Annual Report 2006
Meeting global challenges

AECOM

Setting the agenda

As a leader in professional, technical and management support services for the built environment, we directly address the key challenges that face our planet:

Water shortage, changing attitudes to transport, energy, climate change, resource management, security, urbanization, healthcare and sustainable communities.

Our people are leading the quest for sustainable answers, combining global expertise with local knowledge to create positive change today and lasting benefit for the future.

Contents

Chairman's welcome

AECOM is an organization that is focused on achieving growth by delivering outstanding client service. As the business results within this Annual Report clearly indicate, we continued to deliver on our vision of creating value for our shareholders, while being perceived by our clients, employees and peers as one of the leading global providers of professional technical and management support services.

In its 2006 rankings, *Engineering News-Record* places AECOM at #1 in Pure Design Firms, #2 in Top Design Firms, and #1 in Transportation and Facilities. Every AECOM employee has the right to be proud of these achievements. Our financial and professional results are indicative of the successful year we've had. But I am most proud of the way the chief executive role has been transitioned to John Dionisio, who has been my partner in various executive roles within AECOM for the past 20 years. John and his management team have enabled AECOM to continue building momentum, while also enhancing our areas of employee engagement, professional development, and the strengthening of our financial and administrative infrastructure.

Significant growth

As a company, we have continued to grow our market leadership positions throughout the world. Our growth in organic gross profit exceeded 10% over last year. The year also included the effective transition of the strategic mergers of ENSR and EDAW, both of which have exceeded our expectations in terms of business performance.

At the end of FY06, we joined forces with Cansult, substantially enhancing our presence in the Middle East. Subsequent to year end, we closed our merger with HSMM, a multi-disciplinary firm that primarily offers design and project management for facilities and water resources planning throughout the U.S.

We have executed strategic alliance agreements with four major Chinese companies to undertake major infrastructure projects. We also closed our agreement with Crédit Agricole's Private Equity group forming Meridiam, an infrastructure development company in which we have a 25% ownership stake. Meridiam has already closed its initial fund of $260 million.

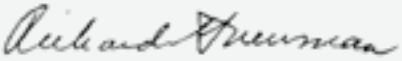
Board of Directors

We would like to recognize and thank John Downer who retired from our Board this December. We have had the benefit of his global insights for six-and-a-half years. John is an icon in our industry, having proven his skills as a professional and a businessman.

He was chairman of Maunsell when we merged our two companies in 2000. Having started his illustrious career as a project engineer on world-class bridge and dry dock projects for Maunsell Australia, he subsequently became the founder of Maunsell Asia and, later, CEO of the Maunsell Group. John and his wife, Rose, have been great friends and wonderful global ambassadors for AECOM, and we are sure that we will continue to maintain a close business and personal relationship with them for years to come.

I'm also pleased to report that Jim Fordyce, Managing Director of J.H.Whitney Capital Partners LLC, and Lee Stern, Managing Director of GSO Capital Partners, joined our Board in February when their private equity firms became stockholders in AECOM. Pacific Corporate Group Capital Partners also became an investor when we repurchased the dividend-paying preferred stock of two former private equity partners.

Since AECOM was launched in 1990, the company has made consistent progress toward its objective of being the most diversified, global professional services firm with a leadership role in all its markets. I am delighted that our concept has provided both a strong financial return for our 8,500 employee shareholders, and professional growth for our 28,000 staff. As proud as I am with what we have achieved during AECOM's initial 17 years, I am even more excited and confident about our future.



Richard G. Newman

Chief Executive Officer's statement

Fiscal Year 2006 was yet another record-breaking year for AECOM. Thanks to the hard work and dedication of our 28,000 people, we delivered the outstanding financial performance detailed in this Annual Report. We also strengthened our professional and management capabilities, which will enable us to serve our stakeholders even more effectively in the future.

Financial highlights

Our gross revenues increased to more than $3.4 billion, while our net service revenues rose to $1.9 billion. Our EBITDA (earnings before interest, tax, depreciation and amortization) climbed to $129.3 million after expensing stock matches of $14.8 million and we generated cash flow from operations of $121.3 million.

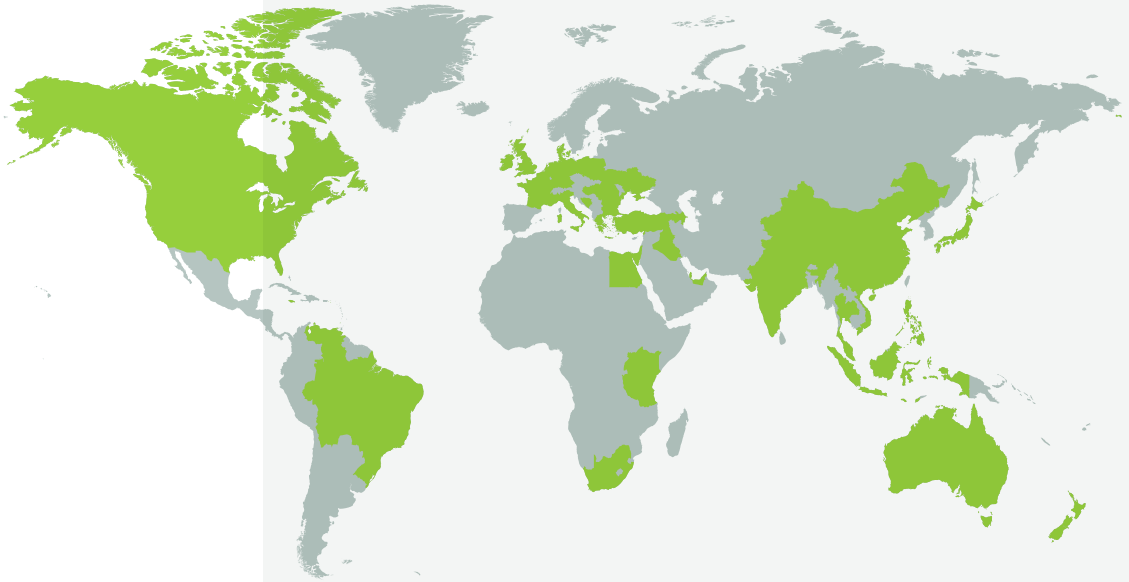
FY06 was also a record year for wins. We won projects totaling more than $4.4 billion in revenue, 30% ahead of our internal goal and 63% ahead of FY05. During FY06, $3.8 billion of wins were converted into bookings, thereby increasing our backlog by 59% compared with last year. At year end, our backlog and 'selected but not booked' total was in excess of $4.8 billion.

We improved our capital structure by raising $235 million of new private equity, enabling us to redeem our existing private equity and warrants, and thus saving $5.2 million in after tax annual preferred dividend payments. This action, coupled with the favorable renewal of our $300 million line of credit, and the additional global term loan of $65 million, strengthened our capital structure and positioned us to continue pursuing merger opportunities that align with our successful business model. In the fiscal year, the company took advantage of the tax concessions contained in the American Job Creation Act. This resulted in the repatriation of some $67 million of overseas earnings and generated potential tax savings of $20 million over the next five years.

During the year, we exceeded the shareholder threshold at which companies are required by the United States Securities and Exchange Commission (SEC) to report as a public company and to then comply with the U.S. Sarbanes Oxley (SOX) Act. We launched our SOX program during FY06 and filed our Form 10 with the SEC in late January 2007.

Addressing global challenges

Every day, in offices around the world, our people are designing the built environment of the future while managing the natural environment. Their overall mission is to 'make the world a better place' for generations to come. That task brings us face to face with some of the greatest challenges of our times, such as improving the economic state of the communities in which we work and live with infrastructure projects that improve the quality of life for everyone, while dealing with longer term issues such as climate change, resource depletion and pressure on natural habitats.



1 Company creating a better world

Projects across 7 continents

Offices in over 60 countries

364 offices around the world

28,000 dedicated professionals

AECOM office locations:

These issues have now moved to the top of the agenda. It is important to maintain a balance between the requirement for new infrastructure systems, and the necessity of providing a sustainable legacy for the global community.

That's a key part of our job: to use our specialist professional skills to create effective infrastructure and facilities that are right for today and right for tomorrow too. On the following pages, AECOM experts from around the world examine the challenges we face and the solutions that can be applied to ensure the best possible results not only for global economic viability but also for our planet's future environment.

Executing our strategy

During FY06, we continued to expand and diversify our geographic markets, business lines and service offerings with an emphasis on using our global platform and world-class technical resources to deliver outstanding client service.

Much of our organic growth has stemmed from being able to offer our clients the benefit of collaboration between our operations, reinforced by our ability to deliver solutions on a timely and effective basis. Our strategy is to provide global best practice delivered through highly skilled locally-based teams whose priority is to serve our clients.

At the beginning of the year, we completed our mergers with ENSR and EDAW significantly enhancing our presence in the urban planning, landscape architecture, and environmental management sectors. These companies have broadened our global footprint, while providing other AECOM operations with the opportunity to better serve their clients' needs around the world. I am pleased how effectively these two companies have transitioned into the AECOM family.

We also achieved strong performances in all of our geographic markets and continued to seize growth opportunities in key global regions.

In September 2006, we merged with Cansult, a Canadian firm with over 650 staff, primarily in the Middle East. With this merger, our staff in the region grew to over 1,500 and we became one of the largest international consulting engineering and architectural firms in one of the world's most active technical services markets.

As part of our geographic growth strategy we also significantly increased our presence in China. In addition to acquiring majority ownership in NEDI, a planning and environmental design institute, we also signed new strategic global alliances with four major Chinese companies – China State Construction Company, China Road and Bridge, China Harbor and Shanghai Tunnel Engineering and Construction Company.

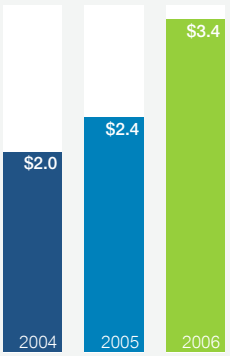
In January 2007, we closed a merger with HSMM, a 650-person architectural and engineering consultancy and water resources planning group working on projects throughout the United States, with a strong presence in the southeastern U.S.

Another prime example of our responsiveness to our clients' changing needs is our entry into the Public Private Partnership (PPP) market through the launch of AECOM Enterprises, which provides consultancy to developers, financiers, owners, and other key players in the PPP market. We are also a co-founder and partner in Meridiam Infrastructure Fund, which is rapidly becoming an important investor in infrastructure and facilities projects.

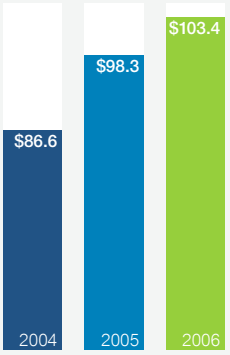
Strengthening AECOM's infrastructure

We continued to make significant investments in our people, systems, internal controls, quality and risk management, and technology. We also placed special emphasis on promoting the highest levels of ethics and corporate compliance.

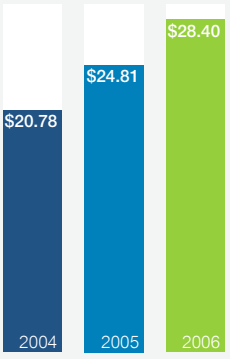
Understanding that people are our most important asset, we placed renewed focus and attention on advancing our existing Employee Engagement programs which are being leveraged as an integral component of our FY07–11 Strategic Plan. This comprehensive initiative is designed to ensure that we can attract, retain and support the best and the brightest talent on a long-term basis.



Gross revenues
(billion U.S. $)



Income from operations
(million U.S. $)



Stock price (U.S. $)

Across AECOM, we continue to foster a culture of mutual respect and trust (MRT) and we are striving to enhance the quality of life of our people by also providing strong links to professional training and career development. Our goal is to enhance the employee experience by creating an environment where all AECOM employees feel that their contributions are recognized and valued, and where everyone has the opportunity to grow both professionally and, through stock ownership, financially.

Senior management appointments

Effective October 1, 2006, we transitioned our leadership team at AECOM. Dick Newman and our Board of Directors entrusted me with the CEO role, and Jim Royer took over as Executive Vice President and COO. The fact that we have all worked together for the past 10 years has certainly helped to ensure that the transition has been orderly and effective.

In the first quarter of FY07, we also announced that two of our senior executives would assume new responsibilities, with Michael Burke, Executive Vice President and CCO, being appointed CFO in addition to his existing role and Glenn Robson, Senior Vice President, Finance, being appointed Chief Strategy Officer.

During the year, we strengthened our senior corporate team by welcoming Abby Areinoff, Jack Baylis, Raul Cruz, Paul Gennaro and Dean Luchsinger to the AECOM management team. Other senior appointments within our global operations included Loren Smith, President of DMJM Aviation, Richard Jackson, CEO of Maunsell Australia and Dickson Lo, President, Maunsell AECOM, Hong Kong. We also welcomed Jim Metcalfe, President, Cansult Maunsell and Cecil Doyle, CEO, HSMM, to the company.

Outlook

While we recorded a productive year – growing organically, welcoming new merger partners, and winning exciting new projects – we view FY06 as a great foundation for further growth. Continuing to work together, as we have done so effectively in the past, will be the key to our success in the future.

We are a global leader, with more than half of our people working outside the United States. Our world-class technology and skills and a style of personal service that only local companies can deliver are key factors behind our success.

I personally want to thank each and every one of our employees for their valuable contribution to the AECOM success story as we continue to strive to be recognized as the employer and consultant of choice by our clients, employees and peers.

Our solid financial platform and healthy backlog puts AECOM in a great position for another strong financial year in FY07. I look forward to the opportunities that exist for AECOM in one of the most exciting times that our industry has experienced in several decades, and am proud of the vital role that AECOM will play in 'making the world a better place.'

As we go forward, our objectives are clear. Working together, we will continue to strive to create value for our clients, shareholders and employees while building and improving the quality of life for the global community as well as providing greater professional opportunities for our people.

John M. Dionisio

John M. Dionisio

Richard G. Newman

Water: a global challenge

By David Lui, Ian Rowbottom and Larry Vandeventer

40%

In parts of Australia (including Sydney), any new residential development must now demonstrate 40% water savings compared to the traditional supply.

80%

In Hong Kong, 80% of the population uses seawater for toilet flushing.

1 million

In China, desalination capacity will increase from 31,000 cubic meters a day in 2005 to 1 million m^3/d in 2010. Major desalination plants under construction include Tianjin (100,000 m^3/d), Yantai (100,000 m^3/d) and Qingdao (80,000 m^3/d).

Nearly two-thirds of the earth's population is overshadowed by water shortage, according to a 2002 United Nations' report. The problem has been caused by the collision of simultaneous events: population growth, expanding urbanization and industrial development, and global climate change. But significant advances in water processing technology are enabling us to optimize usage of existing water resources.

These advances include increasing the capacity of water treatment plants and the development of new membrane processes to provide an absolute barrier to contaminants and remove salts from brackish water and seawater, making it safe for human use. There are three primary methods for optimizing this precious resource:

Conservation
Finding ways to reduce demand for potable water and for non-potable water used in agricultural and industrial processes.

Reuse
This includes reuse of treated wastewater for landscape, agricultural and industrial purposes, thereby reducing demand on potable water supplies, and indirect potable reuse where highly treated wastewater is re-injected into groundwater aquifers or added to large existing surface water reservoirs, and thereby stored for future drinking water supply. Direct potable reuse is also possible, using advanced treatment processes to produce potable water directly from treated wastewater.

Desalination
Using reverse osmosis technology to bring brackish water and seawater back into use, either as drinking water or for non-potable purposes. It is likely that reuse and desalination – particularly seawater desalination – will continue to develop in parallel, with implementation of reuse accelerating more quickly than seawater desalination. General wastewater reuse will continue to be used to offset potable water demands. As opportunities for general wastewater reuse are satisfied, indirect potable reuse will increase. And as brackish water desalination capacity becomes limited, seawater desalination will increase significantly.

> "There is a limited amount of water on the planet, and we cannot afford to keep treating it as if it will never run out" UN report (2002)

The existing cost differential between fresh water and desalinated water could be resolved through technical advances within the next 10 years. The implementation of indirect and direct potable reuse will definitely be significantly affected by public health perceptions, with indirect potable reuse standing a better chance of public acceptance.

AECOM is well aware that the challenge of providing sustainable global water supply in the next 50 years is very serious, and we believe, through the application of sustainable technologies, we can make a major difference, and help to improve global distribution of clean safe water.

Changing attitudes to transport

By Denis Johnston, John Vincent and Dick White

10%

World trade is growing at around 8% to 10% per annum and will soon outstrip the existing capacity of ports and airports and their associated surface access systems.

14%

Transport contributes 14% of all the world's greenhouse gas (mostly CO_2) emissions, and 22% of all energy emissions.

Emissions

Over three-quarters of transport emissions are generated by road transport, whilst aviation emissions are the fastest growing in the transport sector.

Transport has a profound effect on the economic and environmental well-being of communities and nations, and the choices that individuals and businesses make have collective consequences for societies and for our planet.

Forecast demand for road, rail, air and shipping movements exceeds the current limits of supply and more infrastructure needs to be built and upgraded, and demand for growth needs to be managed, if we are to avoid escalating congestion costs and create a sustainable future.

We believe that the use of existing capacity and the provision of new capacity should be guided by pricing considerations that reflect the true economic value – and impacts – of the transport commodity.

New approaches such as congestion pricing, value capture and private sector financing will play an increasingly important role in delivering transport services of the future.

We further believe that technology will be employed to inform individual choice, to create more efficient network operations and to reduce harmful environmental emissions. Within the overall strategic approach there will also be room for initiatives to reduce demand through options such as teleworking, through pricing considerations that influence journey decisions and through integrated land-use transportation planning.

Solutions to local and global transport challenges are constantly being developed and tested through the work of our planners, economists and engineers around the world. Contrasting practices and policies are being deployed in North America, Europe and Asia, enabling us to study relative impacts and the effectiveness of individual solutions in different environments.

Changing patterns of responsibility are emerging for owning and operating our transport networks. The private sector has historically been pivotal in the provision of air transport and freight services. Increasingly, however, the ownership of infrastructure has also been moving into the hands of private interests. Governments have traditionally been largely responsible for the highway and public transport networks, but recently the private sector has become involved in the ownership and operation of road and rail infrastructure under leasing or concession agreements.

> "Economists have been consistently making the case for efficient pricing of transport systems – it is time to listen and act. Pricing must be a key component of a sustainable future, not just road pricing, but a consistent application of pricing across all transport modes"

There are two overriding lessons from the past that should influence our future actions. The first is that providing individuals with unrestrained freedom to choose how, when and by what mode they travel in a distorted transport market does not produce sustainable outcomes. The second is that to address the distortion in the market we should move towards a pricing regime that captures true costs and external impacts.

AECOM can view the transport world through trained eyes positioned in all corners of the globe. We can see the mistakes of the past and the success stories. The challenges of the future will be met by the alignment of the best ideas with the willingness to act.

Our work: best-in-class solutions that help our global clients meet today's challenging objectives

Our work

In November 2006, Forbes.com, the world's most widely visited business website, identified AECOM as the fastest growing privately-owned company working in the U.S. engineering and construction sector.

Forbes based its finding on the fact that we have increased our revenue at an annualized rate of 16% over the past five years.

The success of our strategy, which blends new merger partners with organic growth, is also evidenced by our Engineering News-Record (ENR) rankings. ENR's 2006 rankings place AECOM as #1 Pure Design Firms, #2 in Top Design Firms, and #1 in Transportation and Facilities.

It has been a record year for project wins and bookings. We won projects worth more than $4.4 billion in revenue, 30% ahead of plan and 63% ahead of our 2005 level. During FY06, $3.8 billion of wins were converted into bookings, thereby increasing our backlog by 59% compared with last year.

Previous page At almost half a mile long, the Sea Cliff bridge swoops along the Pacific coast of New South Wales, Australia. Designed by a Sydney-based AECOM team, the bridge was opened at the end of 2005, after a 24-month fast-tracked delivery process. The project has since won numerous awards for engineering excellence, including the Association of Consulting Engineers Australia Project of the Year award.

New corporate offices in Connecticut for a Global Fortune 100 company. AECOM has won a multi-million master contract to provide this multi-national organization with program management services around the world, supporting its ambitious expansion plans. Individual projects include the company's Global Research Headquarters in upstate New York and its Asia Pacific headquarters in Shanghai, China.

Connecticut, USA

Scale and scope

Our project portfolio is remarkable for its scale, its professional scope and its geographical diversity. At one end of the spectrum, we're involved with the iconic rapid transit station that's under construction on the former World Trade Center site in New York City. At the other, we're helping to preserve an historic village on the coast of China. In London, we're playing a key role in planning for the 2012 Olympics, while another AECOM team is helping Shell Oil to obtain offshore drilling permits from the Brazilian authorities, who place a priority on environmental management.

Our work is taking us all over the world, as clients recognize the genuine benefits of working with a company that can deliver the combination of global reach and local knowledge, underpinned by a common dedication to achieving world-class standards in everything we do.

AECOM is the fastest growing privately-owned company in the U.S. construction and engineering sector

Kicking Horse Canyon is one of the most scenic sections of the Trans-Canada highway as it twists its way through the Rocky Mountains of British Columbia. It attracts a high density of tourist and commercial traffic, and the highway authorities were concerned about the road's safety record. AECOM is the lead roadway and bridge designer for the upgrade of a 16.7-mile section of the route. The project, one of the Province's top highway priorities, is due for completion in 2008.

Northwest Territories, Canada

In the UK, the University of Manchester is upgrading its science facilities with the addition of several new state-of-the-art buildings, two of which were designed by AECOM. The five-floor Manchester Interdisciplinary Bio-Centre, completed in 2006, provides five floors of laboratories and offices, while the Astronomy, Maths, Physics and Photon Sciences Building comprises three, four-story blocks housing 170,000 ft^2 of laboratories, offices and teaching space.

Manchester, UK

The way we are organized is playing an important role in driving our success. Since our formation in 1990, we have balanced our strong organic growth with strategic mergers and acquisitions. This has enabled us to effectively access new geographical markets and technical resources.

When we merge with a new company, we encourage them to maintain their own culture and client relationships. From the start of the transition, the merger company works closely with other AECOM operations to deliver broader solutions to their clients.

In late 2005, we completed mergers with EDAW and ENSR, both of which have global reach. During their first year, these new relationships have generated added value for our clients. EDAW and ENSR's project work benefited from having other professional and technical disciplines at their disposal, and as our other global operations recognized the advantages of being able to call on EDAW and ENSR's unique skills.

The Royal Bank of Scotland has recently moved into its new 650,000 ft² world headquarters, just outside Edinburgh. Park land surrounding the offices has been transformed thanks to AECOM's role as landscape masterplanner and designer. Features include a sculptural floodplain to accommodate potential flooding and two large open sustainable urban drainage ponds that have been designed as attractive park land features.

Edinburgh, UK

Designed by Santiago Calatrava

Complementary strengths

Part of this strength lies in the fact that our global business lines are complementary. Clients who need buildings also need transportation and water systems, and for each of those disciplines there is a major planning process that is undertaken as well as taking into account the environmental aspects of the programs. AECOM can supply all those skills, to world-class standards, anywhere in the world.

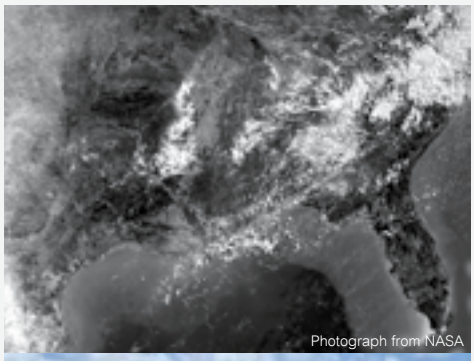
Our scale and the range of our professional disciplines offers clients further added-value benefits. Increasingly, clients prefer to focus on their core business, leaving professional technical services firms to handle the specialist functions of planning, design, project implementation and maintenance. Equipped with the full range of technical expertise, we make an ideal partner for both global and local clients, offering them a comprehensive service from inception to completion.

Designed by Santiago Calatrava

New York, USA

AECOM is one of the lead partners in the engineering design of the remarkable hi-tech transportation terminal on the former World Trade Center site in New York City. The Port Authority Trans-Hudson (PATH) terminal building (designed by Santiago Calatrava) incorporates two overhanging wing-like structures that will pivot to create an opening to the sky. The steel and glass structure is positioned above a network of passageways linking various transport modes, including subway lines, ferries and buses. AECOM personnel from six of our operations are working on the project.

In Houston, Texas, AECOM is responsible for overseeing the city's stormwater management program. The work involves building and maintaining stormwater infrastructure to defend the city against flooding. The program has been so successful that the city's residents qualify for reduced flood insurance premiums.



Photograph from NASA

Texas, USA

Rapid and widespread urbanization throughout the Far East is placing tremendous stress on water supply and sanitation services across the region. The U.S. Agency for International Development (USAID) is trying to resolve these and other challenges through the ECO-Asia program, that aims to increase regional co-operation on natural resource management, pollution control, environmental enforcement and conflict resolution. AECOM has been contracted by USAID to implement the program in key countries including Cambodia, Indonesia, Sri Lanka, Thailand and Vietnam.

Indonesia

As a multi-disciplinary organization, we can bring together all the elements that are required to reach a commercially successful conclusion

A pattern of cross-working is now emerging throughout AECOM, as our global operations combine to deliver multiple disciplines to their clients. The commercial benefits of this approach are being seen across all the regions where we operate as our companies team up to put forward high quality front-end planning skills, covering transport systems, environmental issues and, of course, masterplanning itself. This work precedes the appointment of teams to design and manage new build and upgrades of transportation and water infrastructure and building design, where we deliver advanced sustainable solutions to meet our clients' needs.

This cross-working model exactly fulfils the AECOM promise – to deliver world-class expertise to local clients and markets.


Nevada, USA

The Nevada Test Site (NTS) is a massive outdoor laboratory and national experimental center, situated in the desert north of Las Vegas. Bigger than the state of Rhode Island, it is used for a wide range of activities including hazardous chemical spill testing, emergency response training, waste management and environmental technology studies. AECOM is a key partner in a joint venture team appointed to manage and operate the NTS over a five-year contract.

As a multi-disciplinary professional technical services provider, we can position ourselves at the heart of major projects, bringing together all the elements that are required to reach a commercially successful conclusion.

Sustainable solutions

As emerging countries seek to compete on the global stage, they need new airports, new port facilities, new transport systems and new urban developments. Our primary function is to plan, design and build this infrastructure, so that these countries can achieve economic advancement.

However, as the world comes to terms with concepts such as global warming and natural resource depletion, the development of new infrastructure is no longer simply a matter of concrete, steel and glass. In addition, a new set of questions arises: What are the social impacts of the proposal? How will the development affect the site in the long term? What will its carbon footprint be? How much energy will it consume? And, above all, what steps can we, as designers, take to ensure that the project will be as sustainable as possible?

For us, this is an opportunity. Across our global operations, we have a significant resource of environmental and sustainable development expertise. These talented people examine every aspect of a project in order to understand how to balance the physical requirement against the impact that it will have on the landscape, the community and the surrounding environment.

In developed countries, much of the infrastructure will require upgrading or renewal over succeeding years. But a large proportion of the world's infrastructure development is likely to be carried out in emerging economies where we have 'a blank sheet of paper' and can design systems that take advantage of the very latest thinking on issues relating to sustainability.

With our 'global reach, local knowledge' approach, we are ideally positioned to deliver our leading-edge sustainability expertise precisely to the places that require it most.

Market expansion

In 2006, we strengthened our engagement in two key markets – the Middle East and China.

Our fiscal year-end merger with Cansult has made us one of the leading international consulting firms operating in the Middle East. This comes at a time when the Gulf State governments are launching a massive construction boom aimed at reducing their long-term dependence on oil revenues. Cities such as Abu Dhabi and Dubai are re-inventing themselves as tourism, conference and leisure resorts, and they need hotels, mixed-use developments and transport facilities.

Abu Dhabi, UAE

AECOM has been appointed to supply architectural and engineering design services as well as construction supervision for the new Etihad Towers project in Abu Dhabi, UAE. The mixed-use development will comprise five towers ranging from 49 to 74 floors and exceeding 990 ft in height. The towers will include a high-end 600-room hotel as well as 900 residential apartments, and 700,000 ft^2 of office space. The development is expected to be completed in 2010.

Sir Richard Branson's Virgin Galactic has agreed to be the anchor tenant for the State of New Mexico's proposed Spaceport America. AECOM has been appointed to design and engineer the facilities, including runways, hangars, terminals and control buildings. The project and its proponents are also committed to sustainable building construction that meets or exceeds Leadership in Energy and Environmental Design (LEED) standards. Virgin Galactic intends to offer suborbital spaceflights from the Spaceport once construction is finished in 2010.

New Mexico, USA

New Mexico Governor Bill Richardson and Sir Richard Branson

We already had strong local client relationships and the Cansult merger has given us broader scale, and technical and management services to undertake the most complex projects in the region.

The arid climatic conditions in the Gulf will also enable us to demonstrate our capacity for innovation, as our clients seek to achieve the more sustainable style of development that tourists and visitors require.

In China, we have been building relationships for several years now. Our strategy has been to invest in minority equity positions in various companies, including design institutes, and work in partnership with the local teams. In fiscal 2005, we received permission from the Chinese authorities to complete our merger with NEDI, a planning and environmental design institute.

Nong Shim Foods, the largest ramen noodle manufacturer in Korea, appointed AECOM to provide construction and process engineering services for its first U.S. manufacturing facility in California. The one-year construction schedule was severely interrupted by six weeks of stormy winds and record rainfall, but the project still came in on time thanks to dedicated teamwork by contractors and client alike.

California, USA

In July, we announced an agreement to invest a 10% stake in Shanghai Tunnel Engineering Co Ltd (STEC), which is engaged in civil engineering including tunneling, building engineering and highway/bridge projects. STEC also has two design institutes in Shanghai. We have also entered into global alliances with China State Construction, China Road and Bridge and China Harbor to pursue major infrastructure projects throughout the world.

In January 2007, we closed a merger with Hayes, Seay, Mattern & Mattern (HSMM), a 650-person architectural and engineering consultancy firm, based in Roanoke, Virginia. This merger will significantly strengthen our facility and water resources capabilities throughout the U.S. as well as enhance our regional presence in the southeastern United States.

The merger with HSMM will significantly strengthen our presence in the southeastern United States

Left Rapid growth in the southwestern suburbs of Chicago caused problems for Metra, the city's regional passenger railroad operator, with high demand for limited public transport options. To resolve the problem on a long-term basis, Metra appointed AECOM in 1991 to implement the Southwest Service Expansion project. This long-running project was finally completed in 2006, extending the rail network by 12 miles and doubling the numbers of trains capable of operating on it.

Right With design-build engineering by AECOM, the Norumbega Water Storage Facility, situated in the suburbs of Boston, Massachusetts, was completed in 2006. Despite its 17-acre surface area, it is practically invisible to the casual onlooker, because it is covered by meadow grass growing in two feet of soil. The contract also included responsibility for environmental protection and restoration work necessary to preserve the ecological integrity of the area surrounding the site.


Illinois, USA


Massachusetts, USA

The growing worldwide interest in Public Private Partnerships (PPP) has opened new opportunities for us. We are a partner (with the French bank Crédit Agricole's Private Equity group CAPE) in Meridiam, a PPP development company which has also formed an investment fund to invest in infrastructure projects in Europe and the U.S. Meridiam achieved the closing of its initial fund in late 2006 and has been successful in the Limerick tunnel project in Ireland, and is also the preferred bidder for a 30-year, Austrian road concession.

Meridiam is part owned by AECOM and has a close relationship with AECOM Enterprises, our wholly-owned PPP specialist, which actively develops infrastructure projects in the transportation, environmental and facilities sectors. Its objective is to add value by deploying the strengths of our global operations – world-class technical expertise, local market knowledge and management capacity – within the financial frameworks provided by PPP developments.

Hong Kong Disneyland Resort, which opened in September 2005, is expected to become one of the world's largest attractions within the next 15 years. AECOM was the engineering consultant for planning, design and construction supervision of all external infrastructure works for the resort, built on a 310-acre site reclaimed from the sea. We were also appointed to provide a comprehensive environmental monitoring and auditing program, covering water and air quality, waste management, noise, fisheries, archaeology and cultural heritage.

Hong Kong, China

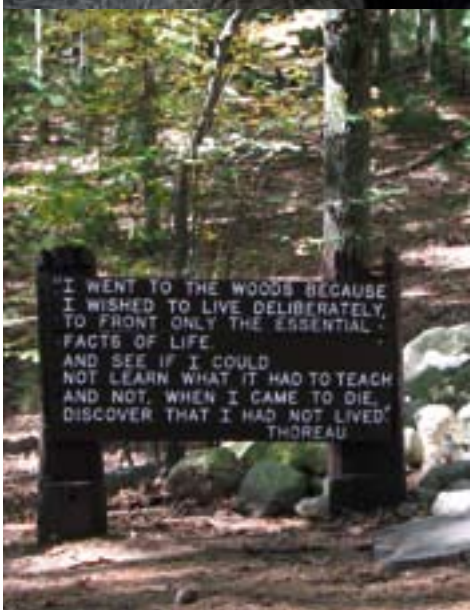
With the demand for balanced and sustainable solutions, and AECOM's global platform and diversified technical resources, we believe that we are well aligned to work closely with our clients to help them meet their future challenges.

Quality service remains our primary operational focus. We will continue to look for merger partners which can contribute to our overall goal of developing world-class technological solutions supported by the unique personal service delivered through our global network of offices.

Our new structure will align our global operations even more closely with our clients, and unlock more potential for growth

Walden Pond, in Concord, Massachusetts, just outside of Boston is widely regarded in the USA as the birthplace of the American conservation movement, thanks to its association with the 19th century pioneer environmentalist Henry David Thoreau. Stormwater runoff from the nearby parking lot was eroding the beach at one end of the pond. AECOM designed a stormwater management system to alleviate the problem, using low-impact solutions that were compatible with existing landscape and site features.

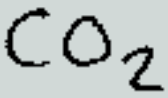
Massachusetts, USA



Climate change and sustainable energy solutions

By Richard John, Jon Lorentz and Jim Zaniboni

40% of energy-related greenhouse gas emissions are associated with buildings.



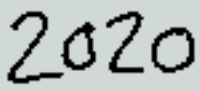
Traditional power stations and distribution networks lose as much as 66% of all energy during its transmission into buildings. But local combined heat and power schemes offer a way of significantly reducing carbon dioxide emissions.

The scientific case that climate change is happening, and is caused by human activities, is now overwhelming. In October 2006, the Stern Report provided an examination of the likely economic impacts of global warming. The report stated that climate change could shrink the global economy by up to 20%. Without action, up to 200 million people could become refugees as their homes are hit by drought or flood.

The report highlighted the need to take action now, and that such action would have to be coordinated at an international level if it was to be effective. According to the report, the possible physical impacts of climate change could include melting glaciers; decline in crop yields; extinction of up to 40% of species; and extreme weather events, such as an increase in hurricane intensity, will become more frequent.

As professional technologists, scientists, engineers and environmentalists, we are effectively the front line of the human response to these challenges, and we have a responsibility to use our skills to ensure that today's energy projects are constructed using methods that will ease rather than exacerbate the situation, and that tomorrow's energy solutions are sustainable and designed to conform with best environmental practices. We have established an energy solutions framework that brings together the unique capabilities of our specialist technology groups and the strong local presence provided by our global reach. This framework is divided into three categories: carbon management, sustainability and energy efficiency, and clean energy.

> "Whilst there is much more we need to understand – both in science and economics – we know enough now to be clear about the magnitude of the risks, the timescale for action and how to act effectively" Stern Report 2006



Governments globally are setting targets for new energy generation from renewables. For example, although less than 5% of the UK's electricity is currently generated from renewables, incentives are in place to ensure this reaches 10% by 2010 and 20% by 2020. Wind is the most rapidly growing renewable energy technology.

Carbon management
Carbon management enables organizations to understand, control, and reduce carbon emissions resulting from their activities. Corporations are now recognizing that an early commitment to carbon management brings significant competitive advantage as well as tangible benefits to the bottom line.

Energy efficiency and sustainable buildings
Commercial and residential buildings account for approximately 40% of end-use energy consumption globally. There is broad acknowledgement that developing comprehensive efficiency strategies for these buildings is one of the fastest and most cost-effective actions we can take to reduce the demand for energy and reduce carbon emissions.

Clean energy technologies
Many countries are introducing mechanisms to support the development of clean energy technologies, such as solar cells, wind turbines and bio-fuels. As a significant bonus, these clean energy resources enhance national energy security by reducing reliance on fossil fuels.

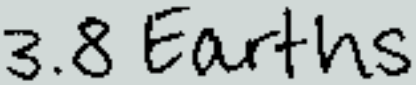
In keeping with our objective of "consistently delivering outstanding solutions that create a better world in which to work and live," our global operations are leading the way in progressive policy development, sustainable building designs and the deployment of advanced clean energy technologies.

The world is just beginning to confront the issues of climate change, energy security and associated impacts on individual economies. We have the technical expertise, scientific knowledge and professional resources to respond to these challenges and provide solutions anywhere in the world.

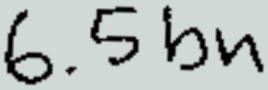
Managing and protecting resources

By Simon Aldrich, David Blau, Don Galya and Paul Reed

Water use is growing at twice the rate of the global population.



Several recent studies, based on population growth scenarios up to 2050, suggest that, for everyone to be able to enjoy the consumption levels and lifestyle of Western society, the global natural resource requirement would range from between 2 to 3.8 Planet Earths.



The global population is 6.5 billion. Over one billion people currently lack a safe and reliable water supply source. Over 2.4 billion people are without adequate sanitation.

The natural resources – including air, water, land, and biological resources – that comprise the global ecosystem are faced with unprecedented pressures from a rapidly expanding population and a human trend towards higher living standards.

It is increasingly apparent that these pressures are resulting in regional and even global scale impacts. Global effects such as climate change are not completely understood, but are creating major concerns. However, there is much that we, as scientists, technologists and environmentalists, can do to offset the threats to the global environment. In fact, we have an unprecedented ability to apply technology to the identification and resolution of these threats in various areas.

Efforts are already underway to improve the management and protection of our natural resources. These include water resource management projects that balance human demand against protection of the ecosystem from which water is drawn; infrastructure projects into which environmentally sustainable practices have been integrated; renewable energy projects that reduce damage to the environment and conserve non-renewable energy reserves; and ecosystem restoration projects that restore habitat and biological communities.

The scale of global pressures on natural resources means that good stewardship will become increasingly important in the future. 'Green thinking' is now becoming a standard facet of the planning process. And it is widely accepted that 'business as usual' is no longer a long-term option for the planet.

An improved, more global paradigm that balances politics, economic objectives, new technology and best practices is needed for natural resource management. Under this new paradigm, energy, transportation, buildings, and other infrastructure requirements would all be designed with the objective of meeting the challenge of natural resource protection and conservation needs.

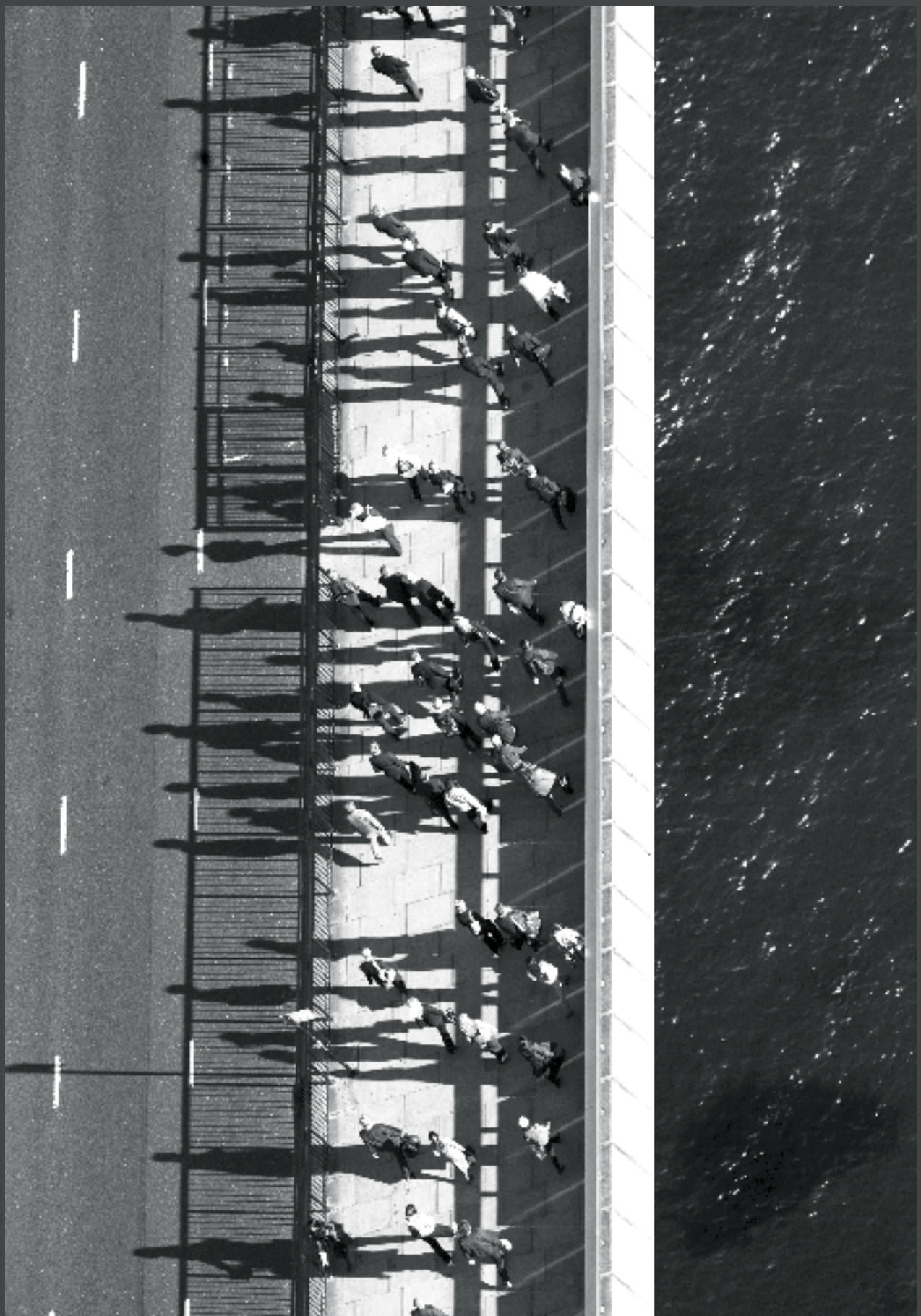
Because of the need for programs and approaches to be embraced by many countries, cultures, and political systems with varying economic and development goals, this will inevitably be a complex process. But this should not be allowed to act as a deterrent.

Short-term expediency will no longer be a useful policy tool. However, the risk of the new approach being forced to the sidelines by social and geo-political objectives will remain one of the greatest challenges for our global society.

Human-imposed pressure on natural resources is not new, but now the stakes are global and the timeframe is critical. Facing up to the challenges successfully will require an interdisciplinary approach, in which environmental considerations must play an integral role, from initial vision through to completed project – and throughout the service life of the facility.

"The risk of natural resource protection measures being sidelined by social and geo-political objectives will remain one of the greatest challenges for our global society"

Our company: investment in our people and resources to create inner strength and sustained success



Our company

Left Transportation Consultant Meme Kagga, one of over 800 students from around the world who join AECOM's graduate development programs every year.

Below Our graduates all enjoy extensive professional development opportunities – in and out of the office environment.

Center AECOM also offers industry-leading student intern programs. These encourage strong links with leading higher education institutions, and allow us to meet the best young talent at the earliest possible opportunity.

Right After 40 years' outstanding service, Joe Anichini was a worthy winner of our regional employee achievement award, which recognizes professional excellence among the people based in our midwest operations.

Joe typifies many of the core qualities that our clients look for in us – a real depth of technical knowledge, a relentless pursuit of design excellence and a passion for delivering long-term customer service.

Meme Kagga

Graduate trainees, Scotland

We want to be recognized as a high-performing business, not just by our clients, but also by our own people

Student intern team, Shanghai

Joe Anichini

The demand for AECOM's services has never been stronger. This occurs at a time when there is a global shortage of technical and management professionals, and an acute need for infrastructure improvements and expansion. We are addressing this demographic challenge through various initiatives.

One of the founding principles of AECOM was the recognition that the value created for our clients and shareholders was a direct result of the efforts of our people, and that we should constantly be looking for ways to ensure that the AECOM workplace remains dynamic, supportive and engaging. This employee emphasis has enabled us to attract, retain and motivate our staff. It is a cornerstone of our success, and a key factor in enabling us to maintain our pace of growth at a time when there is a shortage of professional skills in the U.S., Europe and Australasia.

During 2006, we have continued to advance this strategy through a global and consolidated approach to employee engagement, through which we have continued to foster a positive and nurturing working environment. To steer this initiative, we established the AECOM Employee Engagement Advisory team, with representatives from all our global operations.

The team's objective is to develop effective strategies and programs for generating employee engagement at every level throughout the company, creating energy, commitment, loyalty and professional fulfilment. The ultimate goal is for AECOM to be recognized as the 'employer of choice' by our people, clients and peers.

In several of our operations, we have taken part in 'Great Place to Work' programs. These are focused on employee satisfaction and workplace quality of life. We provide our employees with the opportunity to critique their working practices and environment and, together with management, create a positive and supportive working environment that will foster both professional and career development as well as quality and excellence. We are advancing these programs throughout the enterprise.

Left Many of our people around the world are taking part in nationally recognized 'Great Place to Work' programs. These programs independently measure employee satisfaction and offer a good benchmark as we strive to become the employer of choice wherever we operate.

Right Our people have the opportunity to get hands-on experience working on some of the most exciting projects anywhere in the world. Structural Engineer Gemma Clarke spent three months in Antarctica, working on the design of a new research base for the British Antarctic Survey, that will help to measure the impact of climate change in years to come.

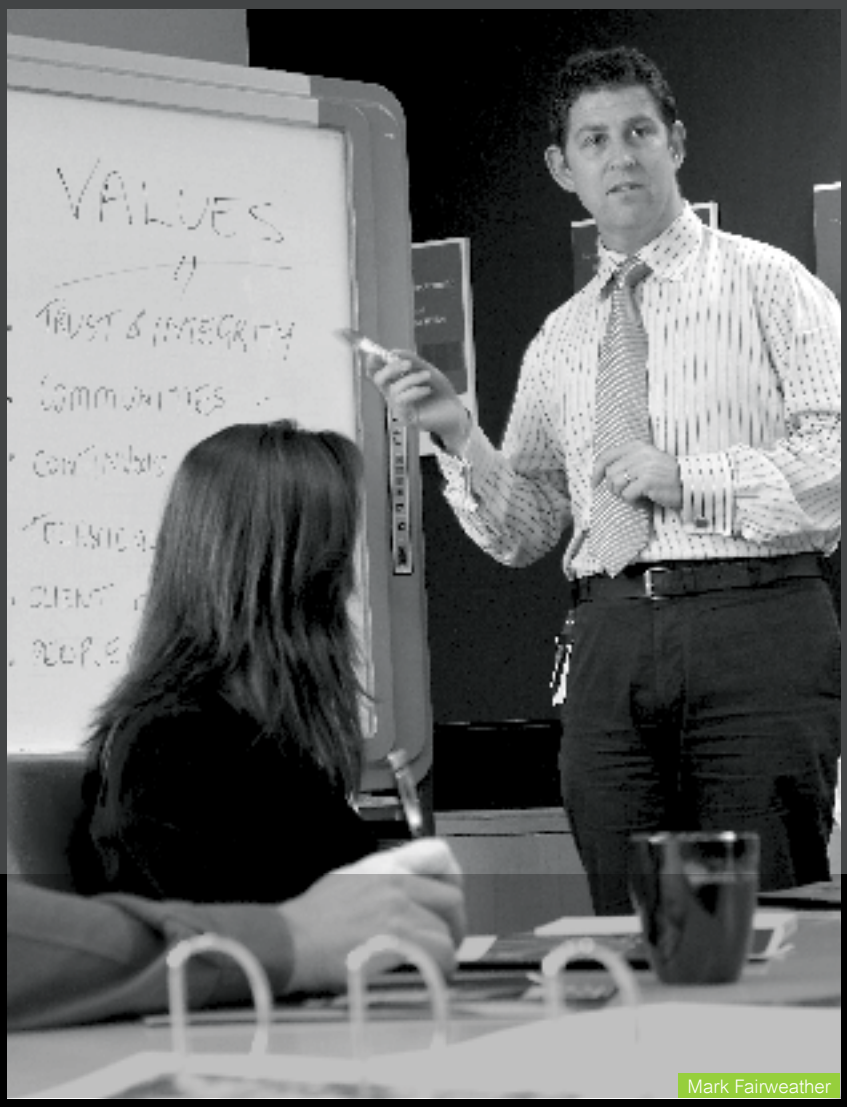
Wendy Bannah

Gemma Clarke

To attract young technical students, we are active participants in programs throughout the organization to attract school, college and university students into technical fields. In the UK for instance we have gone even one step further and have created and implemented the "Structured Training Excellence Program" (STEP) which is designed to attract science and technology students while they are still at school. After joining us, they learn how our disciplines are deployed in the real world. Later, if they want to go into the university system, we will offer them sponsorship and the opportunity to work with us during the vacations. Similar programs are in place to support undergraduates who will subsequently join AECOM as fully-fledged professionals.

We recognize that bright and talented people are defined by their own achievements, not just by the company they work for. In a market where there is a high demand for top quality talent, we cannot expect the brightest and best to stay with us unless we provide a framework which enables them to fulfil their own ambitions and goals.

Across the company, under the auspices of the AECOM Professional Excellence Council and the growing AECOM Academy, we lead the development and implementation of our people's professional and technical skills.



Mark Fairweather

Left Staff retention is a key issue across our industry. In response, we have launched an Employee Engagement Program addressing issues that directly affect our people in terms of career development and professional advancement.

Below To compete successfully, we must stay at the forefront of advanced technology, driving up both quality and efficiency across all operations. In FY06, we continued to make significant investments in systems and training, including the global deployment of our AIMS financial management system.

Eleanor Girdziusz Samir Pozder

This accomplishes two important results: firstly, it creates a vehicle through which our people can pursue their own professional as well as career development plans, and secondly elevates the standard and quality of the services we provide our clients. Ultimately, the end result is it achieves our declared objective of providing our clients with 'best practice' solutions in all our assignments.

To attract and retain the best people, we need to create a positive working environment. An important contributor in creating such an environment is to provide them the best tools to work with.

We work in a fast-moving technical environment, so it is essential that we have access to the most sophisticated leading-edge technologies. To the benefit of our clients and our people alike, we have made substantial investments in advanced design technology and leading-edge communications systems. We are continuing to develop the group-wide knowledge network that enables our people to share technical information anywhere in the world. These are supported by a 21st century business process system that gives managers the ability to respond rapidly and effectively to changing circumstances within any project.

We recognize that talented people are defined by their own achievements, not just by the company they work for

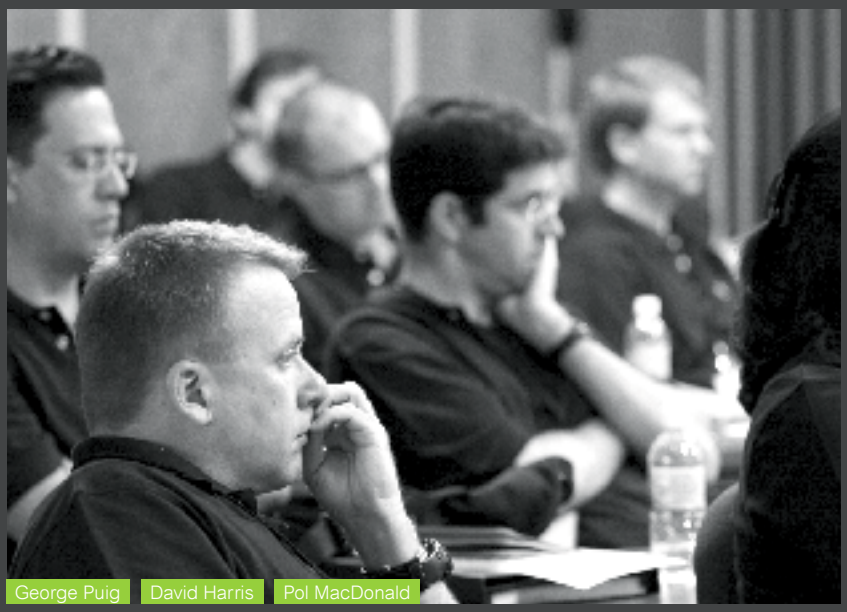
Creative people need time and space to think and explore their subject. Across all our operations, we encourage our people to develop innovative solutions that will exceed the expectations of our clients.

Jonathan Watt

We are a professional services company, and like any other professional organization, we prize innovation. It is the factor that differentiates one company from another. That is why we encourage our people to think creatively, and to come up with ideas that confound accepted practice. We also believe that this attitude to creative thinking appeals to the brightest talents in our industry, and will help us to retain their services.

Our rapid growth as a global organization with projects under way on every continent has enhanced the opportunities available to our people. It is now quite possible for an AECOM team to comprise people from a range of different countries and backgrounds, but united by a common desire to deliver a world-class result. This global mobility not only attracts those professionals who want to work in different cultures and countries, but also enables them to learn from the experience.

The shortage of qualified technical professionals emerging from universities in the West is certainly an important challenge for AECOM. But the problem is less acute in China and India, where universities are producing greater numbers of technically trained graduates. With a strong presence in China, we have been able to establish engineering design teams who can provide the expertise and resources to work with AECOM project teams anywhere in the world, in real time. We are currently studying the possibility of expanding our presence in India, with a view toward establishing similar formats there.



George Puig David Harris Pol MacDonald

Leadership development programs run within all our global operations, providing a forum where the next generation of senior management can discuss the issues and initiatives that will shape our future.

Participation not only improves individual skills in leadership, communication, decision-making and business acumen, but also creates relationships that will strengthen teamwork over the long term.

Leadership development activities

We will continue to attract and retain outstanding people if we can provide them with stimulating projects, excellent professional resources and competitive employee benefits. And there is one other key factor – a corporate culture that is founded on mutual respect and trust.

As a company with 28,000 people from around the world, we have adopted these values to reinforce this key AECOM 'founding principle' as well as to underpin our client relationships as we work together around the world. We are all professionals who are proud of our skills. We want to deploy those skills to the benefit of our clients and, in turn, society as a whole.

Global mobility attracts professionals who want to work in different cultures and enables them to learn from the experience

We also want to put back into society more than we take out. AECOM budgets funds for various charitable and other 'not for profit' activities around the world with more than 2% of our profits. Our primary focus is on initiatives that help young people, community-based projects, educational opportunities and environmental challenges. We also encourage our people to volunteer their own time and skills to help appropriate community projects and, as ever, they have responded generously in this respect.

AECOM is an industry leader and we accept the importance of our setting a high standard. We also recognize the importance of balancing the benefit of having the scale and resources to service our clients' most complex challenges anywhere in the world, with the need to remain agile, flexible and a people-oriented company. We feel a key to our success to date is that all of our employees have the ability to be shareholders. We realize their commitment to AECOM 'as an owner' is tied to their future professional growth as well as our ability to meet our clients' needs.

AECOM has grown to become a major player in its chosen markets, with deep resources and a sound financial base. Yet it remains agile and flexible, able to respond rapidly to changes in its markets around the world. It also remains a human company that recognizes the importance of the individual in the wider corporate context.

The Australian Tsunami Relief Team

The Bloodmobile, Boston

Future Cities competitor, New York

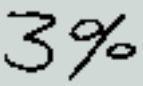
Left On a voluntary basis, AECOM people have given their time and skills to help others – in this case, helping to rebuild communities following events such as the Asian Tsunami.

Right Our people are actively involved in the community in many ways. The visit of the Boston Children's Hospital 'Blood-mobile' to our Westford office in Massachusetts, USA, is just one example of many from around the world.

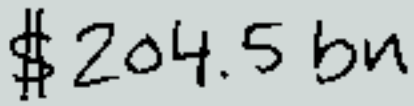
Below We look to build strong relationships with local schools. Sponsorship and mentoring provided at *Future Cities* competitions are just one example of how students can learn about the urban design issues we tackle every day.

Creating sustainable communities

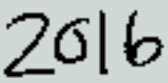
By Miles Attenborough, Claire Bonham-Carter, Steve Kellenberg and Phil Wood



Sustainable construction in the U.S. has surpassed the 3% market penetration typically identified as a transition point from a trend to a cultural pattern.



Analysis indicates that by 2010, the U.S. non-residential green building market will be worth approximately $204.5 billion.



The UK government is progressively tightening building regulations, with a target of achieving zero-carbon emissions from new homes by 2016.

The global community is now facing the challenges brought about by growing population, demand for natural resources, environmental damage and the need to improve the economic conditions to provide for the world population's basic needs. These challenges threaten civilization and require action on a global, national and local scale.

Climate change is probably the greatest long term threat facing humanity. The recent Stern Review into the economics of climate change concluded that the cost of keeping CO_2 emissions below 550ppm will be around 1% of global GDP. However, if emissions are allowed to continue under a 'business as usual' scenario, the cost of living with the resulting climate change will be far higher, with an average loss in global GDP of 5-10%.

The development of sustainable communities is not solely driven by climate change. It is also a matter of creating places in which people can live, work and raise their children – at minimum cost to the environment.

What is a sustainable community?
Sustainable communities can best be described as places where people from all backgrounds might consciously choose to live and which avoid unsustainable impacts on our natural environment. They need to offer equality of opportunity, employment, decent and affordable homes, access to schools and higher education, healthcare, retail, and recreational facilities.

Well-designed urban form, buildings and landscapes can play an important role in achieving these goals. By integrating well-planned public transport infrastructure, cycle ways and pedestrian routes into new developments, we can help to reduce reliance on the car. These communities will have to operate in warmer temperatures, but by integrating open space and vegetation into major new development, we can help reduce heat islands, while passive design of buildings can reduce cooling demands and improve comfort.

> "I say the Earth belongs to each generation. No generation can contract debts greater than may be paid during the course of its own existence"
>
> Thomas Jefferson, 1789

High-performance urban drainage systems will be developed to attenuate stormwater flows, while also providing ecological features. Water consumption and supply will need to be better managed through demand reduction measures and through better use of rain and wastewater.

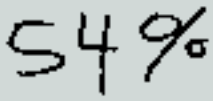
Buildings will have to be designed to minimize energy demand, and remaining demands will have to be met from renewable and low-carbon energy sources. Decentralized energy generation from combined heat and power (CHP) and stand-alone renewables will become increasingly important.

The resolution of these issues requires an integrated design approach in which the development components work together rather than against each other, delivering higher performance for minimal extra cost.

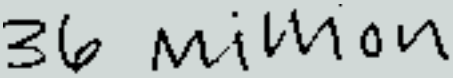
Our global operations possess all the skills that are necessary to create these sustainable communities. We will continue to challenge conventional thinking, integrate smart and reliable technology, provide experienced and qualified people to meet our clients' needs and leverage our strengths: global presence, strong client relationships and diverse in-house expertise.

Urbanization: creating a human context

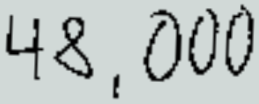
By Sean Chiao and Bill Hanway



In 1975, 37% of the world's population lived in urban areas. In 2015, the figure is predicted to reach 54%.



In 1950, the world's biggest city was New York City with 12.3 million inhabitants. In 2015, Tokyo is expected to have a population of over 36 million.



Hong Kong, with 48,000 people per sq km, has by far the highest population density of any city in the world. The next highest is Mumbai with 19,000 per sq km. The figures for Los Angeles and New York City are, respectively, 2,700 and 2,050. London's density is 5,100.

A recent World Bank study suggests that, in the very near future, more people will live in an urban environment rather than in a rural one – the first time that the balance has ever shifted in this direction.

Urbanization has triggered new threats such as environmental degradation, overcrowding, social exclusion, security and civil strife. But history has shown that cities also act as hubs of creativity and invention and that they are powerful agents for progressive change.

As urban designers and planners, we are enthusiastic advocates of built communities. And, whilst conceding that urbanization exacerbates some of today's social ills, we believe that an integrated approach that combines in-depth analysis and a commitment to high-quality design can solve these problems.

Our integrated design approach involves a thorough appraisal of the physical, economic, cultural and social context, followed by the creation of a development framework that directly addresses the challenges of increased density. Within this framework, our solutions can maximize the socio-economic benefits, while reducing social exclusion and environmental impact. The creation of a sustainable urban environment depends on four key issues.

Urban structure
The fundamental challenge is to commit to high-quality design in every aspect of the built environment. Compromises must be overcome to ensure that all difficult decisions are focused on delivering a combination of high-quality buildings and appropriate public space.

Creating sustainable environments
In urban environments, sustainability requires firm commitment to public transport, robust targets for the use of renewable energy, and a determination to reduce the carbon footprint.

> "Today's dramatic urbanization offers us the opportunity to deliver robust solutions for cities that will enhance economic well-being and reduce social and environmental ills"

Social inclusion
Modern urban environments must be able to accommodate the broad spectrum of human activity, whether it is commercial, residential or public service. No segment of society can be ignored, and it is therefore imperative to understand the requirements for young people as well as the elderly.

Sense of place
An evasive concept, but key to creating an identity that reflects not only the physical, environmental and historic context, but also the inherent personality of the local population. This identity can only be achieved through a site-specific design response that balances required land uses such as residential, commercial and public buildings with those that enhance the human spirit, such as public open space, cultural and performing arts facilities.

Urban design cannot alleviate civil conflict, improve education or foster peaceful interaction. But it can sculpt the physical environment and improve the human context. When we walk through our cities, we should be stimulated by the opportunities, not fearful of the problems.

Financial results: for the fiscal year ending September 2006

Financial results

Income Statement Items

Gross revenue: $3.4 billion	Increased $1.0 billion, or 42.8% over last year as a result of strong organic growth, particularly in Federal Services, and M&A activity
Net service revenue: $1.9 billion	Increased $437.2 million, or 29.9% over last year
Gross profit: $905.8 million	Increased $228.3 million, or 33.7% over last year as a result of the strong revenue growth noted above
Income from operations: $103.4 million	Increased $5.1 million, or 5.2% over last year which reflects significantly higher intangible amortization and stock match expense related to the M&A transactions
Interest expense, net: $10.6 million	Increased $3.5 million, or 49.9% over last year which reflects higher borrowings to fund M&A activity
Net income: $53.7 million	Decreased $0.1 million, or less than 1.0% from last year, reflecting significantly increased intangible amortization and stock match expense arising from M&A transactions
Diluted EPS	Decreased $0.20 or 11.9% verses last year largely due to additional shares included from our private equity financing

Balance Sheet Items

Cash and cash equivalents: $127.9 million	Increased $73.5 million, or 135.3% over last year due to proceeds from private equity and strong cash flow from operations, partially offset by cash used in M&A activities
Total debt: $137.5 million	Decreased $99.2 million, or 41.9% over last year due to proceeds from private equity and strong cash flow from operations
Net debt: $9.6 million	Decreased $172.8 million due to the aforementioned factors
Total equity: $678.8 million	Increased $278.5 million, or 69.6% over last year. Stock repurchases totaled $58.6 million in FY06

Other Information

Credit facilities:	Amended and extended our $300 million facility and added a global term loan of $65 million
Cash flow from operations:	Increased $74.7 million, or 160.3% over last year
Capital expenditures:	Increased slightly by $1.1 million, or 3.6% over last year, primarily related to spending on Oracle ERP
Stock price:	Increased $3.59, or 14.5% over last year

Millions U.S.$, except per share data and stock price	FYE September 2004	FYE September 2005	**FYE September 2006**
Gross revenue	$2,012	$2,395.3	**$3,421.5**
Other direct costs	775.7	932.8	**1,521.8**
Net service revenue	1,236.3	1,462.5	**1,899.7**
Cost of net service revenue	667.7	785.1	**993.9**
Gross profit	568.6	677.4	**905.8**
Equity in earnings of joint ventures	2.5	2.4	**6.6**
General and administrative expenses	484.5	581.5	**809.0**
Income from operations (1)	86.6	98.3	**103.4**
Interest expense, net	7.0	7.1	**10.6**
Income before income tax expense	76.4	82.8	**78.9**
Income tax expense	26.0	29.0	**25.2**
Minority interest in share of earnings	3.2	8.4	**13.9**
Net income	50.4	53.8	**53.7**
Earnings per share (Basic)	$1.71	$1.86	**$1.88**
Earnings per share (Diluted)	$1.57	$1.68	**$1.48**
Shares used in per share calculations:			
Basic	26.3	25.9	**27.4**
Diluted	32.1	32.0	**36.3**
Cash flow from operations	$77.7	$46.6	**$121.3**
Cash and cash equivalents	121.0	54.4	**127.9**
Total assets	1,109.7	1,404.1	**1,832.9**
Total debt	118.0	236.7	**137.5**
Net debt	(3.0)	182.4	**9.6**
Total equity (2)	446.0	400.3	**678.8**
End of fiscal year stock price	$20.78	$24.81	**$28.40**

(1) Includes stock match expense and excludes minority interest in share of earnings.
(2) Includes convertible preferred stock and redeemable common stock.

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