# Chief Executive's Statement
## Our strategy

Plan, design, enable is what we do.
Our vision is to be the world's best infrastructure consultancy.
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**Objective and business position**
Our primary objective is to create long-term shareholder value measured by growth in normalised diluted earnings per share. We are confident that our core activity, that of professional design consultant serving the built environment, will enable us to continue to perform as a successful company in spite of unprecedented economic turmoil.

We believe our objective can be best achieved by continuing to develop the current business model of predominantly professional consulting – Plan Design Enable – with the 'enable' part generally limited to activities such as management of road maintenance and signalling where our technical expertise gives us a competitive advantage. The majority of our business relates to our clients' capital expenditure programmes as opposed to their day-to-day operating expenditure.

As capital programmes become more complex and our clients, in both the public and private sector, face increasing pressure on expenditure, the Group's capabilities will remain in demand. Effective use of current assets and efficient procurement with low-carbon drivers provide a platform that plays to the Group's strengths. Where capital programmes are demanded we are in a position to plan and design cost and carbon savings. Where more effective use of current assets is needed we can design and enable efficient life extension and imaginative alternatives – for example in ramp metering and hard shoulder running on the road networks and extending the life of existing nuclear reactors.

We remain optimistic regarding the medium-term demands for our services. Growing urban populations and all the issues connected with a low-carbon economy will require appropriate infrastructure. Quality, local understanding and breadth of skills will therefore continue to be needed. We do, however, view the near term cautiously. The global economic position has impacted demand levels in many markets. Nevertheless, governments are determined to push through stimulus packages and are aligning many of these with climate change minimisation goals. This plays well to the strengths of the Group provided the related projects can be brought to market in a timely manner. It is also possible that short-term demand for some of our services will rise as governments come to terms with the need for additional strategic planning of capital projects.

Our decentralised professional consulting organisation with its very wide range of deep technical skills provides an excellent base to respond across the Group to market fluctuations. Our ability to continue to grow, enhance and add to these skills gives us confidence of both successfully negotiating the global economic issues and continuing to meet the prime objective of EPS growth.

**Vision**
Our vision is to be the world's best infrastructure consultancy.

'World's' means that we will develop deep local expertise in certain targeted geographies. We aim to be recognised as the best infrastructure consultancy in our chosen geographies because of the projects and service we deliver. We will not be global, with offices everywhere, although our multi-national reach will be extensive.

'Best' means that we will be close to our clients, anticipating their needs, developing long-term relationships and winning repeat business. We aim to help answer questions our clients don't know they need to ask. We will help them to define their questions. Our values will espouse the way we carry out our work – with integrity and respect, always striving for excellence. We will not necessarily be the biggest or broadest – although this may be a consequence of our success.

Our skills lie in the expansive area of 'infrastructure' – the wiring of society – covering buildings, transport and utilities (including power and water), as well as work for national and local governments and other industrial clients. The social and environmental framework, combined with our social policy planning skills, is also important – it is essential that we view all of our projects in the context of the communities in which they will be undertaken.

'Consultancy' means that we will operate a business based on selling advice and expertise. We are not a developer, construction company or generalist outsourcer. We do, however, have the financial status and commercial skills to successfully engage in a wide variety of contract forms as clients are increasingly demanding.

**Group strategy**
We will achieve our vision through a strategy of multi-local, multi-skill excellence.

The key to much of our activity is the national and local nature of the relationships we build with our clients. The vast majority of our clients continue to come to Atkins at a local level because we have demonstrated deep technical performance. Our decentralised organisation, empowering local management, also leverages resources from across the Group. Our strategy involves focusing our efforts where we are able to develop these deep local relationships with our clients. We call this part of our strategy multi-local.

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The implications of a multi-local strategy are:

- we will have several home markets, where the business is a market leader and is material to us
- we will only offer services where we have a high degree of technical competence in each of these markets
- we will be seen as deeply local by customers
- home businesses will be autonomous, but we will leverage capability from one region to another – collaborating and sharing knowledge across the Group
- we will not be global, offering identical commoditised services.

In addition to developing local skills, our local management teams are able to draw upon the Group's wide range of skills and resources. One of Atkins' key differentiators is the extensive range of skills that we have in the organisation. Our ability to mobilise multidisciplinary teams and deep expertise from around the Group for local projects is a demonstrated capability that we have continued to successfully develop. Our clients recognise that, by harnessing this breadth of skills, we can answer their questions better. This part of our strategy we call multi-skill.

The implications of a multi-skill strategy are:

- our competitive advantage will come from our breadth and depth of skills
- our breadth will allow us to address the world's most complex projects, small or large, and give us flexibility to react to new market opportunities
- we will continue to invest in ensuring collaboration between skill groups and business units
- we will not be satisfied with skills that are less than world-class just for the sake of breadth.

None of this strategy works unless we constantly strive for excellence. Economies rely upon the capital projects on which we work, and customer trust in our delivery is paramount. This trust depends on us maintaining world-class skills, and constantly pushing the boundaries of what is technically achievable.

Our scope is clear. We will continue to evolve world-class skills in infrastructure-related disciplines. We will focus these skills in selected home geographies where our full capability can be brought to bear.

Our advantage is clear. Our breadth and depth of skills give us the ability to deliver simple solutions to complex questions. The reputation we build will attract employees and customers worldwide.

### Skills
Atkins has a huge range of technical skills evidenced by the vast array of services that the Group can offer. The devolved strategy is to have deep understanding of the skills demanded and offered (Identity) and to deliver these to a degree of quality to remain competitive (Excellence). At business unit level this strategy is articulated as Identity+Excellence.

Our drive for improvement and growth has been organic supplemented by targeted bolt-on acquisitions. Stringent acquisition criteria are applied to ascertain the appropriateness of the skill-set and cultural fit and to assess whether companies will usefully accelerate the multi-skill, multi-local strategy. Given the sound financial position of the Group, acquisitions can be readily financed and we can direct significant investment into areas in which we see value. We have continued to make good progress on acquiring new skills and extending our capabilities in recent years. The acquisitions of, for example, Nedtech and M.G. Bennett reflect our desire for skill acquisitions – enhancing our capability in specific areas and embedding new expertise alongside the existing Atkins offering.

### Low-carbon economy
The transition to a low-carbon economy poses extraordinary challenges and opportunities. Our Carbon Critical Design programme is producing new ideas and ways of working. We are endeavouring to embed low-carbon design in all of our work in a marketplace that is still immature.

This encompasses all of our areas of operation as people around the world wrestle with how to approach the issue of climate change.

We are making good progress on our journey to have some 5,000 Atkins people engaging with clients on carbon issues within the next year. We are investing in carbon tools and running training courses to raise awareness of the issues among our staff. We regularly contribute to external conferences and debates on the subject.

We continue to work with governments to offer advice about the delivery of a low-carbon economy. In this financial year we have also invested to build a range of carbon calculators across most areas of our business to support us in the delivery of low-carbon design and planning.

This remains an iterative journey but one that is of fundamental importance. We will not lose sight of this even in difficult market conditions. We will continue to invest in raising awareness, developing tools and actively engaging with our clients to help them meet their carbon agendas over the next decade.

## Health and safety

It is with deepest regret that we report on a fatality that occurred on the Diego Garcia Joint Venture DG21 during a tree felling operation. Atkins has an equity stake of 24.5% in the Joint Venture and we have provided support, including advice on how to further improve the health and safety arrangements.

We set our own challenging targets for health and safety and our performance remains better than the industry average performance as compiled by the HSE Labour Force Survey. We are keen to continue to improve, by expanding our safety leadership programme, and to reduce the number of manual handling accidents which account for 23% of serious accidents in construction. We also actively encourage the reporting of incidents and near-misses as a positive step towards accident prevention.

All of our operations are now covered by OHSAS 18001 and three of our businesses have also received RoSPA awards: Gold for Highways and Transportation, and Design and Engineering Solutions; and Distinction for Asset Management (which was awarded for the 22nd year running).

## Strategy process

Our strategy is developed by establishing the Group's priorities and evaluating the strengths of the businesses within the Group. Business unit bottom-up five-year plans are set in the context of the top-down Group strategic aims. The Group top-down strategic aims encompass market sectors and geographies in which to operate and establish ways in which the business units may be assisted in delivering superior performance. Increasingly multiple business units can be brought together to deliver complex projects in various parts of the world.

Last year we noted that we were mindful of the indirect consequences of a prolonged downturn in the commercial property market. Macro-economic conditions worsened during late 2008 and started to affect our UK and Middle East building design businesses. We recognised the position and took swift action to reduce headcount and match costs to the available market. The Group will continue to monitor market developments and take appropriate action. We have a diverse skill base and geographic footprint which provides resilience in uncertain times. Many markets remain resource-constrained. The Group is agile and flexible enough to continue to hire as necessary and shrink where required to maintain levels of performance.

The 2008 strategy review focused on the evolution of the Group strategy, building on the work of previous years.

The review confirmed:

- the consultancy business model is appropriate
- the business units remain the core of the strategy
- economic uncertainty could lead to a wider range of credible scenarios – but the Group is well placed to deal with this
- communication of the strategy is important
- implementation of the strategy is now at the forefront of activity – determining how to optimise delivery, what services and skills to offer and in which geographical markets to operate.

The majority of our business is in the UK which remains the core market for our activities. Our existing businesses outside of the UK present attractive opportunities for further growth. The huge potential outside the UK includes areas where we are well established such as the Middle East, which despite recent liquidity issues, has significant medium-term promise.

We have strong technical skills in a number of robust markets where quality is a significant determinant for selection.

- In the UK we have niche positions in numerous markets. We propose to continue to invest in management, deepen the skill base and organise the business in a suitable way. We will, as demonstrated, undertake controlled reduction or exit of businesses and structure appropriately for downturns in activity.
- In the Middle East we will continue to add niche skills and prepare for the economic upturn.
- In Asia Pacific we will focus on and push hard in our available markets – principally the transit market in Hong Kong and building design and urban planning in China. We will continue to invest to take advantage of opportunities as the market opens up, recognising that it could be at least two years before significant growth is achieved.
- In Europe we will continue to develop our local businesses.
- In the USA, Faithful+Gould and our oil and gas businesses provide the organic growth focus. Skill additions remain possible.
- Other geographic areas will continue to be reviewed.

The Board met in the final quarter of 2008/09 to consider strategic themes in light of global market developments. The main tenets of the strategy were re-affirmed and the top-down multi-skill, multi-local strategy remains unchanged.

The decentralised and empowered business model is fundamental to the success of the Group. In current conditions, tactical responses have priority in certain markets but the need to maintain a medium-term view in many of the businesses was also noted by the Board so that the Group may adequately position itself to take advantage of opportunities as they arise.

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During 2009/10 the Group will continue to evaluate the services and countries that will provide the best long-term returns for the Group and, where appropriate, will follow specific sector opportunities into new and related markets. Acquisitions and organic investment will be considered which deepen the Group's skill base and strengthen our market position in line with our strategy. Acquisitions can accelerate growth in our home geographies and elsewhere. Attractive geographies continue to be those with good cultural fit and market scope i.e. a material market with good growth prospects and potential for Atkins to grow market share.

The Board remains alive to the challenges and opportunities that arise from unprecedented world economic conditions. The Group is well placed to weather the downturn and take advantage of opportunities that may present themselves. It has the resources to emerge strongly as markets recover.

### Business unit strategy
The decentralised consultancy model demands that elements of the strategy be established at business unit level. Each business actively considers its competitive and resource-based advantage together with ways in which we may apply our business models better and improve our services.

Each business determines a medium to long-term view of its prospects and positioning within its markets in the context of Group objectives. This year, while actions have been focused on the near term to ensure navigation through rapidly changing markets, strategic action plans have continued to be developed to ensure medium-term objectives remain in sight. Our management depth and ability are key to ensuring that we maintain a forward looking view within the business.

### Looking forward
Our UK activity is underpinned by the provision of specialist, not commodity, services to several long-standing clients in the private and public sectors. With approximately 50% of our UK revenue coming directly from UK government (central or local), the Group is highly dependent on continued government expenditure.

The current economic turmoil and increased government debt will undoubtedly put pressure on the government's finances, particularly from 2010/11 onwards.

The Group is, however, well positioned despite potential spending cuts because of a number of factors:

- There will always be a demand for high-value technical skills – where quality is the major determinant – and these will be in greater demand as the complexity of the questions and challenges facing our clients increase.
- The drive to satisfy the UK's Carbon Reduction Commitment will further increase the need for technical solutions to achieve the government's targets.
- Decarbonising the economy, together with an increasing need for capacity, reliability and predictability should particularly enhance demand for skills in, for example, our nuclear, transmission and distribution, utilities and rail markets.
- The government can increase efficiency by spending more time on the planning and designing of projects. Putting more thought into less construction is an area where the Group is particularly strong.

The Middle East comprises several markets and although the Dubai property market was effectively frozen from late calendar 2008, many other geographic markets and sectors continue to be active. The challenges arose from a liquidity issue in the region which led to a number of confidence issues. Confidence will return, and the region as a whole will continue to be an attractive area that can support a significant Atkins business, increasingly in essential infrastructure as well as buildings, built on experience and relationships established in the decades that we have been present in the Middle East.

The US workload, driven by a variety of clients, is steady and we anticipate that fiscal stimulus will help to increase activity levels in infrastructure-related areas.

Europe and China are longer term prospects for the Group – but infrastructure needs will drive medium term demand.

Our deep local presence and drive for the type of value-for-money engineering that cannot be achieved at the commodity end of the spectrum place us well to deliver in all of these markets in the short term and beyond.

We are confident that with our culture, skills and business model we are, as evidenced by this year's continued improvement in financial performance, well positioned to weather the turbulent global economic climate and emerge stronger.

**Keith Clarke**
Chief Executive
16 June 2009