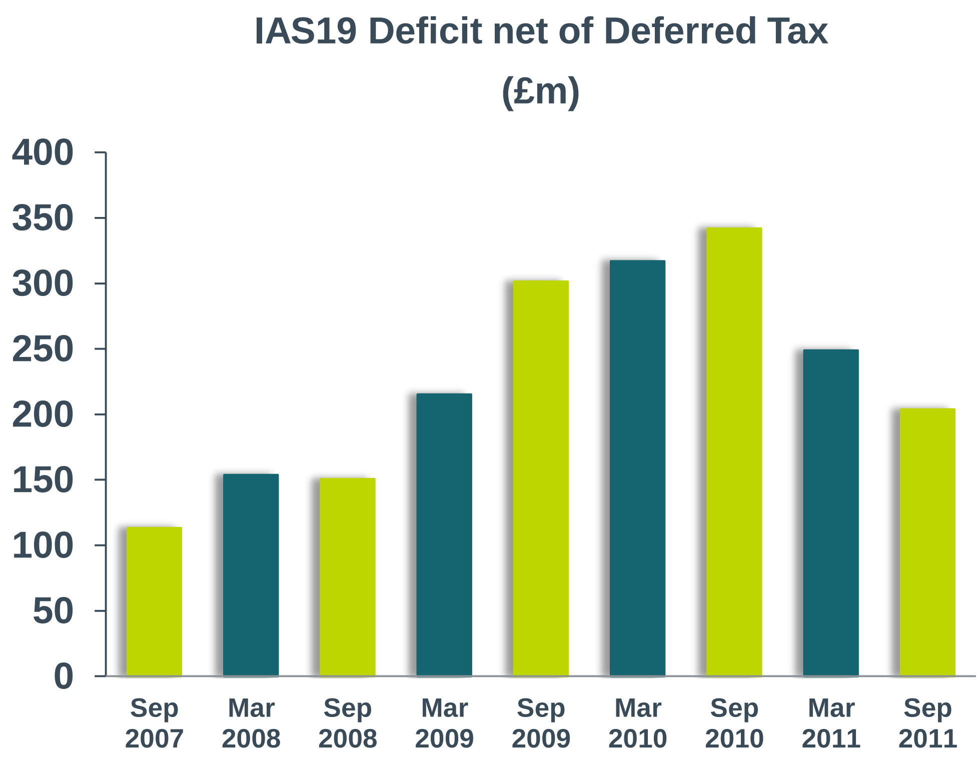
Seasonal and structural working capital outflow

£m	30 Sep 2011	*31 Mar 2011*	Δ
Trade receivables	**278.9**	283.1	
Amounts recoverable on contracts	**116.5**	98.2	
Fees invoiced in advance	**(187.5)**	(169.6)	
Lockup	**207.9**	211.7	3.8
Other receivables/prepayments	**64.5**	52.3	(12.2)
Trade payables	**(88.9)**	(96.9)	(8.0)
Other payables/accruals	**(240.3)**	(254.9)	(14.6)
Inventories/other			(6.3)
Movement in working capital			**(37.3)**

Pension

Reduced IAS19 deficit

- IAS 19 deficit net of deferred tax at 30 September 2011 £206m (March 2011: £249m)
- Decrease driven by combination of asset performance and lower inflation
- Collective consultation concluded with respect to proposals to remove final salary link
- Enhanced Transfer Value exercise in progress



Outlook

Solid half year performance in challenging markets

Diversified portfolio with good work in hand

Overall outlook for the year remains unchanged

Uwe Krueger

Chief Executive

Context

	Actions	Examples
UK	**Pre-emptive repositioning to address ongoing market challenges**	• Active deployment of staff • Recruitment in growth opportunities • Driving Bangalore operations to deliver competitive cost base
North America	**Margin improvement as a platform for growth**	• Integration of North American acquisition • Stable staff numbers • Margin improvement initiatives taking effect
Middle East	**Geographic expansion and sector diversification**	• Adding skills to address buoyant infrastructure market • Establishment of Saudi Arabian joint venture • Headcount growing through 2011/12
Asia Pacific and Europe	**Improving quality and margin**	• Bridge engineering acquisition in Denmark • New architectural practice established in China • Acquisition of mechanical and electrical skills in Hong Kong
Energy	**Investing for growth**	• Nuclear JV with Assystem • TSS acquisition in Scotland • Recent Pöyry acquisition in oil and gas

We address a portfolio of related sectors

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INFRASTRUCTURE			INDUSTRIAL	
TRANSPORT	**BUILDINGS**	**WATER AND ENVIRONMENT**	**AEROSPACE, DEFENCE AND SECURITY**	**ENERGY**
RAIL	COMMERCIAL AND RESIDENTIAL BUILDINGS	WATER	AEROSPACE	NUCLEAR
ROADS	EDUCATION	ENVIRONMENT	DEFENCE	OIL AND GAS
AVIATION	TOURISM AND LEISURE	MARINE AND COASTAL	SECURITY	POWER
MASS TRANSIT	URBAN DEVELOPMENT		INFORMATION COMMUNICATIONS	RENEWABLES

Our strategy

Focus on core growth sectors in engineering and design

Our strategy has three elements

Operational excellence

- Our prime focus
- Actions to deliver resilient results in challenging economic conditions

Portfolio optimisation

- Proactively managing the composition of the Group
- Exit of Asset Management

Sector focus

- Organic growth and acquisitions in sector focus areas
- Sectors include Energy, Aerospace, Security, Water

Our first priority is operational excellence

Optimising financial delivery as well as technical excellence in areas where we have a defined competitive advantage

Utilisation	Operating margins	Cash generation

Organic growth

We are stepping up action to ensure we are well prepared for the challenging environment

We continue to review the portfolio

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Sale of UK Asset Management business for a cash consideration of £5 million payable on completion, together with a deferred conditional amount of £0.5 million

Rationale

- Outside core engineering and design disciplines
- Low margin

The divestment of our Asset Management business is a step towards focusing the Group on higher growth, higher margin activities

We have clear growth sectors

Energy	Increasing demand + ageing infrastructure + climate change imperative = increased investment in new and existing assets
Aerospace	Increasing demand + high fuel costs + carbon emissions pressure = investment in development of new technologies
Security	Growing ‘threat environment’ + increasing use of technology = increased investment to secure both physical and information assets
Water	Population growth + ageing infrastructure + resource scarcity = increased demand for comprehensive resource management strategies

Mainly industrial focus with significant private sector client base

We will direct resources to these sectors

- **Energy**
- **Aerospace**
- **Security**
- **Water**

Focus on markets where double digit growth and margins are achievable and sustainable

Redirect and leverage resources and technical capabilities

Consider acquisitions to supplement organic growth as we balance our client and sector mix

Expand our market facing offering in areas where we already have a presence e.g. North America and India

Our overall objective is value creation

Drive margins >8%

+

Reduce dependence on UK
(long term aspiration <25%)

+

Grow organically and by acquisition

Shareholder value

Summary

Leading positions in a number of market sectors providing resilience

Overall outlook for the full year unchanged

Strategy in place to deliver shareholder value over the medium term

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WS Atkins plc

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Appendix

Net funds reconciliation

Net funds reconciliation

£m		Cash	Loan notes < 1yr	Loan notes > 1yr	Financial assets	Borrowings < 1yr	Borrowings > 1yr	Leases < 1yr	Leases > 1yr	Net funds
Operating profit		49.3								**49.3**
Depreciation/amortisation		12.8								**12.8**
Working capital		(37.3)								**(37.3)**
Pension		(14.0)								**(14.0)**
Provisions / other		2.1								**2.1**
Cashflow from operating activities		12.9								**12.9**
Net interest		0.6								**0.6**
Tax		(1.8)								**(1.8)**
Net capital expenditure		(5.5)								**(5.5)**
		6.2								**6.2**
Acquisitions / disposals		(13.6)								**(13.6)**
Dividends		(19.2)								**(19.2)**
Net cash flow		(26.6)								**(26.6)**
Non-operating items	Foreign Exchange	1.3				(2.8)				**(5.5)**
	EBT share purchase	(4.0)								
Financing - I	Financial assets	-			4.5					
	Transfers	-						(0.7)	0.7	**4.4**
	New leases	-						(0.1)		
Financing - II	Investments	(3.0)		3.0						
	Financial assets	(7.4)			7.4					**-**
	Borrowings - short term	57.3				(57.3)				
	Leases : principal	(1.1)						1.1		
Movement		16.5	-	3.0	11.9	(60.1)	-	0.3	0.7	**(27.7)**
Opening balance		121.5	-	20.1	34.7	(46.3)	-	(2.1)	(4.6)	**123.3**
Closing balance		**138.0**	**-**	**23.1**	**46.6**	**(106.4)**	**-**	**(1.8)**	**(3.9)**	**95.6**

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