TETRA TECH INC
Form 10-K
November 15, 2012

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Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

ý **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Fiscal Year Ended September 30, 2012

or

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Transition Period from __________ to __________

Commission File Number 0-19655

TETRA TECH, INC.

(Exact name of registrant as specified in its charter)

Delaware	**95-4148514**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

3475 East Foothill Boulevard, Pasadena, California 91107
(Address of principal executive offices) (Zip Code)

(626) 351-4664
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Common Stock, $.01 par value	**The NASDAQ Stock Market LLC**

(Title of class)	(Name of exchange)

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ý No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No ý

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ý No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ý No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ý	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes o No ý

The aggregate market value of the registrant's common stock held by non-affiliates on March 30, 2012, was $1.6 billion (based upon the closing price of a share of registrant's common stock as reported by the Nasdaq National Market on that date).

On November 7, 2012, 63,843,736 shares of the registrant's common stock were outstanding.

DOCUMENT INCORPORATED BY REFERENCE

Portions of registrant's Proxy Statement for its 2013 Annual Meeting of Stockholders are incorporated by reference in Part III of this report where indicated.

Table of Contents

TABLE OF CONTENTS

Table of Contents

Table of Contents

This Annual Report on Form 10-K ("Report"), including the "Management's Discussion and Analysis of Financial Condition and Results of Operations," contains forward-looking statements regarding future events and our future results that are subject to the safe harbors created under the Securities Act of 1933 (the "Securities Act") and the Securities Exchange Act of 1934 (the "Exchange Act"). All statements other than statements of historical facts are statements that could be deemed forward-looking statements. These statements are based on current expectations, estimates, forecasts and projections about the industries in which we operate and the beliefs and assumptions of our management. Words such as "expects," "anticipates," "targets," "goals," "projects," "intends," "plans," "believes," "estimates," "seeks," "continues," "may," variations of such words, and similar expressions are intended to identify such forward-looking statements. In addition, statements that refer to projections of our future financial performance, our anticipated growth and trends in our businesses, and other characterizations of future events or circumstances are forward-looking statements. Readers are cautioned that these forward-looking statements are only predictions and are subject to risks, uncertainties and assumptions that are difficult to predict, including those identified below under "Risk Factors," and elsewhere herein. Therefore, actual results may differ materially and adversely from those expressed in any forward-looking statements. We undertake no obligation to revise or update publicly any forward-looking statements for any reason.

PART I

Item 1. Business

General

Tetra Tech, Inc. is a leading provider of consulting, engineering, program management, construction management, construction and technical services that focuses on addressing fundamental needs for water, the environment, energy, infrastructure and natural resources. We are a full-service company that leads with science. We typically begin at the earliest stage of a project by identifying technical solutions to problems and developing execution plans tailored to our clients' needs and resources. Our solutions may span the entire life cycle of consulting and engineering projects and include applied science, research and technology, engineering, design, construction management, construction, operations and maintenance, and information technology.

We are a global provider of consulting and engineering services, renowned for our leadership in water-related services for public and private clients. Engineering News-Record ("ENR"), the leading trade journal for our industry, has ranked us the number one water services firm for the past nine years, most recently in its April 19, 2012, "Top 500 Design Firms" issue. In 2012, Tetra Tech was also ranked number one in water transmission lines and aqueducts, environmental management, and wind power. ENR also ranks Tetra Tech among the top 10 firms in numerous other service lines, including environmental science, engineering/design, sanitary/storm sewers, solid waste, chemical and soil remediation, site assessment and compliance, hazardous waste, industrial processes, and manufacturing.

Our commitment to continuous improvement and investment in growth has diversified our client base, expanded our geographic reach, and increased the breadth and depth of our service offerings to address existing and emerging markets. We currently have more than 13,000 employees worldwide, located primarily in North America.

Mission

Our mission is to be the premier worldwide consulting and engineering firm, focusing on water, natural resources, the environment, infrastructure and energy. The following core principles form the underpinning of how we work together to serve our clients:

Service. We put our clients first. We listen closely to better understand our clients' needs and deliver smart, cost-effective solutions that meet their needs.

Table of Contents

Value. We take on our clients' problems as if they were our own. We develop and implement real-world solutions that are innovative, efficient and practical.

Excellence. We bring superior technical capability, disciplined project management, and excellence in safety and quality to all of our services.

Opportunity. Our people are our number one asset. Our workforce is diverse and includes leading experts in our fields. Our entrepreneurial nature and commitment to success provide challenges and opportunities for our employees.

Industry Overview

We are part of the global consulting and engineering industry that serves public and private clients by addressing fundamental needs for water, the environment, energy, infrastructure and natural resources. Our industry provides clients with the technical studies, planning, engineering, design, construction management and construction services that respond to their needs. The industry's clients vary in size and scope from small local public agencies and private companies to national governments and large multi-national corporations. These clients seek service firms with high-caliber technical expertise, practical experience, multi-disciplinary capabilities and the global reach needed to analyze their problems in order to develop and implement the most appropriate, cost-effective solutions.

Many government and commercial organizations face complex challenges due to increased demand and competition for water and natural resources, newly understood threats to human health and the environment, aging infrastructure, demand for new infrastructure in emerging economies, and diversification and development of energy resources. As a global company with a local presence in many areas around the world, we provide the breadth of technical knowledge and capabilities to solve our clients' diverse and challenging problems.

Our water market supports government agencies responsible for managing water supply, wastewater treatment, stormwater and flood protection. Our water market also supports private sector clients that require water supply and treatment for industrial processes. We help our clients develop water supplies and manage water resources, while addressing a wide range of local and national government requirements and policies. We provide essential support for water and site management needs for resource extraction in the mining and oil and gas industries. Our water and environmental markets also include both government and commercial clients that are working to restore contaminated areas and protect uncontaminated areas. Our energy market consists of both government and commercial clients that seek to develop renewable energy resources, identify energy efficiency enhancements, and improve energy transmission. Our infrastructure market includes the design of public and commercial buildings and facilities, including high efficiency, low energy use buildings. Our natural resources market provides support for the safe, sustainable extraction of necessary mineral resources and oil and gas, including the wide range of required services to meet water, environment, energy and infrastructure-related needs, sometimes in remote regions of the world.

Increasingly, the consulting and engineering industry is being asked to provide integrated solutions in a global marketplace. Large firms such as ours can offer fully integrated services, from front-end science and planning through construction management. Large firms that offer integrated solutions differentiate themselves from smaller firms that generally offer niche services by providing turn-key solutions intended to save time and money. As a large company with a history of leading with science, we are ideally suited to providing interdisciplinary solutions across our water and related service lines. As a provider of interdisciplinary services, we have increased our market share in each of the last several years.

Public policy, demand for resources, infrastructure development challenges and natural forces constantly shape changes in our industry. Public concern over environmental issues, especially water quality, has been a driving force behind numerous regulations and changes in public policies and practices.

Table of Contents

Public and private clients are increasingly focused on water management, energy efficiency and sustainability. Fluctuations in weather patterns and extreme events, such as droughts, hurricanes or flooding, are driving concerns over the reliability of water supplies and the need to protect coastal areas and upgrade water infrastructure. Energy policies, resource limitations and concern about climate change have encouraged the implementation of energy conservation measures, retrofits to existing structures, upgrades to energy transmission infrastructure and the development of renewable energy resources. Governments are now using international development as a foreign policy tool to help developing nations to overcome numerous challenges, including challenges related to water accessibility and human health.

The Tetra Tech Strategy

To continue our successful growth and maintain a competitive position, we have implemented the following strategy that is integral to our future success:

Start with Science. We typically start with science at the onset of a project, building on our staff's strong technical and interdisciplinary foundation in natural and physical sciences. This strength allows us to effectively evaluate and recommend potential solutions to our clients' problems. We can support our clients through the entire project life cycle by providing consulting, engineering, construction management, operations and maintenance, and information technology services. We offer these services individually or as part of our full-service approach.

Capitalize on our Extensive Technical and Multi-Disciplinary Experience. Since our inception, we have provided innovative consulting and engineering services, focusing on cost-effective solutions to all aspects of water resource management. We have been successful in leveraging this foundation of scientific and engineering capabilities into other market areas, including sustainable infrastructure and building design. Our services are provided by a wide range of professionals, including archaeologists, architects, biologists, chemical engineers, chemists, civil engineers, computer scientists, economists, electrical engineers, environmental engineers, environmental scientists, geologists, hydrogeologists, mechanical engineers, oceanographers, project managers and toxicologists. Because of the experience that we have gained from thousands of completed projects, we have relevant expertise to draw from, and are often able to adapt and apply proven solutions to our clients' problems.

Global Coverage and Local Delivery. We believe that proximity to our clients is instrumental to understanding their needs and delivering comprehensive services. We have significantly broadened our geographic presence in recent years through strategic acquisitions and internal growth. We currently have North American operations throughout the United States and Canada. We have also increased our international presence with regional offices in Australia, Europe, Asia, South America, Africa and the Middle East. Our base of operations in North America and network of international offices provide a platform from which we can respond to the global need for essential water and energy services, foster economic development, and provide access to basic services. Over the past year, we worked in 135 countries, helping federal and local government agencies, the private sector and development assistance entities address complex water, infrastructure and energy challenges in an environmentally responsible manner.

Leverage Existing Client Base. We believe that we can effectively expand our service offerings to existing clients, resulting in more comprehensive and interdisciplinary projects. We have regularly been able to secure design and program management contracts after having served clients on the scientific evaluation and engineering phases of a project. By expanding our role with existing clients, we can address larger problems and provide integrated solutions. For our global clients, we also focus on expanding from localized geographic areas to provide broader national and international support in multiple locations.

Identify and Expand into New Business Areas. We use our consulting services and specialized technical services as entry points to evaluate adjacent business areas. After our consulting practice is established in a new business area, we can expand our operations by offering additional technical services. For example, based on our work in watershed management consulting, we identify adjacent opportunities and expand into water infrastructure and engineering services.

Focus on Large, Complex and Interdisciplinary Projects. We continue to focus on expanding our public and private sector services and bidding for complex projects that are at the leading edge of policy and technology development. We develop integrated, sustainable solutions by combining our interdisciplinary capabilities in water, the environment, energy, infrastructure and natural resources. Our combination of technical expertise with practical applications provides challenging and rewarding opportunities for our employees, thereby enhancing our ability to recruit and retain top quality talent.

Focus on Cash Generation. We take a disciplined approach to monitoring, managing and improving our return on investment in each of our business areas through our efforts to negotiate appropriate contract terms, manage our contract performance to minimize schedule delays and cost overruns, and promptly bill and collect accounts receivable.

Actively Attract, Recruit and Retain Strategic Hires. We focus on attracting and retaining top-quality individuals who provide technical skills, innovative thinking, teamwork and dedication to maintaining long-term client relationships. Our full-service capabilities, internal coordination and networking programs, entrepreneurial environment, focus on technical excellence and global project portfolio help to attract and retain highly qualified individuals who support our long-term growth.

Develop and Maintain Strategic Partnerships with Small Business Companies and Communities. In working with suppliers, we are committed to being an excellent partner and mentor, consistent with our desire to lead with science and develop approaches to best serve our global clients. When combined with our considerable capabilities and expertise, value-added partnerships with external companies and suppliers can enhance the services we provide to our clients. We have established a Small Business and Partnerships Council to identify and promote the most successful partnerships and to coordinate best practices across our company.

Invest in Strategic Acquisitions. We believe that strategic acquisitions will allow us to continue our growth in selected business areas, broaden our service offerings and extend our geographic presence. We intend to continue to acquire companies that will help establish our position in certain emerging business areas or further strengthen our position in our more established businesses. Our effective integration of acquired companies can continue to enhance our ability to compete technically and geographically.

Reportable Segments

In fiscal 2012, we managed our business under four reportable segments. The following table presents the percentage of our revenue by reportable segment:

	Fiscal Year		
Reportable Segment	**2012**	**2011**	**2010**
Engineering and Consulting Services	38.2%	36.1%	24.4%
Technical Support Services	33.9	33.7	37.6
Engineering and Architecture Services	11.8	12.0	13.4
Remediation and Construction Management	22.9	23.5	29.6
Inter-segment elimination	(6.8)	(5.3)	(5.0)
	100.0%	100.0%	100.0%

In the first quarter of fiscal 2012, we implemented organizational changes that resulted in a realignment of certain operating activities in our reportable segments. This realignment resulted from the

Table of Contents

organic growth of new activities in a component of an existing reportable segment due to changing business conditions. The changes were intended to improve organizational effectiveness and efficiency by better aligning operations with similar characteristics such as client types, project types, required resources and financial metrics. Prior year amounts have been reclassified to conform to the current year presentation.

In the fourth quarter of fiscal 2012, we initiated a reorganization of our operations, including the consolidation and realignment of certain operating activities to achieve efficiencies in our segment management. This reorganization included the elimination of the Engineering and Architecture Services reportable segment, and the re-assignment of its operations to the Engineering and Consulting Services and Technical Support Services segments, effective at the beginning of fiscal 2013.

For additional information regarding our reorganization and our reportable segments, see Note 17, "Reportable Segments" of the "Notes to Consolidated Financial Statements" included in Item 8. For more information on risks related to our business, segments and geographic regions, including risks related to foreign operations, please refer to Item 1A, "Risk Factors" of this report.

Engineering and Consulting Services ("ECS")

ECS provides front-end science, consulting engineering services and project management in the areas of surface water management, solid waste management, mining, geotechnical sciences, arctic engineering, industrial processes and oil sands, and information technology.

Surface Water Management. Public concern with the quality of rivers, lakes, streams, and coastal and marine waters, and the ensuing legislative and regulatory response, is driving demand for our services. More recently, two important factors have raised the visibility of the need for surface water management: competition for water resources and climate variations, such as those that cause droughts and floods. Over the past 40 years, we have developed a specialized set of technical skills that position us to compete effectively for surface water and watershed management projects. We provide water resource services to U.S. federal and Canadian provincial government clients such as the U.S. Environmental Protection Agency ("EPA"), the U.S. Department of Defense ("DoD"), the U.S. Department of Energy ("DOE") and the Alberta Ministry of Environment. We also provide these services to a broad base of commercial clients, including those in the aerospace, chemical, alternative energy, mining, petroleum, pharmaceutical, retail and utility industries. Further, we provide surface water modeling services to municipal government agencies in the United States and Canada, particularly in the areas of watershed management, climate adaptation analysis, flood control, and the optimal management of stormwater and combined sewer overflow systems.

Solid Waste Management. We provide a wide range of engineering and consulting services for solid waste management, including landfill design and management. We also provide full-service solutions for gas-to-energy facilities utilizing landfill methane gas. These services are performed throughout the United States and Canada.

Mining. We offer a full range of services for mining projects worldwide, including resource assessment, mine development, operations support, and closure/remediation. Our full-service mining services team includes geologists, metallurgists, mine engineers, environmental scientists and water specialists. We address tough challenges in engineering design, procurement and construction to support all areas of mine operations, including underground and open pit operations, surface infrastructure, mills and process plants, power generation and transmission projects, water treatment, tailings management and regulatory compliance.

Geotechnical Services. Our geotechnical practice includes geotechnical engineers, soils technicians and drillers who investigate, analyze and develop geotechnical engineering recommendations for all types of soil and rock conditions. We have specialized capabilities to evaluate, monitor and design foundations

Table of Contents

and materials for roads, bridges, levees, flood walls and buildings located in extremely poor soil conditions, including conditions common to coastal regions.

Arctic Engineering. We provide consulting and construction services to owners of transportation, mining, energy and community infrastructure in the circumpolar region, which includes the Arctic and areas of permafrost around the globe. In this extreme environment where temperatures can drop below -50 °C (-58 °F), we provide adaptive engineering and scientific services that reach beyond traditional approaches. We are one of the few firms that are capable of providing full life cycle services for northern development. We offer these arctic engineering services during all project phases: exploration and project planning; feasibility studies, design and permitting; engineering, procurement and construction management ("EPCM"), and construction; and operation, decommissioning and reclamation.

Industrial Processes and Oil Sands. We offer plant engineering services for clients in heavy industry, including mining and metals, and oil sands, and for those in the chemical and petrochemical industries. We have supported the industrial processes needs of clients with expertise in the production of base metals such as copper, zinc, magnesium, lead, iron ore, and their byproducts. We help renovate, upgrade and modernize industrial facilities, including concentrators, smelters and refineries. We provide significant services to major clients in the oil sands region of northern Alberta, Canada, including the management of tailings treatment and recovery. We also provide plant engineering, project execution, program management and full EPCM services for industrial process projects throughout North America.

Information Technology. We provide technology systems integration to support data management, data processing, communications and outreach, and systems development. Our projects range from large-scale environmental monitoring, modeling and data management to systems engineering and design for major infrastructure rehabilitation programs. We provide systems analysis and information management to optimize the U.S. National Airspace System and related aviation systems. We also support research and technical services for national-scale water resource and environmental data management, including archiving and statistical analysis.

Technical Support Services ("TSS")

TSS advises clients through the study, design and implementation phases of projects. TSS provides management consulting services and strategic direction in the areas of environmental assessments/hazardous waste management; climate change; international development; international reconstruction and stabilization; energy; oil and gas; and technical government consulting.

Environmental Assessments/Hazardous Waste Management. We provide comprehensive services for environmental planning, cleanup and reuse of sites contaminated with hazardous materials, toxic chemicals, and oil and petroleum products. Our services cover all phases of the remedial planning process, starting with emergency response and initial site assessment through removal actions and remedial design and implementation management. Sites range from small properties undergoing voluntary cleanup, to brownfields redevelopment projects, to DoD installations, to some of the largest and most complex Superfund sites in the United States. We support both commercial and government clients in planning and implementing remedial activities at numerous sites around the world. We also provide a broad range of environmental analysis and planning services to ensure that our clients are implementing their operations in a sustainable manner. Our services include air quality management, regulatory compliance, information management and geographic information systems, radiation protection and health physics, risk management, pollution prevention and control, radioactive and hazardous waste management, National Environmental Policy Act ("NEPA") services and environmental response training.

Climate Change. In a resource-constrained world, our experts assist clients in identifying, reducing and strategically managing their environmental footprint to provide cost savings, mitigate regulatory impacts, institute operational efficiencies, develop new business opportunities and promote corporate responsibility. Our services support our clients' efforts to become sustainable by "greening" energy supplies, implementing energy efficiency and resource conservation, using alternative fuels, capturing and sequestering carbon, improving land and forest resource management, and purchasing carbon offsets. We have demonstrated that clients can concurrently reduce their carbon emissions and environmental impacts while saving money. Our services include climate change and strategic management consulting, project implementation, and greenhouse gas inventory assessment, certification, reduction and management.

International Development. We provide services to many donor agencies such as the U.S. Agency for International Development ("USAID"), the World Bank, the Asian Development Bank and the United Kingdom Department for International Development to develop safe and reliable water supplies and sanitation services, support the eradication of poverty, improve livelihoods, promote democracy and increase economic growth. We plan, design, implement, research and monitor projects in the broad areas of climate change, agriculture and rural development, governance and institutional development, natural resources and the environment, infrastructure, economic growth, energy, rule of law and justice systems, land tenure and property rights, and training and consulting for public-private partnerships. We build capacity and strengthen institutions in areas such as global health, energy sector reform, utility management, food security and local governance. We currently provide international development services in numerous countries around the world, working for the U.S. Department of State ("DoS"), USAID, the Millennium Challenge Corporation ("MCC") and the DoD.

International Reconstruction and Stabilization. We provide integral support to the DoS and USAID in reconstruction and stabilization worldwide, including the design, development, implementation and evaluation of these efforts. We also help develop training programs and curricula for "whole of government" reconstruction and stabilization training offered through the Foreign Service Institute. We helped develop the Interagency Conflict Assessment Framework, the tool now used by the U.S. government to assess and develop solutions in conflict-prone environments. Our experts have worked on these issues in such countries as the Republic of Georgia, South Sudan, Kosovo, Haiti, Bangladesh, Nepal and the Democratic Republic of Congo. We support the DoS by providing subject matter experts in areas such as energy, criminal justice and drug interdiction.

Energy. We provide a full range of services to electric power utilities and independent power producers worldwide, ranging from macro-level planning, management and advisory services to project-specific environmental, engineering and construction services. For utilities and governmental agencies regulating power, we provide policy and regulatory development, utility management and privatization, power asset evaluation and management, and transaction support services. For energy developers and owners of renewable and conventional power generation facilities, as well as transmission and distribution assets, we provide environmental, engineering, procurement, and operations and maintenance services for all project phases. Our projects range from onshore and offshore wind facilities and solar farms to liquefied natural gas facilities.

Oil and Gas. We support oil and gas clients in the upstream, midstream and downstream market sectors. Our services include environmental support, siting studies, strategic planning and analyses, design of well pads and surface impoundments for drilling sites, water management for exploration activities, design of midstream pipelines and associated pumping stations and storage facilities, construction monitoring, biological and cultural assessments, site investigations and hazardous waste site remediation.

Technical Government Consulting. We provide a broad spectrum of professional and technical services, including advisory and assistance services, to supplement and support the internal staff of our U.S. federal government clients. Our service offerings include facility planning and operational support, infrastructure development and management, human resource management, program and logistics management, engineering, test and evaluation, information technology, and administrative support. We provide senior advisors and subject matter experts to a diverse array of clients including the DoS, U.S. National Guard Bureaus, the Missile Defense Agency and the MCC in such areas as political-military affairs, public diplomacy and strategic communication, strategic planning, and measurement and evaluation.

Table of Contents

Engineering and Architecture Services ("EAS")

EAS provides engineering and architecture design services, together with technical and program administration services for projects related to water infrastructure, transportation, and buildings and facilities. Beginning in fiscal 2013, the EAS operations were re-assigned to the ECS and TSS business segments. The water and transportation infrastructure services were aligned with related services in ECS, and the buildings and facilities activities were aligned with complementary energy efficiency and international development services in TSS.

Water Infrastructure. Our design and technical services are applied to numerous aspects of water quality and quantity management, including major water and wastewater treatment plants, combined sewer storage and separation, and drainage and flood control. Our experience includes planning, permitting, design and construction management services for water treatment facilities, desalination facilities and water distribution systems, including pipelines and pump stations. We also support planning, permitting, design and construction of water-related redevelopment projects, and parks and river corridor restoration projects.

Transportation. We provide engineering, architecture, construction management and technical services for transportation projects that improve public safety and mobility. Our transportation projects include roadway improvements, commuter railway stations, airport expansions, bridges and major highways. We provide design solutions to repair, replace and upgrade older transportation infrastructure.

Buildings and Facilities. We provide planning, architectural and engineering services for U.S. federal, state and local government and commercial facilities including military housing, educational, institutional, corporate headquarters, healthcare and research facilities. We specialize in designing high-performance, sustainable facilities that minimize environmental impacts, typically by minimizing water and power usage. Many of these green buildings include integrated interior systems for heat, light, security and communications, and may ultimately achieve Leadership in Energy and Environmental Design (LEED) certification. Our projects include high-rise office buildings, museums, hotels, parks, visitor centers, marinas, and entertainment and leisure facilities. We have provided civil, electrical, mechanical, structural, plumbing and fire protection engineering and design services for high-profile buildings around the world. We have completed engineering and construction management projects for a wide range of clients with specialized needs such as security systems, training and audiovisual facilities, clean rooms, laboratories, medical facilities and emergency preparedness facilities.

Remediation and Construction Management ("RCM")

RCM provides full-service support to all of our client sectors including the U.S. federal government, in the U.S. and internationally, and commercial clients worldwide. We provide construction and construction management services in the areas of environmental remediation, infrastructure development, energy, and oil and gas.

Environmental Remediation. We provide environmental remediation and reconstruction services to evaluate and restore lands to beneficial use. Under the U.S. federal government's Base Realignment and Closure ("BRAC") Act, we help remediate and restore facilities at military locations in the United States and around the world. We also manage large, complex sediment remediation programs that help restore rivers and coastal waters to beneficial use. Environmental remediation also includes activities to identify, evaluate and destroy unexploded ordinance (UXO), both domestically and internationally.

Infrastructure Development. We provide program management, construction management, and development services for large scale water management infrastructure, including flood protection structures, water conveyance and treatment facilities, and hydroelectric power projects. For the mining industry we build processing plants, facilities, and supporting infrastructure. We also build energy-efficient buildings and support our clients in developing transportation-related structures, including roads, bridges,

Table of Contents

aviation/runways, and ports and harbor facilities. We provide environmental, engineering, procurement, construction, and operations and maintenance services for all project phases.

Energy. We provide full range of services for alternative and conventional energy development. For wind, solar and hydroelectric power development and upgrade projects, we provide environmental, engineering, procurement, construction, and operations and maintenance services for all project phases. We provide construction management, construction and electrical services to bring projects to completion. We provide retrofit, rehabilitation and renovation to aging conventional power plants, as well as decontamination and decommissioning. We also provide full-range services for other energy technologies including hydropower, geothermal, nuclear and biogeneration technologies.

Oil and Gas. We provide safe, reliable services from initial site conception, preparation and permitting to engineering, construction and start-up. We support the upstream, midstream and downstream components of the oil and gas industry including project controls, estimating, constructability, engineering, procurement, construction, construction management, equipment and material management.

Project Examples

The following table presents brief examples of projects in our four segments during fiscal 2012:

Segment	Representative Projects
ECS	
	Assisting the EPA Office of Wastewater Management in conducting the Clean Water Needs Survey to assess financial needs for constructing wastewater treatment plants and other water-related infrastructure.
	Providing watershed planning and modeling services for Los Angeles County to address water quality and optimize stormwater management program needs.
	Providing full-service support to Cameco Corporation, such as due diligence, feasibility studies, environmental assessment and permitting, and EPCM, including design delivery and support for all phases of global uranium mine operations.
	Providing EPCM services to BHP Billiton for the Nickel West Mine in Australia, one of the world's largest nickel producing mines, to support modernization of the supporting mine infrastructure.
	Providing mine planning services to Nevada Copper's Pumpkin Hollow Mine, one of the largest U.S. copper mines, including development of the complete mine plan from start up through construction, operations and closure.
	Providing engineering design services to Shell Canada for sustaining capital improvements and management of tailings waters at one of the world's largest oil sands mining operations in northern Alberta, Canada.

Table of Contents

Segment	Representative Projects
TSS	Providing full-service engineering design support to the U.S. Army Corps of Engineers ("USACE") for the Inner Harbor Navigation Canal Lake Borgne hurricane surge barrier in New Orleans, the longest open water hurricane barrier in the world. Providing a new combined sewer overflow (CSO) control strategy that uses real time control (RTC) to reduce overflows, maximize use of retention in the system and improve operational efficiency, in the City of Edmonton, Alberta, Canada. Optimizing the water distribution network for the city of Montreal, Quebec. Performing design and modeling for a hydraulic system that handles more than two million cubic meters of drinking water per day. Overseeing implementation of the water distribution supervision and optimization system to help establish a modern and efficient water management system and network controls. Providing technical, analytical and programmatic support under the EPA's Brownfields and Land Revitalization Program to promote the assessment, cleanup and revitalization of properties affected by the presence or potential presence of hazardous substances, pollutants and other contaminants. Providing support to EPA's Climate Change Division to reduce emissions of methane, a potent greenhouse gas and potential source of clean energy. Supporting EPA's Natural Gas STAR, a voluntary partnership program that encourages oil and natural gas companies to adopt cost-effective technologies and practices that improve operational efficiency and reduce methane emissions, and AgStar, which aims to reduce emissions from livestock and agro-industrial wastes by promoting the use of anaerobic digestion systems and biogas recovery. Working with USAID to implement innovative approaches to strengthen property rights and resource tenure as methods of advancing U.S. government strategic foreign affairs objectives by enhancing food security and economic growth, resource governance, strengthened property rights for women and vulnerable groups, climate change adaptation, and conflict prevention.

Table of Contents

Segment	Representative Projects
	Helping USAID implement multiple international development programs in Afghanistan, including the Sustainable Water Supply and Sanitation contract; the Rule of Law Stabilization Program Formal component; the Kabul City Initiative; and the Land Reform in Afghanistan program.
	Providing program management, integration and technical services to the U.S. Army Chemical Materials Agency ("CMA") to support the efficient destruction of chemical warfare and related materiel. Helping CMA manage its non-stockpile chemical materiel program and to comply with international chemical weapons conventions and move towards ultimate closure of chemical agent disposal facilities and stockpile storage areas.
	Providing specialty marine impact studies, permitting services, biological and cultural resources surveys, design and construction support for Garden State Offshore Energy, LLC, a major offshore wind developer. Providing similar environmental services to multiple utilities across North America, such as Idaho Power, for energy transmission line routing.
	Providing engineering, detailed design and construction monitoring for multiple oil and gas midstream pipeline companies such as Enbridge Inc., Kinder Morgan Energy Partners, L.P. and Plains All American Pipeline, L.P.
	Supporting environmental activities at U.S. Air Force ("USAF"), U.S. Army, and U.S. Navy ("USN") installations worldwide to assist the DoD in its environmental mission in the areas of environmental conservation and planning, environmental quality, environmental restoration, design and construction.
EAS	
	Providing architectural and engineering design services for numerous U.S. government facilities, including military housing and overhead protection systems.
	Providing design, construction management and design-build services to the U.S. General Services Administration ("GSA"), for infrastructure projects including border stations and other facilities.
	Providing mechanical, electrical, plumbing and fire protection engineering design services for buildings, including major corporate headquarters buildings, healthcare facilities, research laboratories, cultural arts facilities and universities.
	Providing design, construction management and design-build services for the City of Augusta, Georgia, for various infrastructure projects, including pipelines, lift stations, storage tanks, buildings, treatment facilities and all associated electrical, instrumentation and control.

Table of Contents

Segment	Representative Projects
RCM	Providing studies, design services and construction administration and observation for roads and bridges, along with other traffic-related services for local municipalities and various Departments of Transportation ("DOTs") across the United States. Providing architectural and engineering design services for K-12 educational facilities throughout New York. Completing program management services for environmental restoration of the Rocky Mountain Arsenal, a former chemical weapons manufacturing plant. Providing engineering, project management and construction management to help construct facilities and infrastructure in Afghanistan for the USAF and the USACE. Providing design-build services for energy-efficient facilities and environmental restoration services at various DoD BRAC sites, such as the Hunters Point Naval Shipyard and former Naval Air Station Alameda, both located on the San Francisco Bay, California. Providing turn-key solutions for utilities and commercial energy developers, including environmental studies, permitting, engineering, design, construction, and operations and maintenance services for wind farms and solar facilities throughout the United States. Providing turn-key design, construction, dredging and treatment services for the Lower Fox River remediation and clean-up. Providing design-build and construction management services for energy efficient facilities particularly for the military, such as the Transient Wounded Warrior Lodge and Parking Structure at the Walter Reed National Medical Center in Bethesda, Maryland and the North America Treaty Organization Supreme Allied Commander Transformation Headquarters in Norfolk, Virginia. Improving the aging infrastructure in the United States through rehabilitation and construction of highways, overpasses and bridges. Assisting Verizon and AT&T with the deployment and maintenance of high capacity broadband fiber optic networks in the western and midwestern United States. Providing construction services to large mining clients in support of capital projects and maintenance.

Table of Contents

Clients

We provide services to a diverse base of international, U.S. commercial, U.S. federal and U.S. state and local government clients. The following table presents the percentage of our revenue by client sector:

	Fiscal Year		
Client Sector	**2012**	**2011**	**2010**
International[(1)]	24.5%	23.2%	9.5%
U.S. commercial	26.5	22.4	23.8
U.S. federal government[(2)]	37.2	43.4	51.9
U.S. state and local government	11.8	11.0	14.8
	100.0%	100.0%	100.0%

(1) Includes revenue generated from our foreign operations, primarily in Canada, and revenue generated from non-U.S. clients.

(2) Includes revenue generated under U.S. government contracts performed outside the United States.

U.S. federal government agencies are significant clients of ours. The DoD accounted for 14.4%, 20.4% and 28.6% of our revenue in fiscal 2012, 2011 and 2010, respectively. We typically support multiple programs within a single U.S. federal government agency, both domestically and internationally. We also assist U.S. state and local government clients in a variety of jurisdictions across the United States. Our commercial clients include companies in the chemical, energy, mining, pharmaceutical, retail, aerospace, automotive, petroleum and communications industries. No single client, except for U.S. federal government clients, accounted for more than 10% of our revenue in fiscal 2012.

The following table presents a list of representative clients in fiscal 2012 in our reportable segments.

	Representative Clients			
Reportable Segment	**U.S. Federal Government**	**U.S. State and Local Governments**	**U.S. Commercial**	**International**
ECS	DoD; DOE; EPA; Federal Aviation Administration ("FAA"); International Boundary and Water Commission ("IBWC"); National Oceanic and Atmospheric Administration ("NOAA"); USACE; USAF; USAID; U.S. Bureau of Reclamation; U.S. Department of the Interior, Bureau of Land Management; U.S. Forest Service ("USFS"); GSA; USN	California Department of Water Resources; Cities of Philadelphia, Pennsylvania and San Diego, California; Counties of Los Angeles, Orange and Ventura, California; Fairfax County, Virginia; Louisiana Office of Coastal Protection and Restoration; Plaquemines Parish Government, Louisiana; Port of Los Angeles, California; Seattle and Washington State DOTs; State of Wyoming	AIG Domestic Claims, Inc.; Barrick Gold Corp.; Carson Marketplace, LLC; ConocoPhillips Co.; Exxon Mobil Corp.; Ford Motor Co.; General Electric Co.; Intrepid Potash-New Mexico, LLC; Kinder Morgan Energy Partners, L.P.; Lockheed Martin Corp.; McClellan Business Park, LLC; Nevada Copper Corp.; Newmont Mining Corp.; Shell Canada Limited; Southern California Gas Co.; Suncor Energy, Inc.; Waste Management, Inc.	BHP Billiton; Cameco Corp.; Panama Canal Authority; Chevron Corp.; City of Calgary, Alberta; City of Paris, France; City of Toronto, Ontario; City of Winnipeg, Manitoba; Hydro One Incorporated.; Hydro-Quebec; Ontario Power Generation, Inc.; The Mosaic Co.; Terrane Metals Corp.; Winnipeg Airports Authority, Inc.; Yukon Zinc Corporation

Table of Contents

Reportable Segment	Representative Clients			
	U.S. Federal Government	U.S. State and Local Governments	U.S. Commercial	International
TSS	DOE; DoS; Department of Homeland Security; National Aeronautics and Space Administration; National Guard Bureaus; National Nuclear Security Administration; NOAA; U.S. Transportation Security Administration; USAF; USACE; USAID; U.S. Coast Guard ("USCG"); EPA; U.S. Missile Defense Agency; USN	Cities of Chicago, Illinois, Kansas City, Missouri and Los Angeles, California; Ports of Los Angeles and San Diego, California; States of California, Massachusetts, Missouri, Montana, New York, New Jersey, Pennsylvania and Wisconsin; University of California, Berkeley	ACCIONA North America; Alcoa Inc.; Bechtel Power Corp.; Carson Marketplace, LLC; Chartis, Inc.; ConocoPhillips Co.; D.R. Horton, Inc.; El Paso Corp.; Enbridge Inc.; Exxon Mobil Corp.; Ford Motor Co.; General Electric Co.; Idaho Power; Lend Lease Americask, Inc.; Lockheed Martin Corp.; McClellan Business Park, LLC; NextEra Energy Resources, LLC; Portland General Electric; PPG Industries; Range Resources-Appalachia, LLC; Target Corp.; Texas Energy Group, LLC; W.R. Grace & Co.	Agroreserve Russia; Altaaqa; British Virgin Islands Tourism; Dead Sea Development Commission; Electricity Holding Co. of Oman; Gamesa Corporacíon Tecnológica; Hainan Land Property Group; EDP Renewables North America, LLC (formerly Horizon Wind Energy, LLC); Iberdrola S.A.; OPMAC Corporation of Japan; Pan-China Construction Group Co. Ltd; Renewable Energy Systems Ltd.; Ridgeline Energy Services, Inc.; RWE AG (Germany); Saudi ARAMCO (officially the Saudi Arabian Oil Company); Vnesheconombank
EAS	U.S. Defense Commissary Agency; GSA; MCC; USACE; USAF; USAID; USCG; USFS; U.S. Fish and Wildlife Service; USN; U.S. Postal Service	Allegheny County Sanitary Authority; Boston Water and Sewer Commission; Brentwood Union Free, Cortland Enlarged City, Minisink Valley Central, William Floyd Union Free and Whitesboro Central School Districts; Cities of Augusta, Georgia, Kansas City, Missouri, Lansing, Michigan, Omaha, Nebraska, Port Huron, Michigan, Toledo, Ohio, San Juan Capistrano, California, and Tulsa, Oklahoma; Huntsville Utilities; Irvine Ranch Water District; King County, Washington; DOTS of Massachusetts, Highway Division, Michigan, Ohio and Oklahoma; Orange County Public Works, California; Orange County Utilities Department, Florida; The Port of Long Beach, California; Tulsa Metropolitan Utility Authority	Absher Construction Co.; Alaska Gold Company; AT&T Inc.; Bloom Energy; General Motors Co.; Genzyme Corp.; Goldman Sachs; Kendall/Heaton Associates, Inc.; Kohn Pederson Fox Associates, P.C.; Lafarge; Lockheed Martin Corp.; M. Arthur Gensler Jr. & Associates, Inc.; Parsons Brinckerhoff, Quade & Douglas, Inc.; Pascal & Ludwig Engineers; PCL Construction Services, Inc.; Pioneer Natural Resources Co.; Rafael Vinoly Architects PC; Record Steel and Construction Inc.; Skidmore, Owings and Merrill LLP; The Confederated Tribes of the Colville Reservation; Tutor Perini Corp.; White- Kiewit Joint Venture	New Songdo City Development, LLC; Orissa Water Supply & Sewage Board; Societe d'Entreprise & de Gestion; TRO Jung/Brannen, Inc.

Table of Contents

Reportable Segment	Representative Clients: U.S. Federal Government	U.S. State and Local Governments	U.S. Commercial	International
RCM	U.S. Air Force Civil Engineer Center; DoD; The Naval Facilities Engineering Command; USACE; USAID; USCG	New Jersey Turnpike Authority; New York State and North Carolina DOTs; New York State Office of General Services; Orlando Utilities Commission	ACCIONA North America; Actus Lend Lease; Alcoa, Inc.; AT&T, Inc.; Chevron Corp.; Cogentrix Energy, LLC; Comcast Corp.; Competitive Power Ventures Inc.; EDP Renewables North America (formerly Horizon Wind Energy, LLC); Fire Island Wind LLC; Freeport-McMoRan Copper & Gold Inc.; Idaho Power Co.; CPV Keenan II Renewable Energy Co., LLC; Lower Fox River Remediation LLC; Mountain City Remediation LLC; NextEra Energy Resources, LLC; Noble Constructors, LLC; PacifiCorp; Rockies Express Pipeline LLC; Sheldon Energy LLC; Verizon Communications, Inc.	Acciona, S.A.; Cameco Corporation; Eni SpA; Iberdrola, S.A.; Kuwait Oil Co.

Contracts

Our services are performed under three principal types of contracts with our clients: fixed-price, time-and-materials, and cost-plus. The following table presents the percentage of our revenue by contract type:

Contract Type	Fiscal Year 2012	2011	2010
Fixed-price	40.2%	40.4%	42.0%
Time-and-materials	40.8	38.7	34.0
Cost-plus	19.0	20.9	24.0
	100.0%	100.0%	100.0%

Our clients select the type of contract we enter into for a particular engagement. Under a fixed-price contract, the client agrees to pay a specified price for our performance of the entire contract or a specified portion of the contract. Some fixed-price contracts can include date-certain and/or performance obligations. Fixed-price contracts carry certain inherent risks, including risks of losses from underestimating costs, delays in project completion, problems with new technologies, price increases for materials, and economic and other changes that may occur over the contract period. Consequently, the profitability of fixed-price contracts may vary substantially. Under our time-and-materials contracts, we are paid for labor at negotiated hourly billing rates and for other expenses. Profitability on these contracts is driven by billable headcount and cost control. Many of our time-and-materials contracts are subject to maximum contract values and, accordingly, revenue related to these contracts is recognized as if these contracts were fixed-price contracts. Under our cost-plus contracts, we are reimbursed for allowable costs and fees, which may be fixed or performance-based. If our costs exceed the contract ceiling or are not allowable, we may not be able to obtain full reimbursement. Further, the amount of the fee received for a

Table of Contents

cost-plus award fee contract partially depends upon the client's discretionary periodic assessment of our performance on that contract.

Some contracts with the U.S. federal government are subject to annual funding approval. U.S. federal government agencies may impose spending restrictions that limit the continued funding of our existing contracts and may limit our ability to obtain additional contracts. These limitations, if significant, could have a material adverse effect on us. All contracts with the U.S. federal government may be terminated by the government at any time, with or without cause.

U.S. federal government agencies have formal policies against continuing or awarding contracts that would create actual or potential conflicts of interest with other activities of a contractor. These policies may prevent us from bidding for or performing government contracts resulting from or related to certain work we have performed. In addition, services performed for a commercial or government sector client may create conflicts of interest that preclude or limit our ability to obtain work for a private organization. We attempt to identify actual or potential conflicts of interest and to minimize the possibility that such conflicts could affect our work under current contracts or our ability to compete for future contracts. We have, on occasion, declined to bid on a project because of an existing or potential conflict of interest.

Some of our operating units have contracts with the U.S. federal government that are subject to audit by the government, primarily by the Defense Contract Audit Agency ("DCAA"). The DCAA generally seeks to (i) identify and evaluate all activities that contribute to, or have an impact on, proposed or incurred costs of government contracts; (ii) evaluate a contractor's policies, procedures, controls and performance; and (iii) prevent or avoid wasteful, careless and inefficient production or service. To accomplish this, the DCAA examines our internal control systems, management policies and financial capability; evaluates the accuracy, reliability and reasonableness of our cost representations and records; and assesses our compliance with Cost Accounting Standards ("CAS") and defective-pricing clauses found within the Federal Acquisition Regulation ("FAR"). The DCAA also performs an annual review of our overhead rates and assists in the establishment of our final rates. This review focuses on the allowability of cost items and the applicability of CAS. The DCAA also audits cost-based contracts, including the close-out of those contracts.

The DCAA reviews all types of U.S. federal government proposals, including those of award, administration, modification and re-pricing. The DCAA considers our cost accounting system, estimating methods and procedures, and specific proposal requirements. Operational audits are also performed by the DCAA. A review of our operations at every major organizational level is conducted during the proposal review period. During the course of its audit, the U.S. federal government may disallow costs if it determines that we accounted for such costs in a manner inconsistent with CAS. Under a government contract, only those costs that are reasonable, allocable and allowable are recoverable. A disallowance of costs by the U.S. federal government could have a material adverse effect on our financial results.

In accordance with our corporate policies, we maintain controls to minimize any occurrence of fraud or other unlawful activities that could result in severe legal remedies, including the payment of damages and/or penalties, criminal and civil sanctions, and debarment. In addition, we maintain preventative audit programs and mitigation measures to ensure that appropriate control systems are in place.

We provide our services under contracts, purchase orders or retainer letters. Our policy provides that all contracts must be in writing. We bill our clients in accordance with the contract terms and periodically based on costs incurred, on either an hourly-fee basis or on a percentage-of-completion basis, as the project progresses. Most of our agreements permit our clients to terminate the agreements without cause upon payment of fees and expenses through the date of the termination. Generally, our contracts do not require that we provide performance bonds. If required, a performance bond, issued by a surety company, guarantees a contractor's performance under the contract. If the contractor defaults under the contract, the surety will, at its discretion, complete the job or pay the client the amount of the bond. If the contractor does not have a performance bond and defaults in the performance of a contract, the contractor is responsible for all damages resulting from the breach of contract. These damages include the cost of completion, together with possible consequential damages such as lost profits.

Marketing and Business Development

Our corporate management team establishes the scope and range of services we provide and our overall business strategy. Our annual strategic planning defines and guides our investment in marketing and business development toward priority programs and growth markets. Our centralized business development support group develops corporate marketing materials, conducts market research, and manages promotional and professional activities, including appearances at trade shows, direct mailings, advertising and public relations.

Business development activities are implemented by our technical and professional management staff throughout the company. We believe that these personnel have the best understanding of a client's needs and the effect of local or client-specific issues, laws and regulations and procurement procedures. Our professional staff members hold frequent meetings with existing and potential clients; give presentations to civic and professional organizations; and present seminars on current technical topics. Essential to the effective development of business is each staff member's access to all of our service offerings through our internal technical and geographic networks. Our strong internal networking programs help our professional staff members to pursue new opportunities for both for existing and new clients. These networks also facilitate our ability to provide services throughout the project life cycle from the early studies through to construction management and operations. Our information technology systems provide the support for a variety of data needs including skills search tools, business development tracking, and collaboration.

For our major focus areas, consistent with our strategic plan, we have established company-wide growth initiatives that reinforce internal coordination, track the development of new programs, identify and coordinate collective resources for major bids, and help us build interdisciplinary teams for major pursuits. Our growth initiatives provide a forum for cross-sector collaboration and the development of interdisciplinary solutions. We continuously identify new markets that are consistent with our strategic plan and service offerings, and we leverage our full-service capabilities and internal coordination structure to develop and implement strategies to research, anticipate and position for future procurements and emerging programs.

Sustainability Program

Our Sustainability Program allows us to encourage, coordinate and report on actions to minimize our collective impacts on the environment. Our Sustainability Program has three primary pillars: Projects the solutions we provide for our clients; Procurement our procurement and subcontracting approaches; and Processes the internal policies and processes that promote sustainable practices, reduce costs and minimize environmental impacts. We have established a clear set of metrics to evaluate our progress toward our sustainability goals. We continuously implement sustainability-related policies and practices, and we assess the results of our efforts in order to improve upon them in the future.

Our Sustainability Program is led by our Chief Sustainability Officer, who has been appointed by executive management and is supported by other key corporate and operations representatives via our sustainability council. Our executive management team reviews and approves the Sustainability Program and evaluates our progress in achieving the goals and objectives outlined in our plan. We publish an annual sustainability report that documents our progress.

Acquisitions

We continuously evaluate the marketplace for strategic acquisition opportunities. Due to our reputation, size, financial resources, geographic presence and range of services, we have numerous

Table of Contents

opportunities to acquire privately and publicly held companies or selected portions of such companies. During our evaluation, we examine the effect an acquisition may have on our long-range business strategy and results of operations. Generally, we proceed with an acquisition if we believe that it would have a positive effect on future operations and could strategically expand our service offerings. Successful integration and implementation are essential to achieving favorable results. Accordingly, no assurance can be given that any acquisition will provide accretive results.

Our strategy is to position ourselves to address existing and emerging markets. We view acquisitions as a key component of our growth strategy, and we intend to use cash, debt or securities, as we deem appropriate, to fund acquisitions. We may acquire other businesses that we believe are synergistic and will ultimately increase our revenue and net income, strengthen our ability to achieve our strategic goals, provide critical mass with existing clients and further expand our lines of service. We typically pay a purchase price that results in the recognition of goodwill, generally representing the intangible value of a successful business with an assembled workforce specialized in our areas of interest. Acquisitions are inherently risky, and no assurance can be given that our previous or future acquisitions will be successful or will not have a material adverse effect on our financial position, results of operations or cash flow. All acquisitions require the approval of our Board of Directors, and those in excess of a certain size require the approval of our lenders.

For detailed information regarding acquisitions, see Note 4, "Mergers and Acquisitions" of the "Notes to Consolidated Financial Statements" included in Item 8.

Competition

The market for our services is generally competitive. We often compete with many other firms ranging from small regional firms to large international firms.

We perform a broad spectrum of consulting, engineering and technical services across our reportable segments. Our client base includes U.S. federal government agencies such as the DoD, USAID, DOE, EPA and FAA; U.S. state and local government agencies; provincial governments in Canada; the U.S. commercial sector, which consists primarily of large industrial companies and utilities; and our international commercial clients, which are predominately located in Canada and include primarily mining and oil companies. Our competition varies and is a function of the business areas in which, and the client sectors for which, we perform our services. The number of competitors for any procurement can vary widely, depending upon technical qualifications, the relative value of the project, geographic location, the financial terms and risks associated with the work, and any restrictions placed upon competition by the client. Historically, clients have chosen among competing firms by weighing the quality, innovation and timeliness of the firm's service versus its cost to determine which firm offers the best value. When less work becomes available in a given market, price becomes an increasingly important factor.

We believe that our principal competitors include the following firms, in alphabetical order: AECOM Technology Corporation; AMEC PLC; Arcadis NV; Black & Veatch Corporation; Brown & Caldwell; CDM Smith, Inc.; CH2M Hill Companies Ltd.; Chemonics International Inc.; Dessau Inc.; Foster Wheeler AG; GENIVAR Inc.; GHD; ICF International, Inc.; Jacobs Engineering Group Inc.; Michael Baker Corporation; MWH Global, Inc.; Science Applications International Corporation; The Shaw Group Inc.; Sinclair Knight Merz Pty Ltd.; SNC-Lavalin Group Inc.; Stantec Inc.; TRC Companies, Inc.; URS Corporation; Weston Solutions, Inc.; and Willbros Group, Inc.

Backlog

We include in our backlog only those contracts for which funding has been provided and work authorization has been received. We estimate that approximately 80% of our backlog at the end of fiscal 2012 will be recognized as revenue in fiscal 2013, as work is being performed. However, we cannot guarantee that the revenue projected in our backlog will be realized or, if realized, will result in profits. In addition, project cancellations or scope adjustments may occur with respect to contracts reflected in our backlog. For example, certain of our contracts with the U.S. federal government and other clients are terminable at the discretion of the client, with or without cause. These types of backlog reductions could adversely affect our revenue and margins. Accordingly, our backlog as of any particular date is an uncertain indicator of our future earnings.

At fiscal 2012 year-end, our backlog was $2.1 billion, an increase of $189.3 million, or 9.7%, compared to last year-end. Our backlog growth was driven by demand for our energy and infrastructure services in the commercial and U.S. state and local government markets. Further, the growth was due to new orders from our international clients, particularly for our water, environmental and infrastructure design services in the mining and other commodity-driven markets.

Regulations

We engage in various service activities that are subject to government oversight, including environmental laws and regulations, general government procurement laws and regulations, and other regulations and requirements imposed by specific government agencies with which we conduct business.

Environmental. A significant portion of our business involves planning, design, program management and construction management of pollution control facilities, as well as assessment and management of remediation activities at hazardous waste or U.S. Superfund sites and military bases. In addition, we contract with U.S. federal government entities to destroy hazardous materials, including weapons stockpiles. These activities require us to manage, handle, remove, treat, transport and dispose of toxic or hazardous substances.

Some environmental laws, such as the Superfund law and similar state and local statutes, can impose liability for the entire cost of clean-up for contaminated facilities or sites upon present and former owners and operators, as well as generators, transporters and persons arranging for the treatment or disposal of such substances. In addition, while we strive to handle hazardous and toxic substances with care and in accordance with safe methods, the possibility of accidents, leaks, spills and the events of force majeure always exist. Humans exposed to these materials, including workers or subcontractors engaged in the transportation and disposal of hazardous materials and persons in affected areas, may be injured or become ill, resulting in lawsuits that expose us to liability that may result in substantial damage awards. Liabilities for contamination or human exposure to hazardous or toxic materials, or a failure to comply with applicable regulations, could result in substantial costs, including clean-up costs, fines, civil or criminal sanctions, third party claims for property damage or personal injury, or cessation of remediation activities.

Certain of our business operations are covered by U.S. Public Law 85-804, which provides for government indemnification against claims and damages arising out of unusually hazardous activities performed at the request of the government. Due to changes in public policies and law, however, government indemnification may not be available in the case of any future claims or liabilities relating to other hazardous activities that we perform.

Government Procurement. The services we provide to the U.S. federal government are subject to FAR and other rules and regulations applicable to government contracts. These rules and regulations:

- require certification and disclosure of all cost and pricing data in connection with the contract negotiations under certain contract types;
- impose accounting rules that define allowable and unallowable costs and otherwise govern our right to reimbursement under certain cost-based government contracts; and
- restrict the use and dissemination of information classified for national security purposes and the exportation of certain products and technical data.

Table of Contents

In addition, services provided to the DoD are monitored by the Defense Contract Management Agency and audited by the DCAA. Our government clients can also terminate any of their contracts, and many of our government contracts are subject to renewal or extension annually. Further, the services we provide to state and local government clients are subject to various government rules and regulations.

Seasonality

We experience seasonal trends in our business. Our revenue and operating income are typically lower in the first half of our fiscal year, primarily due to the Thanksgiving, Christmas and New Year's holidays. Many of our clients' employees, as well as our own employees, do not work during these holidays. Further, seasonal inclement weather conditions cause some of our offices to close temporarily or hamper our project field work, particularly in the ECS and RCM segments. These occurrences result in fewer billable hours worked on projects and, correspondingly, less revenue recognized. Our revenue is typically higher in the second half of the fiscal year due to favorable weather conditions during spring and summer months that may result in higher billable hours. In addition, our revenue is typically higher in the fourth fiscal quarter due to the U.S. federal government's fiscal year-end spending.

Potential Liability and Insurance

Our business activities could expose us to potential liability under various environmental laws and under workplace health and safety regulations. In addition, we occasionally assume liability by contract under indemnification agreements. We cannot predict the magnitude of such potential liabilities.

We maintain a comprehensive general liability policy with an umbrella policy that covers losses beyond the general liability limits. We also maintain professional errors and omissions liability and contractor's pollution liability insurance policies. We believe that both policies provide adequate coverage for our business. When we perform higher-risk work, such as fixed-price remediation, we obtain the necessary types of insurance coverage for such activities, as is typically required by our clients.

We obtain insurance coverage through a broker that is experienced in the professional liability field. The broker and our risk manager regularly review the adequacy of our insurance coverage. Because there are various exclusions and retentions under our policies, or an insurance carrier may become insolvent, there can be no assurance that all potential liabilities will be covered by our insurance policies or paid by our carrier.

We evaluate the risk associated with claims. If we determine that a loss is probable and reasonably estimable, we establish an appropriate reserve. A reserve is not established if we determine that a claim has no merit or is not probable or reasonably estimable. Our historic levels of insurance coverage and reserves have been adequate. However, partially or completely uninsured claims, if successful and of significant magnitude, could have a material adverse effect on our business.

Employees

At fiscal 2012 year-end, we had more than 13,000 employees including part-time workers. A large percentage of our employees have technical and professional backgrounds and undergraduate and/or advanced degrees, including the employees of recently acquired companies. Our professional staff includes archaeologists, architects, biologists, chemical engineers, chemists, civil engineers, computer scientists, economists, electrical engineers, environmental engineers, environmental scientists, geologists, hydrogeologists, mechanical engineers, oceanographers, project managers and toxicologists. Approximately 500 employees are represented by labor unions pursuant to collective bargaining agreements. We often employ union workers on a project-specific basis. We consider the current relationships with our employees including those represented by unions, to be favorable. We are not aware of any employment circumstances that are likely to disrupt work at any of our facilities. See Part I,

Table of Contents

Item 1A, "Risk Factors" for a discussion of the risks related to the loss of key personnel or our inability to attract and retain qualified personnel.

Executive Officers of the Registrant

The following table shows the name, age and position of each of our executive officers at November 7, 2012:

Name	Age	Position
Dan L. Batrack	54	Chairman, Chief Executive Officer and President Mr. Batrack joined our predecessor in 1980 and was named Chairman in January 2008. He has served as our Chief Executive Officer and a director since November 2005, and as our President since October 2008. Mr. Batrack has served in numerous capacities over the last 30 years, including project scientist, project manager, operations manager, Senior Vice President and President of an operating unit. He has managed complex programs for many small and Fortune 500 clients, both in the United States and internationally. Mr. Batrack holds a B.A. degree in Business Administration from the University of Washington.
Steven M. Burdick	48	Executive Vice President, Chief Financial Officer and Treasurer Mr. Burdick has served as our Executive Vice President, Chief Financial Officer and Treasurer since April 2011. He served as our Senior Vice President and Corporate Controller from January 2004 to March 2011. Mr. Burdick joined us in April 2003 as Vice President, Management Audit. Previously, Mr. Burdick served as the Executive Vice President and Chief Financial Officer for Aura Systems, Inc. From 2000 through 2002 he was the Chief Financial Officer for TRW Ventures. Prior to this, Mr. Burdick held the position of Senior Manager with Ernst & Young LLP in Los Angeles. Mr. Burdick holds a B.S. degree in Business Administration from Santa Clara University and is a Certified Public Accountant.

Table of Contents

Name	Age	Position
James R. Pagenkopf	61	Executive Vice President and President of Engineering and Consulting Services Mr. Pagenkopf has served as the President of Engineering and Consulting Services since September 2009. He has 35 years of experience with us in both technical and management roles, including project and program manager, office manager, group manager, Vice President, and President of ECS' largest operating unit. Mr. Pagenkopf's academic and professional background is in the development and application of hydrodynamic and water quality models, which he has applied in more than 200 projects throughout the U.S. and internationally. He has served as program manager on several large technical support contracts for the EPA's Office of Water, and more recently has led our strategic water initiative to focus our growth in the Louisiana/Gulf Coast and Panama Canal water infrastructure markets. Mr. Pagenkopf holds a B.S. in Civil Engineering from Valparaiso University and an M.S. in Civil Engineering from the Massachusetts Institute of Technology.
Ronald J. Chu	55	Executive Vice President and President of Technical Support Services Mr. Chu has served as the President of Technical Support Services since June 2007. He has more than 16 years of experience with us and has served in various technical and management capacities, including project and program manager, office manager, regional manager and chief operating officer for TSS. Mr. Chu was named a Vice President in 2001. He began his career as a civil/sanitary engineer in 1981 and entered the environmental consulting field in 1984. His career has included management of major assessment, engineering and remediation programs for the DoD, the EPA, state and local government agencies, and commercial clients. Mr. Chu is a registered professional engineer in several states and has authored numerous technical articles. He holds a B.S. in Civil Engineering from Northeastern University and an M.S. in Environmental Engineering from the University of Southern California.

Table of Contents

Name	**Age**	**Position**
Frank C. Gross, Jr.	56	Executive Vice President and President of Remediation and Construction Management Mr. Gross joined us as the President of Remediation and Construction Management in July 2011. He previously served as President of the Industrial/Process Business Unit of URS Corporation's Washington Division since February 2008. At his former employer, Mr. Gross led an $850 million per year business group focused on construction management. He joined URS in 1978 and gained progressive responsibility in a variety of technical and leadership roles. He has more than 30 years of experience with large, multi-disciplinary engineering and construction projects in power, oil and gas, industrial/manufacturing, automotive, and other heavy industries. Mr. Gross earned a B.S. in Civil and Environmental Engineering from Clarkson University.
William R. Brownlie	59	Senior Vice President, Chief Engineer Dr. Brownlie was named Senior Vice President and Chief Engineer in September 2009. From December 2005 to September 2009, he served as President of ECS. Dr. Brownlie joined our predecessor in 1981 and was named a Senior Vice President in December 1993. Dr. Brownlie has managed various operating units and programs focusing on water resources and environmental services, including work with USACE, the USAF, Bureau of Reclamation and DOE. He is a registered professional engineer and has a strong technical background in water resources. Dr. Brownlie holds B.S. and M.S. degrees in Civil Engineering from the State University of New York at Buffalo and a Ph.D. in Civil Engineering from the California Institute of Technology.
Richard A. Lemmon	53	Senior Vice President, Corporate Administration Mr. Lemmon joined our predecessor in 1981 in a technical capacity and became a member of its corporate staff in a management position in 1985. In 1988, at the time of our predecessor's divestiture from Honeywell, Inc., Mr. Lemmon structured and managed many of our corporate functions. He is currently responsible for insurance, risk management, human resources, safety and facilities.

Table of Contents

Name	Age	Position
Janis B. Salin	59	Senior Vice President, General Counsel and Secretary Ms. Salin joined us in February 2002. For the prior 17 years, Ms. Salin was a Principal with the law firm of Riordan & McKinzie in Los Angeles (which merged into Bingham McCutchen LLP in 2003), and served as Managing Principal of that firm from 1990 to 1992. She served as our outside counsel from the time of our formation in 1988. Ms. Salin holds B.A. and J.D. degrees from the University of California at Los Angeles.
Craig L. Christensen	59	Senior Vice President, Chief Information Officer Mr. Christensen joined us in 1998 through the acquisition of our Tetra Tech NUS, Inc. ("NUS") subsidiary. Mr. Christensen is responsible for our information services and technologies, including the implementation of our enterprise resource planning system. Previously, Mr. Christensen held positions at NUS, Brown and Root Services, and Landmark Graphics subsidiaries of Halliburton Company where his responsibilities included contracts administration, finance and system development. Prior to his service at Halliburton, Mr. Christensen held positions at Burroughs Corporation and Apple Computer. Mr. Christensen holds B.A. and M.B.A. degrees from Brigham Young University.
Michael A. Bieber	44	Senior Vice President, Corporate Development Mr. Bieber joined us in 1996, and he is currently responsible for driving strategic growth through the leadership of our mergers and acquisitions program. Mr. Bieber has overseen our investor relations function since 2000. From 1996 to 2000, he was a proposal manager in our corporate marketing group. From 1994 to 1996, Mr. Bieber served as a strategic business development consultant to large defense, infrastructure, and environmental firms at CRC, Inc. and its successor. Prior to that, Mr. Bieber worked for IT Corporation (now The Shaw Group, Inc.), where he served as project manager and engineer on government nuclear and petrochemical projects. Mr. Bieber holds a B.S. degree in Civil Engineering from the Tennessee Technological University.

Table of Contents

Name	Age	Position
Leslie L. Shoemaker	55	Senior Vice President, Corporate Strategy Dr. Shoemaker joined us in 1991, and she is currently responsible for our strategic planning, business development, sustainability and corporate communications functions. Dr. Shoemaker coordinates our Strategic Initiatives Program, which supports company-wide collaboration on key services in our major growth markets. Dr. Shoemaker is our Chief Sustainability Officer. She also leads water resources modeling and systems development projects, and consults on the development of policy and programs for watershed management and sustainable communities. Dr. Shoemaker has more than 25 years of industry experience and has previously served in various technical and management capacities including project engineer, project manager, Vice President, and technical practice leader. Dr. Shoemaker holds a B.A. degree in Mathematics from Hamilton College, a Master of Engineering from Cornell University and a Ph.D. in Agricultural Engineering from the University of Maryland.
Kevin P. McDonald	53	Senior Vice President, Corporate Human Resources Mr. McDonald joined us in 2004 through the acquisition of Foster Wheeler Environmental Corporation. He is responsible for all areas of human resources ("HR"), including executive compensation, employee benefits, succession planning, human resources information systems, and employment law compliance. Prior to leading our corporate HR organization, Mr. McDonald was the HR Director for one of our subsidiaries. He has more than 30 years' experience in the engineering and construction services industry. Mr. McDonald earned a B.S. degree in Management from the University of Scranton and an M.B.A from Fairleigh Dickinson University.

Table of Contents

Name	Age	Position
Brian N. Carter	45	Senior Vice President, Corporate Controller and Chief Accounting Officer Mr. Carter joined Tetra Tech as Vice President, Corporate Controller and Chief Accounting Officer in June 2011 and was appointed Senior Vice President in October 2012. He previously served as Vice President of Finance and Administration for Wedbush, Inc., a privately held financial services holding company, from September 2009 to June 2011. Mr. Carter was Vice President, Financial Planning and Analysis, for AECOM Technology Corporation during 2008 and 2009. He was Executive Vice President, Financial Planning & Analysis and Management Accounting for IndyMac Bancorp, Inc. from 2002 to 2008, and he previously held finance and auditing positions with Huntington Bancshares, Inc., Nationwide Financial Services, Inc., and Ernst & Young LLP. Mr. Carter holds a B.S. in Business Administration from Miami University and is a Certified Public Accountant.

Available Information

All of our periodic report filings with the Securities and Exchange Commission ("SEC") pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), are made available, free of charge, through our website located at www.tetratech.com, including our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and any amendments to these reports. These reports are available on our website as soon as reasonably practicable after we electronically file with or furnish the reports to the SEC. You may also request an electronic or paper copy of these filings at no cost by writing or telephoning us at the following: Tetra Tech, Inc., Attention: Investor Relations, 3475 East Foothill Boulevard, Pasadena, California 91107, (626) 351-4664.

Table of Contents

Item 1A. Risk Factors

We operate in a changing environment that involves numerous known and unknown risks and uncertainties that could materially adversely affect our operations. The risks described below highlight some of the factors that have affected, and in the future could affect, our operations. Additional risks we do not yet know of or that we currently think are immaterial may also affect our business operations. If any of the events or circumstances described in the following risks actually occurs, our business, financial condition or results of operations could be materially adversely affected.

Our operating results may be adversely impacted by worldwide political and economic uncertainties and specific conditions in the markets we address.

General worldwide economic conditions have experienced a downturn due to the reduction of available credit, slower economic activity, concerns about inflation and deflation, increased energy and commodity costs, decreased consumer confidence and capital spending, adverse business conditions, and, in the United States, the negative impact on economic growth resulting from the combination of federal income tax increases and government spending restrictions (described in more detail below) potentially occurring at the end of calendar year 2012 (commonly referred to as the "fiscal cliff."). These conditions make it extremely difficult for our clients and our vendors to accurately forecast and plan future business activities and could cause businesses to slow spending on services, and they have also made it very difficult for us to predict the short-term and long-term impacts on our business. We cannot predict the timing, strength or duration of any economic slowdown or subsequent economic recovery worldwide or in our industry. If the economy or markets in which we operate deteriorate from the level experienced in fiscal 2012, our business, financial condition and results of operations may be materially and adversely affected.

The Budget Control Act of 2011 could significantly reduce government spending for the services we provide.

On August 2, 2011, the Budget Control Act of 2011 (the "Budget Control Act") was enacted, which could impose an estimated $1.2 trillion in future federal spending cuts if budget deficit targets are not achieved. If the federal government does not meet the Budget Control Act targets or does not otherwise delay or change this legislation, then automatic across-the-board budget cuts, or sequestrations, will be mandated across the federal budget in fiscal year 2013. Any significant reduction in federal government spending could reduce demand for our services, cancel or delay federal projects, and result in the closure of federal facilities and significant personnel reductions, which could have a material adverse effect on our results of operation and financial condition.

Our annual revenue, expenses and operating results may fluctuate significantly, which may adversely affect our stock price.

Our annual revenue, expenses and operating results may fluctuate significantly because of numerous factors, some of which may contribute to more pronounced fluctuations in an uncertain global economic environment. These factors include:

- general economic or political conditions;
- unanticipated changes in contract performance that may affect profitability, particularly with contracts that are fixed-price or have funding limits;
- contract negotiations on change orders, requests for equitable adjustment, and collections of related billed and unbilled accounts receivable;
- seasonality of the spending cycle of our public sector clients, notably the U.S. federal government, the spending patterns of our commercial sector clients, and weather conditions;
- budget constraints experienced by our U.S. federal, state and local government clients;

Table of Contents

integration of acquired companies;

changes in contingent consideration related to acquisition earn-outs;

divestiture or discontinuance of operating units;

employee hiring, utilization and turnover rates;

loss of key employees;

the number and significance of client contracts commenced and completed during a quarter;

creditworthiness and solvency of clients;

the ability of our clients to terminate contracts without penalties;

delays incurred in connection with a contract;

the size, scope and payment terms of contracts;

the timing of expenses incurred for corporate initiatives;

reductions in the prices of services offered by our competitors;

threatened or pending litigation;

legislative and regulatory enforcement policy changes that may affect demand for our services;

the impairment of goodwill or identifiable intangible assets;

the fluctuation of a foreign currency exchange rate;

stock-based compensation expense;

actual events, circumstances, outcomes and amounts differing from judgments, assumptions and estimates used in determining the value of certain assets (including the amounts of related valuation allowances), liabilities and other items reflected in our consolidated financial statements;

- how well we execute our strategy and operating plans;
- changes in tax laws or regulations or accounting rules;
- results of income tax examinations;
- the timing of announcements in the public markets regarding new services or potential problems with the performance of services by us or our competitors, or any other material announcements;
- speculation in the media and analyst community, changes in recommendations or earnings estimates by financial analysts, changes in investors' or analysts' valuation measures for our stock and market trends unrelated to our stock; and
- continued volatility in the financial markets.

As a consequence, operating results for a particular future period are difficult to predict and, therefore, prior results are not necessarily indicative of results to be expected in future periods. Any of the foregoing factors, or any other factors discussed elsewhere herein, could have a material adverse effect on our business, results of operations and financial condition that could adversely affect our stock price.

Table of Contents

Demand from our U.S. state and local government clients and U.S. commercial clients is cyclical and vulnerable to economic downturns. If economic growth slows, government fiscal conditions worsen, or client spending declines further, then our revenue, profits and our financial condition may deteriorate.

Demand for services from our U.S. state and local government clients and U.S. commercial clients is cyclical and vulnerable to economic downturns, which may result in clients delaying, curtailing or canceling proposed and existing projects. Our business traditionally lags the overall recovery in the economy; therefore, our business may not recover immediately when the economy improves. If economic growth slows, U.S. state or local government fiscal conditions worsen, or client spending declines further, then our revenue, profits and overall financial condition may deteriorate. Our U.S. state and local government clients may face budget deficits that prohibit them from funding new or existing projects. In addition, our existing and potential clients may either postpone entering into new contracts or request price concessions. Difficult financing and economic conditions may cause some of our clients to demand better pricing terms or delay payments for services we perform, thereby increasing the average number of days our receivables are outstanding and the potential of increased credit losses of uncollectible invoices. Further, these conditions may result in the inability of some of our clients to pay us for services that we have already performed. If we are not able to reduce our costs quickly enough to respond to the revenue decline from these clients, our operating results may be adversely affected. Accordingly, these factors affect our ability to forecast our future revenue and earnings from business areas that may be adversely impacted by market conditions.

Our revenue from U.S. commercial clients is significant, and the credit risks associated with certain of these clients could adversely affect our operating results.

In fiscal 2012, we generated 26.5% of our revenue from U.S. commercial clients. Due to continuing weakness in general economic conditions, our U.S. commercial business may be at risk as we rely upon the financial stability and creditworthiness of our clients. To the extent the credit quality of these clients deteriorates or these clients seek bankruptcy protection, our ability to collect our receivables, and ultimately our operating results, may be adversely affected.

We derive a substantial amount of our revenue from U.S. federal, state and local government agencies, and any disruption in government funding or in our relationship with those agencies could adversely affect our business.

In fiscal 2012, we generated 49.0% of our revenue from contracts with U.S. federal, state and local government agencies. U.S. federal government agencies are among our most significant clients. We generated 37.2% of our revenue for fiscal 2012 from the following agencies: 14.4% from DoD agencies, 9.2% from USAID and 13.6% from other U.S. federal government agencies. A significant amount of this revenue is derived under multi-year contracts, many of which are appropriated on an annual basis. As a result, at the beginning of a project, the related contract may be only partially funded, and additional funding is normally committed only as appropriations are made in each subsequent year. These appropriations, and the timing of payment of appropriated amounts, may be influenced by numerous factors as noted below. Our backlog includes only the projects that have funding appropriated.

The demand for our U.S. government-related services is generally driven by the level of government program funding. Accordingly, the success and further development of our business depends, in large part, upon the continued funding of these U.S. government programs, and upon our ability to obtain contracts and perform well under these programs. There are several factors that could materially affect our U.S. government contracting business, including the following:

- the failure of the U.S. government to complete its budget process before its fiscal year-end, which results in the funding of government operations by means of a continuing resolution that authorizes agencies to continue to operate but does not authorize new spending initiatives. As a result, U.S. government agencies may delay the procurement of services;

changes in and delays or cancellations of government programs, requirements or appropriations;

budget constraints or policy changes resulting in delay or curtailment of expenditures related to the services we provide;

re-competes of government contracts;

the timing and amount of tax revenue received by federal, state and local governments, and the overall level of government expenditures;

curtailment in the use of government contracting firms;

delays associated with insufficient numbers of government staff to oversee contracts;

the increasing preference by government agencies for contracting with small and disadvantaged businesses;

competing political priorities and changes in the political climate with regard to the funding or operation of the services we provide;

the adoption of new laws or regulations affecting our contracting relationships with the federal, state or local governments;

unsatisfactory performance on government contracts by us or one of our subcontractors, negative government audits, or other events that may impair our relationship with the federal, state or local governments;

a dispute with or improper activity by any of our subcontractors; and

general economic or political conditions.

These and other factors could cause U.S. government agencies to delay or cancel programs, to reduce their orders under existing contracts, to exercise their rights to terminate contracts or not to exercise contract options for renewals or extensions. Any of these actions could have a material adverse effect on our revenue or timing of contract payments from these agencies.

As a U.S. government contractor, we must comply with various procurement laws and regulations and are subject to regular government audits; a violation of any of these laws and regulations or the failure to pass a government audit could result in sanctions, contract termination, forfeiture of profit, harm to our reputation or loss of our status as an eligible government contractor and could reduce our profits and revenue.

We must comply with and are affected by U.S. federal, state, local and foreign laws and regulations relating to the formation, administration and performance of government contracts. For example, we must comply with FAR, the Truth in Negotiations Act, CAS, the American Recovery and Reinvestment Act of 2009, the Services Contract Act and DoD security regulations, as well as many other rules and regulations. In addition, we must also comply with other government regulations related to employment practices, environmental protection, health and safety, tax, accounting and anti-fraud measures, as well as many others regulations in order to maintain our government contractor status. These laws and regulations affect how we do business with our clients and, in some instances, impose additional costs on our business operations. Although we take precautions to prevent and deter fraud, misconduct and non-compliance, we face the risk that our employees or outside partners may engage in misconduct, fraud or other improper activities. U.S. government agencies, such as the DCAA, routinely audit and investigate government contractors. These government agencies review and audit a government contractor's performance under its contracts and cost structure, and evaluate compliance with applicable laws, regulations and standards. In addition, during the course of its audits, the DCAA may question our incurred project costs. If the DCAA believes we have accounted for such costs in a manner inconsistent with the requirements for FAR or CAS, the DCAA auditor may recommend to our U.S. government corporate administrative contracting officer to disallow such costs. Historically, we have not experienced significant disallowed costs as a result of government audits. However, we can provide no assurance that the DCAA or other government audits will not result in material disallowance for incurred costs in the future. In addition, U.S. government contracts are subject to a variety of other requirements relating to the formation, administration, performance and accounting for these contracts. We may also be subject to *qui tam* litigation brought by private individuals on behalf of the U.S. government under the Federal Civil False Claims Act, which could include claims for treble damages. U.S. government contract violations could result in the imposition of civil and criminal penalties or sanctions, contract termination, forfeiture of profit and/or suspension of payment, any of which could make us lose our status as an eligible government contractor. We could also suffer serious harm to our reputation. Any interruption or termination of our U.S. government contractor status could reduce our profits and revenue significantly.

Our inability to win or renew U.S. government contracts during regulated procurement processes could harm our operations and significantly reduce or eliminate our profits.

U.S. government contracts are awarded through a regulated procurement process. The U.S. federal government has increasingly relied upon multi-year contracts with pre-established terms and conditions, such as indefinite delivery/indefinite quantity ("IDIQ") contracts, which generally require those contractors who have previously been awarded the IDIQ to engage in an additional competitive bidding process before a task order is issued. As a result, new work awards tend to be smaller and of shorter duration, since the orders represent individual tasks rather than large, programmatic assignments. The increased competition, in turn, may require us to make sustained efforts to reduce costs in order to realize revenue and profits under government contracts. If we are not successful in reducing the amount of costs we incur, our profitability on government contracts will be negatively impacted. In addition, the U.S. federal government has announced its intention to scale back outsourcing of services in favor of "insourcing" jobs to its employees, which could reduce our revenue. Moreover, even if we are qualified to work on a government contract, we may not be awarded the contract because of existing government policies designed to protect small businesses and underrepresented minority contractors. Our inability to win or renew government contracts during regulated procurement processes could harm our operations and significantly reduce or eliminate our profits.

Each year, client funding for some of our U.S. government contracts may rely on government appropriations or public-supported financing. If adequate public funding is delayed or is not available, then our profits and revenue could decline.

Each year, client funding for some of our U.S. government contracts may directly or indirectly rely on government appropriations or public-supported financing. Legislatures may appropriate funds for a given project on a year-by-year basis, even though the project may take more than one year to perform. In addition, public-supported financing such as U.S. state and local municipal bonds may be only partially raised to support existing projects. The outcome of ongoing political debate in Congress regarding cuts to federal government spending could result in reductions in the funding proposed by the Administration for certain projects. The Budget Control Act includes significant reductions in U.S. federal government spending over a 10-year period. Similarly, the impact of the economic downturn on U.S. state and local governments may make it more difficult for them to fund projects. In addition to the state of the economy and competing political priorities, public funds and the timing of payment of these funds may be influenced by, among other things, curtailments in the use of government contracting firms, increases in raw material costs, delays associated with insufficient numbers of government staff to oversee contracts, budget constraints, the timing and amount of tax receipts and the overall level of government expenditures. If adequate public funding is not available or is delayed, then our profits and revenue could decline.

Table of Contents

Our U.S. federal government contracts may give government agencies the right to modify, delay, curtail, renegotiate or terminate existing contracts at their convenience at any time prior to their completion, which may result in a decline in our profits and revenue.

U.S. federal government projects in which we participate as a contractor or subcontractor may extend for several years. Generally, government contracts include the right to modify, delay, curtail, renegotiate or terminate contracts and subcontracts at the government's convenience any time prior to their completion. Any decision by a U.S. federal government client to modify, delay, curtail, renegotiate or terminate our contracts at their convenience may result in a decline in our profits and revenue.

Our international operations expose us to legal, political and economic risks that could harm our business and financial results. For example, we could be adversely affected by violations of the U.S. Foreign Corrupt Practices Act and similar worldwide anti-bribery laws.

In fiscal 2012, we generated 24.5% of our revenue from our international operations, primarily in Canada, and from international clients for work that is performed by our domestic operations. International business is subject to a variety of risks, including:

- potential non-compliance with a wide variety of laws and regulations, including anti-corruption and anti-boycott rules, trade and export control regulations, and other international regulations;
- lack of developed legal systems to enforce contractual rights;
- greater risk of uncollectible accounts and longer collection cycles;
- currency exchange rate fluctuations, devaluations and other conversion restrictions;
- the potential for civil unrest, acts of terrorism and greater physical security risks, which may cause us to leave a country quickly;
- logistical and communication challenges;
- imposition of governmental controls and potentially adverse changes in laws and regulatory practices, including tariffs and taxes;
- changes in labor conditions; and
- general economic, political and financial conditions in foreign markets.

International risks and violations of international regulations may significantly reduce our revenue and profits, and subject us to criminal or civil enforcement actions, including fines, suspensions or disqualification from future U.S. federal procurement contracting.

The U.S. Foreign Corrupt Practices Act ("FCPA") and similar anti-bribery laws generally prohibit companies and their intermediaries from making improper payments to foreign government officials for the purpose of obtaining or retaining business. The U.K. Bribery Act of 2010 prohibits both domestic and international bribery, as well as bribery across both private and public sectors. In addition, an organization that "fails to prevent bribery" by anyone associated with the organization can be charged under the U.K. Bribery Act unless the organization can establish the defense of having implemented "adequate procedures" to prevent bribery. Practices in the local business community of many countries outside the U.S. have a level of government corruption that is greater than that found in the developed world. Our policies mandate compliance with these anti-bribery laws and we have established policies and procedures designed to monitor compliance with these anti-bribery law requirements; however, we cannot ensure that our policies and procedures will protect us from potential reckless or criminal acts committed by individual employees or agents. If we are found to be liable for anti-bribery law violations we could suffer from criminal or civil penalties or other sanctions that could have a material adverse effect on our business.

Table of Contents

If we fail to complete a project in a timely manner, miss a required performance standard or otherwise fail to adequately perform on a project, then we may incur a loss on that project, which may reduce or eliminate our overall profitability.

Our engagements often involve large-scale, complex projects. The quality of our performance on such projects depends in large part upon our ability to manage the relationship with our clients and our ability to effectively manage the project and deploy appropriate resources, including third-party contractors and our own personnel, in a timely manner. We may commit to a client that we will complete a project by a scheduled date. We may also commit that a project, when completed, will achieve specified performance standards. If the project is not completed by the scheduled date or fails to meet required performance standards, we may either incur significant additional costs or be held responsible for the costs incurred by the client to rectify damages due to late completion or failure to achieve the required performance standards. The uncertainty of the timing of a project can present difficulties in planning the amount of personnel needed for the project. If the project is delayed or canceled, we may bear the cost of an underutilized workforce that was dedicated to fulfilling the project. In addition, performance of projects can be affected by a number of factors beyond our control, including unavoidable delays from government inaction, public opposition, inability to obtain financing, weather conditions, unavailability of vendor materials, changes in the project scope of services requested by our clients, industrial accidents, environmental hazards, labor disruptions and other factors. To the extent these events occur, the total costs of the project could exceed our estimates, and we could experience reduced profits or, in some cases, incur a loss on a project, which may reduce or eliminate our overall profitability. Further, any defects or errors, or failures to meet our clients' expectations, could result in claims for damages against us. Our contracts generally limit our liability for damages that arise from negligent acts, errors, mistakes or omissions in rendering services to our clients. However, we cannot be sure that these contractual provisions will protect us from liability for damages in the event we are sued.

The loss of key personnel or our inability to attract and retain qualified personnel could significantly disrupt our business.

As primarily a professional and technical services company, we are labor-intensive and, therefore, our ability to attract, retain and expand our senior management and our professional and technical staff is an important factor in determining our future success. The market for qualified scientists and engineers is competitive and, from time to time, it may be difficult to attract and retain qualified individuals with the required expertise within the timeframe demanded by our clients. For example, some of our U.S. government contracts may require us to employ only individuals who have particular government security clearance levels. In addition, we rely heavily upon the expertise and leadership of our senior management. If we are unable to retain executives and other key personnel, the roles and responsibilities of those employees will need to be filled, which may require that we devote time and resources to identify, hire and integrate new employees. With limited exceptions, we do not have employment agreements with any of our key personnel. The loss of the services of any of these key personnel could adversely affect our business. Although we have obtained non-compete agreements from certain principals and stockholders of companies we have acquired, we generally do not have non-compete or employment agreements with key employees who were once equity holders of these companies. Further, many of our non-compete agreements have expired. We do not maintain key-man life insurance policies on any of our executive officers or senior managers. Our failure to attract and retain key individuals could impair our ability to provide services to our clients and conduct our business effectively.

Our actual business and financial results could differ from the estimates and assumptions that we use to prepare our financial statements, which may significantly reduce or eliminate our profits.

To prepare financial statements in conformity with U.S. generally accepted accounting principles ("GAAP"), management is required to make estimates and assumptions as of the date of the financial

Table of Contents

statements. These estimates and assumptions affect the reported values of assets, liabilities, revenue and expenses, as well as disclosures of contingent assets and liabilities. For example, we typically recognize revenue over the life of a contract based on the proportion of costs incurred to date compared to the total costs estimated to be incurred for the entire project. Areas requiring significant estimates by our management include:

- the application of the percentage-of-completion method of accounting and revenue recognition on contracts, change orders and contract claims including related unbilled accounts receivable;
- unbilled accounts receivable including amounts related to requests for equitable adjustment to contracts that provide for price redetermination, primarily with the U.S. federal government. These amounts are recorded only when they can be reliably estimated and realization is probable;
- provisions for uncollectible receivables, client claims and recoveries of costs from subcontractors, vendors and others;
- provisions for income taxes, research and experimentation ("R&E") credits, valuation allowances and unrecognized tax benefits;
- value of goodwill and recoverability of other intangible assets;
- valuations of assets acquired and liabilities assumed in connection with business combinations;
- valuation of contingent earn-out liabilities in connection with business combinations;
- valuation of employee benefit plans;
- valuation of stock-based compensation expense; and
- accruals for estimated liabilities, including litigation and insurance reserves.

Our actual business and financial results could differ from those estimates, which may significantly reduce or eliminate our profits.

Our profitability could suffer if we are not able to maintain adequate utilization of our workforce.

The cost of providing our services, including the extent to which we utilize our workforce, affects our profitability. The rate at which we utilize our workforce is affected by a number of factors, including:

- our ability to transition employees from completed projects to new assignments and to hire and assimilate new employees;
- our ability to forecast demand for our services and thereby maintain an appropriate headcount in each of our geographies and workforces;
- our ability to manage attrition;

- our need to devote time and resources to training, business development, professional development and other non-chargeable activities; and

- our ability to match the skill sets of our employees to the needs of the marketplace.

If we over-utilize our workforce, our employees may become disengaged, which will impact employee attrition. If we under-utilize our workforce, our profit margin and profitability could suffer.

Our use of the percentage-of-completion method of revenue recognition could result in a reduction or reversal of previously recorded revenue and profits.

We account for most of our contracts on the percentage-of-completion method of revenue recognition. Generally, our use of this method results in recognition of revenue and profit ratably over the

Table of Contents

life of the contract, based on the proportion of costs incurred to date to total costs expected to be incurred for the entire project. The effects of revisions to revenue and estimated costs, including the achievement of award fees as well as the impact of change orders and claims, are recorded when the amounts are known and can be reasonably estimated. Such revisions could occur in any period and their effects could be material. Although we have historically made reasonably reliable estimates of the progress towards completion of long-term contracts, the uncertainties inherent in the estimating process make it possible for actual costs to vary materially from estimates, including reductions or reversals of previously recorded revenue and profit.

If we are unable to accurately estimate and control our contract costs, then we may incur losses on our contracts, which could decrease our operating margins and reduce our profits. In particular, our fixed-price contracts could increase the unpredictability of our earnings.

It is important for us to accurately estimate and control our contract costs so that we can maintain positive operating margins and profitability. We generally enter into three principal types of contracts with our clients: fixed-price, time-and-materials and cost-plus.

The U.S. federal government and some clients have increased the use of fixed-priced contracts. Under fixed-price contracts, we receive a fixed price irrespective of the actual costs we incur and, consequently, we are exposed to a number of risks. We realize a profit on fixed-price contracts only if we can control our costs and prevent cost over-runs on our contracts. Fixed-price contracts require cost and scheduling estimates that are based on a number of assumptions, including those about future economic conditions, costs and availability of labor, equipment and materials, and other exigencies. We could experience cost overruns if these estimates are originally inaccurate as a result of errors or ambiguities in the contract specifications, or become inaccurate as a result of a change in circumstances following the submission of the estimate due to, among other things, unanticipated technical problems, difficulties in obtaining permits or approvals, changes in local laws or labor conditions, weather delays, changes in the costs of raw materials, or inability of our vendors or subcontractors to perform. If cost overruns occur, we could experience reduced profits or, in some cases, a loss for that project. If a project is significant, or if there are one or more common issues that impact multiple projects, costs overruns could increase the unpredictability of our earnings as well as have a material adverse impact on our business and earnings.

Under our time-and-materials contracts, we are paid for labor at negotiated hourly billing rates and also paid for other expenses. Profitability on these contracts is driven by billable headcount and cost control. Many of our time-and-materials contracts are subject to maximum contract values and, accordingly, revenue relating to these contracts is recognized as if these contracts were fixed-price contracts. Under our cost-plus contracts, some of which are subject to contract ceiling amounts, we are reimbursed for allowable costs and fees, which may be fixed or performance-based. If our costs exceed the contract ceiling or are not allowable under the provisions of the contract or any applicable regulations, we may not be able to obtain reimbursement for all of the costs we incur.

Profitability on our contracts is driven by billable headcount and our ability to manage our subcontractors, vendors and material suppliers. If we are unable to accurately estimate and manage our costs, we may incur losses on our contracts, which could decrease our operating margins and significantly reduce or eliminate our profits. Certain of our contracts require us to satisfy specific design, engineering, procurement or construction milestones in order to receive payment for the work completed or equipment or supplies procured prior to achievement of the applicable milestone. As a result, under these types of arrangements, we may incur significant costs or perform significant amounts of services prior to receipt of payment. If a client determines not to proceed with the completion of the project or if the client defaults on its payment obligations, we may face difficulties in collecting payment of amounts due to us for the costs previously incurred or for the amounts previously expended to purchase equipment or supplies.

Table of Contents

Accounting for a contract requires judgments relative to assessing the contract's estimated risks, revenue, costs and other technical issues. Due to the size and nature of many of our contracts, the estimation of overall risk, revenue and cost at completion is complicated and subject to many variables. Changes in underlying assumptions, circumstances or estimates may also adversely affect future period financial performance. If we are unable to accurately estimate the overall revenue or costs on a contract, then we may experience a lower profit or incur a loss on the contract.

Our failure to win new contracts and renew existing contracts with private and public sector clients could adversely affect our profitability.

Our business depends on our ability to win new contracts and renew existing contracts with private and public sector clients. Contract proposals and negotiations are complex and frequently involve a lengthy bidding and selection process, which is affected by a number of factors. These factors include market conditions, financing arrangements and required governmental approvals. For example, a client may require us to provide a bond or letter of credit to protect the client should we fail to perform under the terms of the contract. If negative market conditions arise, or if we fail to secure adequate financial arrangements or the required government approval, we may not be able to pursue particular projects, which could adversely affect our profitability.

We have made and expect to continue to make acquisitions that could disrupt our operations and adversely impact our business and operating results. Our failure to conduct due diligence effectively or our inability to successfully integrate acquisitions could impede us from realizing all of the benefits of the acquisitions, which could weaken our results of operations.

A key part of our growth strategy is to acquire other companies that complement our lines of business or that broaden our technical capabilities and geographic presence. We expect to continue to acquire companies as an element of our growth strategy; however, our ability to make acquisitions is restricted under our credit agreement. Acquisitions involve certain known and unknown risks that could cause our actual growth or operating results to differ from our expectations or the expectations of securities analysts. For example:

- we may not be able to identify suitable acquisition candidates or to acquire additional companies on acceptable terms;
- we are pursuing international acquisitions, which inherently pose more risk than domestic acquisitions;
- we compete with others to acquire companies, which may result in decreased availability of, or increased price for, suitable acquisition candidates;
- we may not be able to obtain the necessary financing, on favorable terms or at all, to finance any of our potential acquisitions;
- we may ultimately fail to consummate an acquisition even if we announce that we plan to acquire a company; and
- acquired companies may not perform as we expect, and we may fail to realize anticipated revenue and profits.

In addition, our acquisition strategy may divert management's attention away from our existing businesses, resulting in the loss of key clients or key employees, and expose us to unanticipated problems or legal liabilities, including responsibility as a successor-in-interest for undisclosed or contingent liabilities of acquired businesses or assets.

If we fail to conduct due diligence on our potential targets effectively, we may, for example, not identify problems at target companies or fail to recognize incompatibilities or other obstacles to successful

Table of Contents

integration. Our inability to successfully integrate future acquisitions could impede us from realizing all of the benefits of those acquisitions and could severely weaken our business operations. The integration process may disrupt our business and, if implemented ineffectively, may preclude realization of the full benefits expected by us and could harm our results of operations. In addition, the overall integration of the combining companies may result in unanticipated problems, expenses, liabilities, and competitive responses, and may cause our stock price to decline. The difficulties of integrating an acquisition include, among others:

- issues in integrating information, communications and other systems;
- incompatibility of logistics, marketing and administration methods;
- maintaining employee morale and retaining key employees;
- integrating the business cultures of both companies;
- preserving important strategic client relationships;
- consolidating corporate and administrative infrastructures and eliminating duplicative operations; and
- coordinating geographically separate organizations.

In addition, even if the operations of an acquisition are integrated successfully, we may not realize the full benefits of the acquisition, including the synergies, cost savings or growth opportunities that we expect. These benefits may not be achieved within the anticipated time frame, or at all.

Further, acquisitions may cause us to:

- issue common stock that would dilute our current stockholders' ownership percentage;
- use a substantial portion of our cash resources;
- increase our interest expense, leverage and debt service requirements (if we incur additional debt to pay for an acquisition);
- assume liabilities, including environmental liabilities, for which we do not have indemnification from the former owners. Further, indemnification obligations may be subject to dispute or concerns regarding the creditworthiness of the former owners;
- record goodwill and non-amortizable intangible assets that are subject to impairment testing and potential impairment charges;
- experience volatility in earnings due to changes in contingent consideration related to acquisition earn-out liability estimates;

incur amortization expenses related to certain intangible assets;

lose existing or potential contracts as a result of conflict of interest issues;

incur large and immediate write-offs; or

become subject to litigation.

Finally, acquired companies that derive a significant portion of their revenue from the U.S. federal government and that do not follow the same cost accounting policies and billing practices that we follow may be subject to larger cost disallowances for greater periods than we typically encounter. If we fail to determine the existence of unallowable costs and do not establish appropriate reserves in advance of an acquisition, we may be exposed to material unanticipated liabilities, which could have a material adverse effect on our business.

Table of Contents

If our goodwill or other intangible assets become impaired, then our profits may be significantly reduced.

Because we have historically acquired a significant number of companies, goodwill and other intangible assets represent a substantial portion of our assets. At September 30, 2012, our goodwill was $636.0 million and other intangible assets were $74.2 million. We are required to perform a goodwill impairment test for potential impairment at least on an annual basis. We also assess the recoverability of the unamortized balance of our intangible assets when indications of impairment are present based on expected future profitability and undiscounted expected cash flows and their contribution to our overall operations. The goodwill impairment test requires us to determine the fair value of our reporting units, which are the components one level below our reportable segments. In determining fair value, we make significant judgments and estimates, including assumptions about our strategic plans with regard to our operations. We also analyze current economic indicators and market valuations to help determine fair value. To the extent economic conditions that would impact the future operations of our reporting units change, our goodwill may be deemed to be impaired, and we would be required to record a non-cash charge that could result in a material adverse effect on our financial position or results of operations.

If we are not able to successfully manage our growth strategy, our business and results of operations may be adversely affected.

Our expected future growth presents numerous managerial, administrative, operational and other challenges. Our ability to manage the growth of our operations will require us to continue to improve our management information systems and our other internal systems and controls. In addition, our growth will increase our need to attract, develop, motivate and retain both our management and professional employees. The inability to effectively manage our growth or the inability of our employees to achieve anticipated performance could have a material adverse effect on our business.

Our backlog is subject to cancellation and unexpected adjustments, and is an uncertain indicator of future operating results.

Our backlog at September 30, 2012, was $2.1 billion. We include in backlog only those contracts for which funding has been provided and work authorizations have been received. We cannot guarantee that the revenue projected in our backlog will be realized or, if realized, will result in profits. In addition, project cancellations or scope adjustments may occur, from time to time, with respect to contracts reflected in our backlog. For example, certain of our contracts with the U.S. federal government and other clients are terminable at the discretion of the client, with or without cause. These types of backlog reductions could adversely affect our revenue and margins. Accordingly, our backlog as of any particular date is an uncertain indicator of our future earnings.

If our business partners fail to perform their contractual obligations on a project, we could be exposed to legal liability, loss of reputation and profit reduction or loss on the project.

We routinely enter into subcontracts and, occasionally, joint ventures, teaming arrangements and other contractual arrangements so that we can jointly bid and perform on a particular project. Success under these arrangements depends in large part on whether our business partners fulfill their contractual obligations satisfactorily. In addition, when we operate through a joint venture in which we are a minority holder, we have limited control over many project decisions, including decisions related to the joint venture's internal controls, which may not be subject to the same internal control procedures that we employ. If these unaffiliated third parties do not fulfill their contract obligations, the partnerships or joint ventures may be unable to adequately perform and deliver their contracted services. Under these circumstances, we may be obligated to pay financial penalties, provide additional services to ensure the adequate performance and delivery of the contracted services and may be jointly and severally liable for the other's actions or contract performance. These additional obligations could result in reduced profits

Table of Contents

and revenues or, in some cases, significant losses for us with respect to the joint venture, which could also affect our reputation in the industries we serve.

If our contractors and subcontractors fail to satisfy their obligations to us or other parties, or if we are unable to maintain these relationships, our revenue, profitability and growth prospects could be adversely affected.

We depend on contractors and subcontractors in conducting our business. There is a risk that we may have disputes with our subcontractors arising from, among other things, the quality and timeliness of work performed by the subcontractor, client concerns about the subcontractor, or our failure to extend existing task orders or issue new task orders under a subcontract. In addition, if any of our subcontractors fail to deliver on a timely basis the agreed-upon supplies, fail to perform the agreed-upon services or go out of business, then our ability to fulfill our obligations as a prime contractor may be jeopardized.

We also rely on relationships with other contractors when we act as their subcontractor or joint venture partner. The absence of qualified subcontractors with which we have a satisfactory relationship could adversely affect the quality of our service and our ability to perform under some of our contracts. Our future revenue and growth prospects could be adversely affected if other contractors eliminate or reduce their subcontracts or teaming arrangement relationships with us, or if a government agency terminates or reduces these other contractors' programs, does not award them new contracts or refuses to pay under a contract.

We may be required to pay liquidated damages if we fail to meet milestone requirements in our contracts.

We may be required to pay liquidated damages if we fail to meet milestone requirements in our contracts. Failure to meet any of the milestone requirements could result in additional costs, and the amount of such additional costs could exceed the projected profits on the project. These additional costs include liquidated damages paid under contractual penalty provisions, which can be substantial and can accrue on a regular basis.

Changes in resource management, environmental or infrastructure industry laws, regulations and programs could directly or indirectly reduce the demand for our services, which could in turn negatively impact our revenue.

Some of our services are directly or indirectly impacted by changes in U.S. federal, state, local or foreign laws and regulations pertaining to resource management, the environment and infrastructure. Accordingly, a relaxation or repeal of these laws and regulations, or changes in governmental policies regarding the funding, implementation or enforcement of these programs, could result in a decline in demand for our services, which could in turn negatively impact our revenue.

Changes in capital markets could adversely affect our access to capital and negatively impact our business.

Our results could be adversely affected by an inability to access the revolving credit facility under our credit agreement. Unfavorable financial or economic conditions could impact certain lenders' willingness or ability to fund our revolving credit facility. In addition, increases in interest rates or credit spreads, volatility in financial markets or the interest rate environment, significant political or economic events, defaults of significant issuers and other market and economic factors may negatively impact the general level of debt issuance, the debt issuance plans of certain categories of borrowers, the types of credit-sensitive products being offered, and/or a sustained period of market decline or weakness could have a material adverse effect on us.

Table of Contents

Restrictive covenants in our credit agreement may restrict our ability to pursue certain business strategies.

Our credit agreement limits or restricts our ability to, among other things:

- incur additional indebtedness;
- create liens securing debt or other encumbrances on our assets;
- make loans or advances;
- pay dividends or make distributions to our stockholders;
- purchase or redeem our stock;
- repay indebtedness that is junior to indebtedness under our credit agreement;
- acquire the assets of, or merge or consolidate with, other companies; and
- sell, lease or otherwise dispose of assets.

Our credit agreement also requires that we maintain certain financial ratios, which we may not be able to achieve. The covenants may impair our ability to finance future operations or capital needs or to engage in other favorable business activities.

Our industry is highly competitive and we may be unable to compete effectively.

Our industry is highly fragmented and intensely competitive. Our competitors are numerous, ranging from small private firms to multi-billion-dollar public companies. In addition, the technical and professional aspects of our services generally do not require large upfront capital expenditures and provide limited barriers against new competitors. Some of our competitors have achieved greater market penetration in some of the markets in which we compete, and some have substantially more financial resources and/or financial flexibility than we do. As a result of the number of competitors in the industry, our clients may select one of our competitors on a project due to competitive pricing or a specific skill set. These competitive forces could force us to make price concessions or otherwise reduce prices for our services. If we are unable to maintain our competitiveness, our market share, revenue and profits will decline.

Legal proceedings, investigations and disputes could result in substantial monetary penalties and damages, especially if such penalties and damages exceed or are excluded from existing insurance coverage.

We engage in consulting, engineering, program management, construction management, construction and technical services that can result in substantial injury or damages that may expose us to legal proceedings, investigations and disputes. For example, in the ordinary course of our business, we may be involved in legal disputes regarding personal injury claims, employee or labor disputes, professional liability claims, and general commercial disputes involving project cost overruns and liquidated damages as well as other claims. In addition, in the ordinary course of our business, we frequently make professional judgments and recommendations about environmental and engineering conditions of project sites for our clients, and we may be deemed to be responsible for these judgments and recommendations if they are later determined to be inaccurate. Any unfavorable legal ruling against us could result in substantial monetary damages or even criminal violations. We maintain insurance coverage as part of our overall legal and risk management strategy to minimize our potential liabilities; however, insurance coverage contains exclusions and other limitations that may not cover our potential liabilities. Generally, our insurance program covers workers' compensation and employer's liability, general liability, automobile liability, professional errors and omissions liability, property, and contractor's pollution liability (in addition to other policies for specific projects). Our insurance program includes deductibles or self-insured retentions for each covered claim that may increase over time. In addition, our insurance policies contain exclusions that insurance providers may use to deny or restrict coverage. Excess liability and professional liability

Table of Contents

insurance policies provide for coverage on a "claims-made" basis, covering only claims actually made and reported during the policy period currently in effect. If we sustain liabilities that exceed or that are excluded from our insurance coverage or for which we are not insured, it could have a material adverse impact on our results of operations and financial condition.

Unavailability or cancellation of third-party insurance coverage would increase our overall risk exposure as well as disrupt the management of our business operations.

We maintain insurance coverage from third-party insurers as part of our overall risk management strategy and because some of our contracts require us to maintain specific insurance coverage limits. If any of our third-party insurers fail, suddenly cancel our coverage or otherwise are unable to provide us with adequate insurance coverage, then our overall/ risk exposure and our operational expenses would increase and the management of our business operations would be disrupted. In addition, there can be no assurance that any of our existing insurance coverage will be renewable upon the expiration of the coverage period or that future coverage will be affordable at the required limits.

Our inability to obtain adequate bonding could have a material adverse effect on our future revenue and business prospects.

Certain clients require bid bonds and performance and payment bonds. These bonds indemnify the client should we fail to perform our obligations under a contract. If a bond is required for a particular project and we are unable to obtain an appropriate bond, we cannot pursue that project. In some instances, we are required to co-venture with a small or disadvantaged business to pursue certain U.S. federal or state government contracts. In connection with these ventures, we are sometimes required to utilize our bonding capacity to cover all of the payment and performance obligations under the contract with the client. We have a bonding facility but, as is typically the case, the issuance of bonds under that facility is at the surety's sole discretion. Moreover, due to events that can negatively affect the insurance and bonding markets, bonding may be more difficult to obtain or may only be available at significant additional cost. There can be no assurance that bonds will continue to be available to us on reasonable terms. Our inability to obtain adequate bonding and, as a result, to bid on new work could have a material adverse effect on our future revenue and business prospects.

Employee, agent or partner misconduct or our overall failure to comply with laws or regulations could harm our reputation, reduce our revenue and profits, and subject us to criminal and civil enforcement actions.

Misconduct, fraud, non-compliance with applicable laws and regulations, or other improper activities by one of our employees, agents or partners could have a significant negative impact on our business and reputation. Such misconduct could include the failure to comply with government procurement regulations, regulations regarding the protection of classified information, regulations prohibiting bribery and other foreign corrupt practices, regulations regarding the pricing of labor and other costs in government contracts, regulations on lobbying or similar activities, regulations pertaining to the internal controls over financial reporting, environmental laws and any other applicable laws or regulations. For example, the FCPA and similar anti-bribery laws in other jurisdictions generally prohibit companies and their intermediaries from making improper payments to non-U.S. officials for the purpose of obtaining or retaining business. Our policies mandate compliance with these regulations and laws, and we take precautions to prevent and detect misconduct. However, since our internal controls are subject to inherent limitations, including human error, it is possible that these controls could be intentionally circumvented or become inadequate because of changed conditions. As a result, we cannot assure that our controls will protect us from reckless or criminal acts committed by our employees or agents. Our failure to comply with applicable laws or regulations or acts of misconduct could subject us to fines and penalties, loss of security clearances, and suspension or debarment from contracting, any or all of which could harm our reputation, reduce our revenue and profits, and subject us to criminal and civil enforcement actions.

Table of Contents

Our business activities may require our employees to travel to and work in countries where there are high security risks, which may result in employee death or injury, repatriation costs or other unforeseen costs.

Certain of our contracts may require our employees travel to and work in high-risk countries that are undergoing political, social and economic upheavals resulting from war, civil unrest, criminal activity, acts of terrorism or public health crises. For example, we currently have employees working in high security risk countries such as Afghanistan. As a result, we risk loss of or injury to our employees and may be subject to costs related to employee death or injury, repatriation or other unforeseen circumstances. We may choose or be forced to leave a country with little or no warning due to physical security risks.

Our failure to implement and comply with our safety program could adversely affect our operating results or financial condition.

Our safety program is a fundamental element of our overall approach to risk management, and the implementation of the safety program is a significant issue in our dealings with our clients. We maintain an enterprise-wide group of health and safety professionals to help ensure that the services we provide are delivered safely and in accordance with standard work processes. Unsafe job sites and office environments have the potential to increase employee turnover, increase the cost of a project to our clients, expose us to types and levels of risk that are fundamentally unacceptable, and raise our operating costs. The implementation of our safety processes and procedures are monitored by various agencies and rating bureaus and may be evaluated by certain clients in cases in which safety requirements have been established in our contracts. Our failure to meet these requirements or our failure to properly implement and comply with our safety program could result in reduced profitability or the loss of projects or clients, and could have a material adverse effect on our business, operating results or financial condition.

We may be precluded from providing certain services due to conflict of interest issues.

Many of our clients are concerned about potential or actual conflicts of interest in retaining management consultants. U.S. federal government agencies have formal policies against continuing or awarding contracts that would create actual or potential conflicts of interest with other activities of a contractor. These policies, among other things, may prevent us from bidding for or performing government contracts resulting from or relating to certain work we have performed. In addition, services performed for a commercial or government client may create a conflict of interest that precludes or limits our ability to obtain work from other public or private organizations. We have, on occasion, declined to bid on projects due to conflict of interest issues.

If our reports and opinions are not in compliance with professional standards and other regulations, we could be subject to monetary damages and penalties.

We issue reports and opinions to clients based on our professional engineering expertise, as well as our other professional credentials. Our reports and opinions may need to comply with professional standards, licensing requirements, securities regulations and other laws and rules governing the performance of professional services in the jurisdiction in which the services are performed. In addition, we could be liable to third parties who use or rely upon our reports or opinions even if we are not contractually bound to those third parties. For example, if we deliver an inaccurate report or one that is not in compliance with the relevant standards, and that report is made available to a third party, we could be subject to third-party liability, resulting in monetary damages and penalties.

We may be subject to liabilities under environmental laws and regulations.

Our services are subject to numerous U.S. and international environmental protection laws and regulations that are complex and stringent. For example, we must comply with a number of U.S. federal government laws that strictly regulate the handling, removal, treatment, transportation and disposal of toxic and hazardous substances. Under the Comprehensive Environmental Response Compensation and

Table of Contents

Liability Act of 1980, as amended ("CERCLA"), and comparable state laws, we may be required to investigate and remediate regulated hazardous materials. CERCLA and comparable state laws typically impose strict, joint and several liabilities without regard to whether a company knew of or caused the release of hazardous substances. The liability for the entire cost of clean-up could be imposed upon any responsible party. Other principal federal environmental, health and safety laws affecting us include, but are not limited to, the Resource Conversation and Recovery Act, the National Environmental Policy Act, the Clean Air Act, the Occupational Safety and Health Act, the Toxic Substances Control Act and the Superfund Amendments and Reauthorization Act. Our business operations may also be subject to similar state and international laws relating to environmental protection. Further, past business practices at companies that we have acquired may also expose us to future unknown environmental liabilities. Liabilities related to environmental contamination or human exposure to hazardous substances, or a failure to comply with applicable regulations, could result in substantial costs to us, including clean-up costs, fines and civil or criminal sanctions, third-party claims for property damage or personal injury or cessation of remediation activities. Our continuing work in the areas governed by these laws and regulations exposes us to the risk of substantial liability.

Force majeure events, including natural disasters and terrorist actions could negatively impact the economies in which we operate or disrupt our operations, which may affect our financial condition, results of operations or cash flows.

Force majeure or extraordinary events beyond the control of the contracting parties, such as natural and man-made disasters, as well as terrorist actions, could negatively impact the economies in which we operate by causing the closure of offices, interrupting projects and forcing the relocation of employees. Further, despite our implementation of network security measures, our servers are vulnerable to computer viruses, break-ins and similar disruptions from unauthorized tampering with our computer systems. We typically remain obligated to perform our services after a terrorist action or natural disaster unless the contract contains a force majeure clause that relieves us of our contractual obligations in such an extraordinary event. If we are not able to react quickly to force majeure, our operations may be affected significantly, which would have a negative impact on our financial condition, results of operations or cash flows.

We have only a limited ability to protect our intellectual property rights, and our failure to protect our intellectual property rights could adversely affect our competitive position.

Our success depends, in part, upon our ability to protect our proprietary information and other intellectual property. We rely principally on trade secrets to protect much of our intellectual property where we do not believe that patent or copyright protection is appropriate or obtainable. However, trade secrets are difficult to protect. Although our employees are subject to confidentiality obligations, this protection may be inadequate to deter or prevent misappropriation of our confidential information. In addition, we may be unable to detect unauthorized use of our intellectual property or otherwise take appropriate steps to enforce our rights. Failure to obtain or maintain trade secret protection could adversely affect our competitive business position. In addition, if we are unable to prevent third parties from infringing or misappropriating our trademarks or other proprietary information, our competitive position could be adversely affected.

Systems and information technology interruption could adversely impact our ability to operate.

We rely heavily on computer, information, and communications technology and systems to operate. From time to time, we experience system interruptions and delays. If we are unable to effectively deploy software and hardware, upgrade our systems and network infrastructure, and take steps to improve and protect our systems, systems operations could be interrupted or delayed.

Our computer and communications systems and operations could be damaged or interrupted by natural disasters, telecommunications failures, acts of war or terrorism and similar events or disruptions. In addition, we face the threat of unauthorized system access, computer hackers, computer viruses, malicious code, organized cyber-attacks, and other security breaches and system disruptions. We devote significant resources to the security of our computer systems, but they may still be vulnerable to threats. Anyone who circumvents security measures could misappropriate proprietary information or cause interruptions or malfunctions in system operations. As a result, we may be required to expend significant resources to protect against the threat of system disruptions and security breaches, or to alleviate problems caused by disruptions and breaches.

Any of these or other events could cause system interruption, delays, and loss of critical data that could delay or prevent operations, and could have a material adverse effect on our business, financial condition, results of operations and cash flows, and could negatively impact our clients.

Delaware law and our charter documents may impede or discourage a merger, takeover or other business combination even if the business combination would have been in the best interests of our stockholders.

We are a Delaware corporation and the anti-takeover provisions of Delaware law impose various impediments to the ability of a third party to acquire control of us, even if a change in control would be beneficial to our stockholders. In addition, our Board of Directors has the power, without stockholder approval, to designate the terms of one or more series of preferred stock and issue shares of preferred stock, which could be used defensively if a takeover is threatened. Our incorporation under Delaware law, the ability of our Board of Directors to create and issue a new series of preferred stock and provisions in our certificate of incorporation and bylaws, such as those relating to advance notice of certain stockholder proposals and nominations, could impede a merger, takeover or other business combination involving us or discourage a potential acquirer from making a tender offer for our common stock, even if the business combination would have been in the best interests of our current stockholders.

Our stock price could become more volatile and stockholders' investments could lose value.

In addition to the macroeconomic factors that have affected the prices of many securities generally, all of the factors discussed in this section could affect our stock price. Our common stock has previously experienced substantial price volatility. In addition, the stock market has experienced extreme price and volume fluctuations that have affected the market price of many companies and that have often been unrelated to the operating performance of these companies. The overall market and the price of our common stock may fluctuate greatly. The trading price of our common stock may be significantly affected by various factors, including:

- quarter-to-quarter variations in our financial results, including revenue, profits, days sales outstanding, backlog, and other measures of financial performance or financial condition;
- our announcements or our competitors' announcements of significant events, including acquisitions;
- resolution of threatened or pending litigation;
- changes in investors' and analysts' perceptions of our business or any of our competitors' businesses;
- investors' and analysts' assessments of reports prepared or conclusions reached by third parties;
- changes in environmental legislation;
- investors' perceptions of our performance of services in countries in which the U.S. military is engaged, including Afghanistan;
- broader market fluctuations; and

general economic or political conditions.

Volatility in the financial markets could cause a decline in our stock price, which could trigger an impairment of the goodwill of individual reporting units that could be material to our consolidated financial statements. A significant drop in the price of our stock could also expose us to the risk of securities class action lawsuits, which could result in substantial costs and divert managements' attention and resources, which could adversely affect our business. Additionally, volatility or a lack of positive performance in our stock price may adversely affect our ability to retain key employees, many of whom are granted stock options and shares of restricted stock, the value of which is dependent on the performance of our stock price.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

At fiscal 2012 year-end, we owned three facilities located in the United States that are used for operations. Our significant lease agreements expire at various dates through 2021. We also have some month-to-month leases. We believe that our current facilities are adequate for the operation of our business and that suitable additional space in various local markets is available to accommodate any needs that may arise.

The following table summarizes our 15 most significant leased properties based on the amount of square footage at fiscal 2012 year-end:

Location	Description	Reportable Segment
Pasadena, CA	Corporate Headquarters	Corporate
Arlington, VA	Office Building	ECS
Calgary, AB, Canada	Office Building	ECS
Edmonton, AB, Canada	Office Building	ECS
Fairfax, VA	Office Building	ECS
Framingham, MA	Office Building	TSS / EAS
Golden, CO	Office Building	ECS
Irvine, CA	Office Building	ECS / TSS / EAS
Mississauga, ON, Canada	Office Building	ECS
Montreal, QC, Canada	Office Building	ECS
Morris Plains, NJ	Office Building	TSS / RCM
New York, NY	Office Building	TSS / EAS
Pittsburgh, PA	Office Building	TSS
Quebec City, QC, Canada	Office Building	ECS
Richmond, BC, Canada	Office Building	ECS

Item 3. Legal Proceedings

For a description of our material pending legal and regulatory proceedings and settlements, see Note 16, "Commitments and Contingencies" of the "Notes to Consolidated Financial Statements" included in Item 8.

Item 4. Mine Safety Disclosures

Section 1503 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") required domestic mine operators to disclose violations and orders issued under the Federal Mine Safety and Health Act of 1977 (the "Mine Act") by the U.S. Mine Safety and Health Administration. We do not act as the owner of any mines but we may act as a mining operator as defined under the Mine Act where we may be an independent contractor performing services or construction at such a mine. Information concerning mine safety violations or other regulatory matters required by Section 1503(a) of the Dodd-Frank Act and Item 104 Regulations S-K is included in Exhibit 95.

Table of Contents

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

Our common stock is traded on the NASDAQ Global Select Market under the symbol TTEK. There were 1,753 stockholders of record at November 7, 2012. The high and low sales prices per share for the common stock for the last two fiscal years, as reported by the NASDAQ Global Select Market, are set forth in the following tables.

	Prices	
	High	Low
Fiscal Year 2012		
First quarter	$ 23.38	$ 17.31
Second quarter	26.49	21.42
Third quarter	28.00	23.73
Fourth quarter	28.00	24.17
Fiscal Year 2011		
First quarter	$ 27.16	$ 20.53
Second quarter	25.50	22.23
Third quarter	25.49	21.49
Fourth quarter	23.81	17.57

We have not paid any cash dividends since our inception and have no current plans to change our dividend policy. Our credit agreement restricts the extent to which cash dividends may be declared or paid. For information regarding our stock-based compensation, see Note 10, "Stockholders' Equity and Stock Compensation Plans" of the "Notes to Consolidated Financial Statements" included in Item 8.

Stock Repurchases

None.

Performance Graph

The following graph shows a comparison of our cumulative total returns with those of the NASDAQ Market Index, our self-constructed Peer Group Index (as defined below). The graph assumes that the value of an investment in our common stock and in each such index was $100 on October 1, 2007, and that all dividends have been reinvested. No cash dividends have been declared on shares of our common stock. Our self-constructed Peer Group Index includes the following companies: AECOM Technology Corporation; Foster Wheeler AG; Jacobs Engineering Group; Michael Baker Corporation; The Shaw Group, Inc.; URS Corporation; and Willbros Group, Inc. The comparison in the graph below is based on historical data and is not intended to forecast the possible future performance of our common stock.

Table of Contents

COMPARISON OF CUMULATIVE TOTAL RETURN

ASSUMES $100 INVESTED ON OCTOBER 1, 2007
ASSUMES DIVIDENDS REINVESTED
FISCAL YEAR ENDING SEPTEMBER 30, 2012

	2007	**2008**	**2009**	**2010**	**2011**	**2012**
Tetra Tech, Inc.	100.00	120.69	121.83	100.33	88.73	124.34
NASDAQ Market Index	100.00	81.42	78.79	90.15	92.73	121.04
Peer Group Index	100.00	65.54	58.24	51.94	38.41	51.67

The performance graph above and related text are being furnished solely to accompany this annual report on Form 10-K pursuant to Item 201(e) of Regulation S-K, and are not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and are not to be incorporated by reference into any of our filings with the SEC, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

Table of Contents

Item 6. Selected Financial Data

The following selected financial data was derived from our consolidated financial statements. You should read the selected financial data presented below in conjunction with the information contained in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," and our consolidated financial statements and the notes thereto contained in Item 8, "Financial Statements and Supplementary Data," of this report.

	Fiscal Year Ended				
	September 30, 2012	**October 2, 2011**	**October 3, 2010**	**September 27, 2009**	**September 28, 2008**
	(in thousands, except per share data)				
Statements of Income Data					
Revenue	$ 2,711,075	$ 2,573,144	$ 2,201,232	$ 2,287,484	$ 2,145,254
Operating income	166,367	146,422	124,474	121,889	106,400
Net income attributable to Tetra Tech	104,380	90,039	76,819	87,028	60,906
Diluted earnings per share	1.63	1.43	1.24	1.43	1.02
Balance Sheet Data					
Total assets	$ 1,671,030	$ 1,593,988	$ 1,381,689	$ 1,097,905	$ 1,056,545
Long-term debt, less current maturities	81,047	144,868	122,510	6,530	53,292
Tetra Tech stockholders' equity	1,018,970	854,725	748,133	646,478	511,514

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following analysis of our financial condition and results of operations should be read in conjunction with Part 1 of this report, as well as our consolidated financial statements and accompanying notes in Item 8. The following analysis contains forward-looking statements about our future results of operations and expectations. Our actual results and the timing of events could differ materially from those described herein. See Part 1, Item 1A, "Risk Factors" for a discussion of the risks, assumptions and uncertainties affecting these statements.

OVERVIEW OF RESULTS AND BUSINESS TRENDS

Management review of fiscal 2012 and outlook for the future. On an overall basis, we experienced significant improvement in our fiscal 2012 operating results compared with fiscal 2011. We continued to focus on organic growth and the pursuit of strategic acquisitions that are expected to enhance our service offerings and expand our geographic presence. Our revenue growth resulted primarily from industrial, energy and environmental management projects for large multi-national companies. The growth was also driven by demand for our water, environmental and infrastructure design services in Canada, Australia and South America, primarily for mining and other commodity-driven businesses. Our overall results were tempered by reduced revenue from our U.S. federal government programs that continued to slow in the current year.

Impact of Recent Business Environment. Current economic conditions have been somewhat volatile and there is increased uncertainty as to whether the U.S. or the global economy will grow modestly, remain stagnant or enter a recession. The economic growth experienced in 2012 may or may not continue, or may continue at a slower rate for an extended period of time. In addition, some economic conditions, such as rates of spending and employment, may continue to be weak. Uncertainty regarding the U.S. federal budget and taxes has added to the uncertainty regarding economic conditions generally. Those conditions could be negatively impacted by the occurrence or threat of a so-called "fiscal cliff" consisting of, among other things, mandatory federal budget reductions, or sequestrations, and the expiration of federal individual tax rate reductions that become effective January 1, 2013. Concerns about the oncoming "fiscal cliff" appear to be restraining business owners from making investment commitments needed to fund future growth. With this uncertainty regarding the future, it is difficult to confidently predict the direction in which the U.S. and global economies are headed. Strong economic expansion generally benefits our business while a tepid economic recovery could adversely impact the demand for our services. It is not possible to predict with certainty whether or when a recovery may occur, or what impact this would have on our business, results of operations, cash flows or financial condition.

International. Our international business grew 11.3% in fiscal 2012 compared to fiscal 2011. The growth was driven by demand for our water, environmental and infrastructure design services globally, primarily from mining and other commodity-driven clients. We expect that our international business will continue its growth during fiscal 2013 as a result of our continued expansion in Canada, our recent expansion into Australia and South America, and demand for our services from broad-based clients worldwide.

U.S. Commercial. Our U.S. commercial business grew 24.3% in fiscal 2012 compared to fiscal 2011. The growth was broad-based with increased revenue from industrial, energy and environmental management projects for large multi-national companies. Many of our largest U.S. commercial clients are experiencing higher environmental and infrastructure capital spending levels following a period of budgetary constraints during the global financial crisis. Therefore, although we expect some economic weakness may continue in certain sectors of our U.S. commercial business, we are cautiously optimistic regarding increased spending by our largest U.S. commercial clients. As such, we expect that our U.S. commercial business will continue its growth in fiscal 2013. Our U.S. commercial clients typically react rapidly to economic change. Accordingly, if the U.S. economy experiences a slowdown in fiscal 2013, we would expect our U.S. commercial outlook to change accordingly.

U.S. Federal Government. Our U.S. federal government business declined 9.6% in fiscal 2012 compared to fiscal 2011. This decline resulted primarily from lower revenue on DoD programs, principally from the wind-down of several large New Orleans hurricane protection and environmental remediation programs for USACE. The decline was partially offset by revenue growth from international development services for the DoS, and from our front-end water, environmental and infrastructure engineering and design services for other federal agencies. During periods of economic volatility, our U.S. federal government clients have historically been the most stable and predictable. However, due to the U.S. federal budget uncertainties described above, we remain cautious.

U.S. State and Local Government. Our U.S. state and local government business increased 13.0% in fiscal 2012 compared to fiscal 2011. The growth was driven by increased revenue from essential programs. Many state and local government agencies continue to face economic challenges, including budget deficits and difficult cost cutting decisions. Simultaneously, states are facing major long-term infrastructure needs, including the need for maintenance, repair and upgrading of existing critical infrastructure and the need to build new facilities. The funding risks associated with our U.S. state and local government programs are partially mitigated by legal requirements that drive some of these programs, such as regulatory-mandated consent decrees. As a result, some programs will generally progress despite budget pressures as demonstrated by the growth in fiscal 2012. Although we anticipate that many state and local government agencies will continue to face economic challenges, we expect our U.S. state and local government business to continue its current growth rate in fiscal 2013 compared to fiscal 2012 because of our focus on essential programs.

Reorganization of Operations. Our operating results for fiscal 2012 reflect the execution of a reorganization of our operations initiated in the fourth quarter of fiscal 2012 to improve future growth and profitability. These activities included the consolidation and realignment of certain operating activities to improve organizational effectiveness and achieve efficiencies in our segment management. We also decided to wind down certain unprofitable business activities.

During the implementation of this reorganization plan, we incurred additional costs in the fourth quarter of fiscal 2012, including discretionary compensation-related costs for severance and employee retention. In addition, we recorded charges for lease exit costs, and fixed asset and other long-lived asset impairments primarily associated with office space reductions and relocations. We also incurred contract and other losses to wind down certain India-based activities that are no longer supported by our reorganized business.

Specifically, this reorganization included the elimination of the EAS reportable segment effective at the beginning of fiscal 2013. The operating activities previously reported in this segment have been realigned with operations with similar client types, project types and financial metrics in the ECS and TSS segments. In anticipation of these organizational changes, staffing and office space were reduced during the fourth quarter of fiscal 2012 to reflect a more effective and efficient management structure over our global operations. We also revised the assumptions related to future operating results in our goodwill valuations consistent with the operational review that supported the reorganization. During this evaluation, we identified one small reporting unit in our EAS segment with impairment. This operating unit reported lower than planned operating income during the fourth quarter of fiscal 2012 and projected future operating losses and negative cash flows, which caused a non-cash impairment charge of $0.9 million, representing all of the goodwill in this reporting unit in the fourth quarter of fiscal 2012.

Although we anticipate that these consolidation and reorganization efforts will continue into the first half of fiscal 2013, we do not expect these activities to have a further material effect on our results of

Table of Contents

operations. Conversely, these actions are expected to modestly improve our operating results in fiscal 2013 through lower overhead costs and increased effectiveness in growing our operations organically.

RESULTS OF OPERATIONS

Fiscal 2012 Compared to Fiscal 2011

Consolidated Results of Operations

	Fiscal Year Ended			
	September 30, 2012	October 2, 2011	Change $	Change %
	($ in thousands)			
Revenue	$ 2,711,075	$ 2,573,144	$ 137,931	5.4%
Subcontractor costs	(689,005)	(780,817)	91,812	11.8
Revenue, net of subcontractor costs[1]	2,022,070	1,792,327	229,743	12.8
Other costs of revenue	(1,663,065)	(1,454,374)	(208,691)	(14.3)
Selling, general and administrative expenses	(211,884)	(193,286)	(18,598)	(9.6)
Contingent consideration fair value adjustments	19,246	1,755	17,491	NM
Operating income	166,367	146,422	19,945	13.6
Interest expense net	(5,571)	(5,930)	359	6.1
Income before income tax expense	160,796	140,492	20,304	14.5
Income tax expense	(56,064)	(47,510)	(8,554)	(18.0)
Net income including noncontrolling interests	104,732	92,982	11,750	12.6
Net income attributable to noncontrolling interest	(352)	(2,943)	2,591	88.0
Net income attributable to Tetra Tech	$ 104,380	$ 90,039	$ 14,341	15.9

NM = not meaningful

(1) We believe that the presentation of "Revenue, net of subcontractor costs," a non-GAAP financial measure, enhances investors' ability to analyze our business trends and performance because it substantially measures the work performed by our employees. In the course of providing services, we routinely subcontract various services and, under certain USAID programs, issue grants. Generally, these subcontractor costs and grants are passed through to our clients and, in accordance with GAAP and industry practice, are included in our revenue when it is our contractual responsibility to procure or manage these activities. The grants are included as part of our subcontractor costs. Because subcontractor services can vary significantly from project to project and period to period, changes in revenue may not necessarily be indicative of our business trends. Accordingly, we segregate subcontractor costs from revenue to promote a better understanding of our business by evaluating revenue exclusive of costs associated with external service providers.

Overall, our fiscal 2012 operating results improved significantly compared with fiscal 2011. Revenue and revenue, net of subcontractor costs, increased $137.9 million and $229.7 million, respectively, in fiscal 2012 compared to the prior year. The growth was driven by strong results in our U.S. commercial business, the continued expansion of our international business, and contributions from acquisitions completed during fiscal 2012 and 2011. To a lesser extent, our U.S. state and local government market also contributed to the growth. Our revenue, net of subcontractor costs, in our U.S. federal government business increased slightly versus last year; however, the related revenue declined due to decreased revenue from certain construction management projects for the DoD that had a high level of subcontracting activities. As a result, our overall revenue, net of subcontractor costs, grew at a higher rate than revenue compared to last year.

Revenue and revenue, net of subcontractor costs, for our U.S. commercial business increased $140.7 million and $75.2 million, respectively, in fiscal 2012 compared to fiscal 2011. The growth was experienced across all of our reportable segments, and was primarily attributable to increased revenue from industrial, energy and environmental management projects for large multi-national companies. Revenue and revenue, net of subcontractor costs, for our international business increased $67.7 million and $112.1 million, respectively, in fiscal 2012 versus the prior year. The growth was driven by increased activity on our water, environmental and infrastructure design projects in Canada, Australia and South America, primarily for mining and other commodity-driven businesses. Additionally, revenue, net of subcontractor costs, grew at a faster pace than revenue due to increased self-performance on international projects in fiscal 2012. Revenue and revenue, net of subcontractor costs, for fiscal 2012 included contributions from acquisitions totaling $133.2 million and $122.3 million, respectively. Approximately one-third of these amounts were contributed by our international acquisitions. Our overall revenue growth was partially offset by declines in revenue and revenue, net of subcontractor costs, on DoD programs totaling $135.4 million and $49.6 million, respectively, in fiscal 2012 compared to fiscal 2011. These reductions resulted primarily from the wind-down of several large New Orleans hurricane protection projects for USACE and environmental remediation programs for the DoD.

Operating income increased 13.6% in fiscal 2012 compared to fiscal 2011 primarily due to growth in our revenue and revenue, net of subcontractor costs. In addition, operating income increased at a higher rate than revenue due to better project performance in fiscal 2012. In fiscal 2011, operating income was reduced by contract costs incurred for project overruns of $21.0 million on several fixed-priced construction management projects in the RCM segment, and on an international development program in the TSS segment. These fiscal 2011 items were partially mitigated by a $10.6 million government performance-based incentive award fee on a large environmental remediation program in the RCM segment and a $2.0 million net favorable project settlement in the EAS segment.

In the fourth quarter of fiscal 2012, operating income was adversely impacted by $16.9 million of costs related to the reorganization of our operations as described above in the "Overview of Results and Business Trends." These costs included $6.4 million of compensation-related expenses for severance and employee retention. In addition, we recorded $4.4 million of lease exit costs, fixed asset write-downs and other long-lived asset impairments associated with office space reductions and relocations. Further, we incurred operational losses of $5.2 million for winding down certain India-based activities that are no longer supported by our reorganized business model. We also identified one small reporting unit in the EAS segment in which goodwill was impaired. This reporting unit realized lower than planned operating income during the fourth quarter of fiscal 2012, and projected future operating losses and negative cash flows that resulted in a $0.9 million non-cash goodwill impairment charge. Operating income in fiscal 2012 also included net gains of $19.2 million related to changes in the estimated fair value of our contingent earn-out liabilities during fiscal 2012, $17.3 million of which were recognized in the fourth quarter, compared to $1.8 million during fiscal 2011.

The $17.3 million net decrease in our contingent consideration liability in the fourth quarter of fiscal 2012 included $12.5 million related to our determination in that quarter that one of our acquisitions in the TSS segment would not achieve the operating income we previously expected for the earn-out period. The remaining fourth quarter net earn-out adjustments primarily related to several of our recent acquisitions in the ECS segment for which the earn-out periods concluded in the fourth quarter of fiscal 2012.

Table of Contents

Income tax expense increased due to higher pre-tax income. Our effective tax rate for fiscal 2012 was 34.9% compared to 33.8% for fiscal 2011. The prior-year tax rate benefitted from the extension of R&E credits. There was a $1.2 million benefit from R&E credits for the last nine months of fiscal 2010 that was recorded in the first quarter of fiscal 2011. With the expiration of the R&E credits on December 31, 2011, we have not estimated a benefit from these credits beyond the expiration date.

Segment Results of Operations

Engineering and Consulting Services

	Fiscal Year Ended			
	September 30, 2012	**October 2, 2011**	**Change $**	**%**
	($ in thousands)			
Revenue	$ 1,036,588	$ 930,067	$ 106,521	11.5%
Subcontractor costs	(169,088)	(160,150)	(8,938)	(5.6)
Revenue, net of subcontractor costs[(1)]	$ 867,500	$ 769,917	$ 97,583	12.7
Operating income	$ 88,091	$ 88,135	$ (44)	

(1) Represents a non-GAAP financial measure. For more information, see the "Consolidated Results of Operations" discussion above.

Revenue and revenue, net of subcontractor costs, increased $106.5 million and $97.6 million, respectively, in fiscal 2012 compared to fiscal 2011. The growth was primarily driven by demand for our water, environmental and infrastructure design services globally, and our continued international expansion into Canada, Australia and South America. In fiscal 2012, recent acquisitions contributed $40.5 million and $38.8 million to revenue and revenue, net of subcontractor costs, respectively.

Despite the growth in revenue and revenue, net of subcontractor costs, operating income was stable compared to fiscal 2011. Seasonal inclement weather conditions at our larger Canadian operations during the first half of fiscal 2012 contributed to the lower operating margin. The adverse working conditions resulted in lower staff utilization on projects and higher indirect expenses. In addition, operating income was negatively impacted by $1.1 million of severance and other discretionary compensation-related costs associated with reorganization in the fourth quarter of fiscal 2012. Further, the wind-down of several high-profit water and mining-related projects had a negative effect in comparison to fiscal 2012 operating income.

Table of Contents

Technical Support Services

	Fiscal Year Ended			
	September 30, 2012	October 2, 2011	Change $	%
	($ in thousands)			
Revenue	$ 919,862	$ 867,130	$ 52,732	6.1%
Subcontractor costs	(326,922)	(364,106)	37,184	10.2
Revenue, net of subcontractor costs(1)	$ 592,940	$ 503,024	$ 89,916	17.9
Operating income	$ 67,411	$ 59,113	$ 8,298	14.0

(1) Represents a non-GAAP financial measure. For more information, see the "Consolidated Results of Operations" discussion above.

Revenue and revenue, net of subcontractor costs, increased $52.7 million and $89.9 million, respectively, in fiscal 2012 compared to fiscal 2011. This growth was primarily driven by the expansion of international development services provided to the DoS. Revenue and revenue, net of subcontractor costs, from DoS services increased $80.7 million and $71.5 million, respectively, this fiscal year compared to fiscal 2011. Virtually all of the increase in DoS revenue resulted from an acquisition completed in the fourth quarter of fiscal 2011. An increase in U.S. commercial business contributed $20.0 million and $19.1 million of additional revenue and revenue, net of subcontractor costs, compared to fiscal 2011. An acquisition completed in fiscal 2012 contributed approximately one-half of this commercial growth. Revenue, net of subcontractor costs, grew at a faster rate than revenue due to reduced workload on, and completion of, certain USAID and EPA programs that had a high level of subcontracting activities in fiscal 2011.

Operating income increased $8.3 million in fiscal 2012 compared to fiscal 2011 due to increased revenue, net of subcontractor costs. Acquisitions completed in the fourth quarter of fiscal 2011 and during fiscal 2012 contributed $6.7 million to the operating income increase. Further, fiscal 2011 operating income was negatively affected by $1.2 million of contract costs overruns on an international development program. The overall increase was partially offset by $2.2 million of severance and other discretionary compensation-related costs associated with our reorganization in the fourth quarter of fiscal 2012.

Engineering and Architecture Services

	Fiscal Year Ended			
	September 30, 2012	October 2, 2011	Change $	%
	($ in thousands)			
Revenue	$ 318,755	$ 308,112	$ 10,643	3.5%
Subcontractor costs	(99,688)	(83,916)	(15,772)	(18.8)
Revenue, net of subcontractor costs(1)	$ 219,067	$ 224,196	$ (5,129)	(2.3)
Operating income	$ 12,485	$ 22,597	$ (10,112)	(44.7)

(1) Represents a non-GAAP financial measure. For more information, see the "Consolidated Results of Operations" discussion above.

Table of Contents

Revenue increased $10.6 million in fiscal 2012 compared to fiscal 2011 due to contributions from design-build projects for U.S. government clients. The growth also resulted from demand for our building and facility design services from several large U.S. commercial clients and increased workload on multiple international development projects for USAID. The growth was partially offset by reduced activity on certain infrastructure design projects for U.S. government clients in fiscal 2012. Despite the revenue growth, revenue, net of subcontractor costs, declined $5.1 million compared to last year due primarily to increased subcontracting activities on several large design-build projects that transitioned into the construction management phase during fiscal 2012.

Operating income declined $10.1 million in fiscal 2012 compared to fiscal 2011 due partially to lower revenue, net of subcontractor costs. In addition, $2.1 million of severance and other discretionary compensation-related costs associated with our reorganization in the fourth quarter of fiscal 2012 contributed to the decrease. This segment also incurred $5.2 million of contract and other losses for certain India-based activities. Our reorganized business model, with the elimination of the EAS segment at the beginning of fiscal 2013, no longer supports these operations. Further, fiscal 2011 operating income benefitted from a favorable $2.0 million net project settlement on a U.S. commercial infrastructure project.

Remediation and Construction Management

	Fiscal Year Ended		Change	
	September 30, 2012	October 2, 2011	$	%
	($ in thousands)			
Revenue	$ 621,957	$ 604,651	$ 17,306	2.9%
Subcontractor costs	(279,394)	(309,461)	30,067	9.7
Revenue, net of subcontractor costs[(1)]	$ 342,563	$ 295,190	$ 47,373	16.0
Operating income	$ 22,374	$ 13,183	$ 9,191	69.7

(1) Represents a non-GAAP financial measure. For more information, see the "Consolidated Results of Operations" discussion above.

Revenue and revenue, net of subcontractor costs, increased $17.3 million and $47.4 million, respectively, in fiscal 2012 compared to fiscal 2011. Our U.S. commercial business grew $96.5 million and $57.2 million in revenue and revenue, net of subcontractor costs, respectively, due primarily to expanded programs in our mining and energy businesses. Our U.S. state and local government business contributed $38.5 million and $31.4 million of revenue and revenue, net of subcontractor costs, respectively, due to several large infrastructure projects. The growth was partially offset by a revenue decline of $107.6 million, and a corresponding $33.2 million decrease in revenue, net of subcontractor costs, resulting from the wind-down of several large New Orleans hurricane protection projects for USACE and environmental remediation programs for the DoD at the end of fiscal 2011. The decline in revenue was larger than the related decline in revenue, net of subcontractor costs, because the USACE and DoD projects had a relatively high level of subcontractor costs.

Operating income increased $9.2 million due partially to the increase in revenue, net of subcontractor costs, compared to fiscal 2011. In addition, fiscal 2011 operating income was adversely impacted by $20.0 million of contract cost overruns on several fixed-price infrastructure and energy projects and a $1.3 million charge for lease exit costs. These fiscal 2011 items were partially mitigated by $10.6 million of government performance-based incentive award fees on a large environmental remediation program with the DoD. In fiscal 2012, we benefitted from $2.9 million of gains related to the settlement of project claims and change orders partially offset by $2.4 million of project-related losses.

Table of Contents

Fiscal 2011 Compared to Fiscal 2010

Consolidated Results of Operations

	Fiscal Year Ended			
	October 2, 2011	October 3, 2010	Change $	Change %
	($ in thousands)			
Revenue	$ 2,573,144	$ 2,201,232	$ 371,912	16.9%
Subcontractor costs	(780,817)	(741,002)	(39,815)	(5.4)
Revenue, net of subcontractor costs[1]	1,792,327	1,460,230	332,097	22.7
Other costs of revenue	(1,454,374)	(1,172,542)	(281,832)	(24.0)
Selling, general and administrative expenses	(193,286)	(163,479)	(29,807)	(18.2)
Contingent consideration fair value adjustments	1,755	265	1,490	562.3
Operating income	146,422	124,474	21,948	17.6
Interest expense net	(5,930)	(1,387)	(4,543)	(327.5)
Income before income tax expense	140,492	123,087	17,405	14.1
Income tax expense	(47,510)	(46,268)	(1,242)	(2.7)
Net income including noncontrolling interests	92,982	76,819	16,163	21.0
Net income attributable to noncontrolling interest	(2,943)		(2,943)	100.0
Net income attributable to Tetra Tech	$ 90,039	$ 76,819	$ 13,220	17.2

(1) We believe that the presentation of "Revenue, net of subcontractor costs," a non-GAAP financial measure, enhances investors' ability to analyze our business trends and performance because it substantially measures the work performed by our employees. In the course of providing services, we routinely subcontract various services and, under certain USAID programs, issue grants. Generally, these subcontractor costs and grants are passed through to our clients and, in accordance with GAAP and industry practice, are included in our revenue when it is our contractual responsibility to procure or manage these activities. The grants are included as part of our subcontractor costs. Because subcontractor services can vary significantly from project to project and period to period, changes in revenue may not necessarily be indicative of our business trends. Accordingly, we segregate subcontractor costs from revenue to promote a better understanding of our business by evaluating revenue exclusive of costs associated with external service providers.

Revenue increased significantly in fiscal 2011 compared to fiscal 2010. We experienced increased demand for our water, environmental, infrastructure design and construction management services in the mining and energy markets worldwide. The recent acquisitions, primarily in Canada, contributed $380.1 million and $323.9 million of additional revenue and revenue, net of subcontractor costs, respectively. Further, our revenue increased from our front-end water, environmental, and infrastructure engineering and design services for certain U.S. federal government clients including the EPA, FAA, National Science Foundation ("NSF"), IBWC, GSA, U.S. Department of Agriculture ("DOA") and various military branches of the DoD. These revenue increases were largely offset by a decline in the U.S. federal government business due primarily to the wind-down of certain large construction management projects for the USACE and the DOE, and delays on new awards for certain large construction management projects in the U.S. and abroad. Our state and local government sector also experienced a revenue decrease as a result of continuing weakness in the economy, as well as reduced activity on a transportation infrastructure and municipal landfill design projects. Overall, revenue, net of subcontractor costs, grew at a higher rate than revenue. This resulted from the increase in self-performed work in the energy sector and reduced revenue from construction management projects, which typically have higher subcontracting activities. In the fourth quarter of fiscal 2010, we recognized approximately $45 million and $30 million in additional revenue and revenue, net of subcontractor costs, respectively, as result of the 53-week year in fiscal 2010 compared to the 52-week year in fiscal 2011.

Operating income increased as a result of business growth. Additionally, operating income benefited from the recognition of government incentive award fees on a large environmental remediation program and favorable project close-outs on energy and construction management projects. Operating income also increased due to favorable claim settlements and lower bad debt expense on commercial projects. Further, we recognized a gain of $1.8 million in fiscal 2011 from a net reduction of contingent earn-out liabilities. The operating income increase was partially offset by additional contract costs incurred for project overruns on several fixed-price construction projects and a large energy project. Further, we recognized additional selling, general and administrative ("SG&A") costs due to higher charges in fiscal 2011 related to our recent acquisitions including $15.3 million of amortization expense for intangible assets, $1.5 million of foreign currency exchange loss and other acquisition costs compared to fiscal 2010.

Net interest expense grew as a result of increased borrowings on our credit facility for acquisitions and additional imputed interest costs recognized for long-term contingent earn-out liabilities associated with our fiscal 2010 and 2011 acquisitions.

Income tax expense increased due to higher pre-tax income. Our effective tax rate for fiscal 2011 was 33.8% compared to 37.6% for fiscal 2010. The lower effective tax rate resulted from our continued foreign expansion during fiscal 2011 and the extension of R&E credits. In the first quarter of fiscal 2011, we recorded a $1.2 million benefit from R&E credits for the last nine months of fiscal 2010.

Net income attributable to noncontrolling interests related primarily to the consolidated joint ventures associated with our Canadian acquisitions. Net income attributable to Tetra Tech grew for the reasons described above.

Segment Results of Operations

Engineering and Consulting Services

	Fiscal Year Ended		Change	
	October 2, 2011	October 3, 2010	$	%
	($ in thousands)			
Revenue	$ 930,067	$ 536,384	$ 393,683	73.4%
Subcontractor costs	(160,150)	(106,828)	(53,322)	(49.9)
Revenue, net of subcontractor costs[1]	$ 769,917	$ 429,556	$ 340,361	79.2
Operating income	$ 88,135	$ 48,582	$ 39,553	81.4

(1) Represents a non-GAAP financial measure. For more information, see the "Consolidated Results of Operations" discussion above.

Revenue increased significantly in fiscal 2011 compared to fiscal 2010. The recent acquisitions, primarily in Canada, contributed $328.2 million and $300.4 million of additional revenue and revenue, net of subcontractor costs, respectively. Excluding the effect of acquisitions, the growth was driven by increased demand for our water, environmental and infrastructure design services for mining clients

Table of Contents

worldwide. To a lesser extent, the growth resulted from increased activity on EPA, FAA, NSF, IBWC and other U.S. federal government projects. The overall growth was partially offset by a wind-down on certain DoD and DOE projects, reduced activity on a large municipal landfill design project, and weakness in the state and local government business. Revenue, net of subcontractor costs, grew at a faster pace than revenue due to the high level of self-performed work in our international business.

Operating income increased due predominantly to revenue growth. As a percentage of revenue, operating income increased due to improved project execution and higher profit margins on international projects.

Technical Support Services

	Fiscal Year Ended			
	October 2, 2011	October 3, 2010	Change $	Change %
	($ in thousands)			
Revenue	$ 867,130	$ 829,231	$ 37,899	4.6%
Subcontractor costs	(364,106)	(327,212)	(36,894)	(11.3)
Revenue, net of subcontractor costs(1)	$ 503,024	$ 502,019	$ 1,005	0.2
Operating income	$ 59,113	$ 54,822	$ 4,291	7.8

(1) Represents a non-GAAP financial measure. For more information, see the "Consolidated Results of Operations" discussion above.

Revenue increased in fiscal 2011 compared to fiscal 2010. An acquisition in the fourth quarter of fiscal 2010 contributed $51.9 million and $23.6 million to fiscal 2011 revenue and revenue, net of subcontractor costs, respectively. Excluding the effect of this acquisition, revenue declined due to reduced workload on DoD and other U.S. federal government projects, partially offset by growth in the commercial, and state and local government sectors. Revenue, net of subcontractor costs, grew at a slower pace than revenue due to a change in contract mix on USAID projects, and a high level of subcontracting activities at the aforementioned acquired company and on certain EPA programs.

Operating income increased due to revenue growth, reduced overhead costs and favorable project close-outs in fiscal 2011. The increase was partially offset by $1.2 million of additional contract costs incurred for project overruns in the second quarter of fiscal 2011. As a percentage of revenue, operating income increased compared to prior year for the reasons described above and better project performance.

Table of Contents

Engineering and Architecture Services

	Fiscal Year Ended			
	October 2, 2011	October 3, 2010	Change $	Change %
	($ in thousands)			
Revenue	$ 308,112	$ 294,112	$ 14,000	4.8%
Subcontractor costs	(83,916)	(71,703)	(12,213)	(17.0)
Revenue, net of subcontractor costs[(1)]	$ 224,196	$ 222,409	$ 1,787	0.8
Operating income	$ 22,597	$ 12,194	$ 10,403	85.3

(1) Represents a non-GAAP financial measure. For more information, see the "Consolidated Results of Operations" discussion above.

Revenue growth was driven by demand for our building and facility design services from several large commercial clients, and increased workload on international development projects for the U.S. federal government. Additionally, the growth resulted from increased activity on a few large water and transportation infrastructure projects for state and local government clients. The revenue growth was partially offset by the wind-down of several design projects overseas and the overall continued weakness in the state and local government markets. Revenue, net of subcontractor costs, grew at a slower pace than revenue due primarily to increased subcontracting activities on building and facility design and international development projects.

Operating income increased due to revenue growth, a reduction in facility costs that resulted from prior-year office consolidations, and lower provisions for losses on accounts receivable as a result of cash collections. Additionally, operating income benefited from a favorable claim settlement of $2.3 million and favorable project close-outs. In fiscal 2010, operating income was reduced by a $3.1 million provision for losses on accounts receivable on certain commercial development and infrastructure projects.

Remediation and Construction Management

	Fiscal Year Ended			
	October 2, 2011	October 3, 2010	Change $	Change %
	($ in thousands)			
Revenue	$ 604,651	$ 651,595	$ (46,944)	(7.2)%
Subcontractor costs	(309,461)	(345,349)	35,888	10.4
Revenue, net of subcontractor costs[(1)]	$ 295,190	$ 306,246	$ (11,056)	(3.6)
Operating income	$ 13,183	$ 30,243	$ (17,060)	(56.4)

(1) Represents a non-GAAP financial measure. For more information, see the "Consolidated Results of Operations" discussion above.

Revenue declined in fiscal 2011compared to fiscal 2010. This decline was due primarily to the wind-down of certain large construction management projects for USACE, inclement weather in the northeast U.S., and reduced activity on DOE water and transportation infrastructure projects. Further, the decline resulted from reduced activity on a large transportation infrastructure project for a state and local government client. The decline was partially mitigated by strength in our energy markets worldwide, and increased activity on mining and certain U.S. federal government projects for GSA, DOA and various

Table of Contents

military branches of the DoD. Revenue, net of subcontractor costs, declined at a slower pace than revenue due to increased self-performed work on energy projects and reduced revenue from construction management projects, which typically have higher subcontracting activities.

Operating income was adversely impacted by the aforementioned revenue decline, and lower profit rates on certain U.S. federal government and commercial construction management projects as a result of competitive pricing pressure and a lower realization on contract change orders and claims. In addition, we recognized approximately $20 million of cost overruns on several fixed-price construction and energy projects. In the fourth quarter of fiscal 2011, we incurred an additional $1.3 million charge for lease exit costs associated with our effort to further reduce overhead costs and consolidate certain facilities in response to the aforementioned revenue decline. The operating income decline was partially mitigated by the recognition of $10.6 million in government incentive award fees on a large environmental remediation program with the DoD, favorable project close-outs related to energy and construction management projects and a favorable legal claim settlement in fiscal 2011.

Non-GAAP Financial Measures

We are providing certain non-GAAP financial measures that we believe are appropriate measures for evaluating the operating performance of our business. These non-GAAP measures should not be considered in isolation from, and are not intended to represent an alternative measure of, operating results or cash flows from operating activities, as determined in accordance with U.S. GAAP.

EBITDA represents net income attributable to Tetra Tech plus net interest expense, income taxes, depreciation and amortization. We believe EBITDA is a useful representation of our operating performance because of significant amounts of acquisition-related non-cash amortization expense, which can fluctuate significantly depending on the timing, nature and size of our business acquisitions. Revenue, net of subcontractor costs, is defined as revenue less subcontractor costs. For more information, see the "Consolidated Results of Operations" discussion above. EBITDA and revenue, net of subcontractor costs, as we calculate them, may not be comparable to similarly titled measures employed by other companies.

The following is a reconciliation of EBITDA to net income attributable to Tetra Tech as well as revenue, net of subcontractor costs, for fiscal 2010 through 2012:

	Fiscal Year Ended		
	September 30, 2012	October 2, 2011	October 3, 2010
	($ in thousands)		
Net income attributable to Tetra Tech	$ 104,380	$ 90,039	$ 76,819
Interest expense, net	5,571	5,930	1,387
Depreciation[1]	26,651	27,138	20,402
Amortization[1]	29,634	27,979	12,683
Income tax expense	56,064	47,510	46,268
EBITDA	$ 222,300	$ 198,596	$ 157,559
Revenue	$ 2,711,075	$ 2,573,144	$ 2,201,232
Subcontractor costs	(689,005)	(780,817)	(741,002)
Revenue, net of subcontractors costs	$ 2,022,070	$ 1,792,327	$ 1,460,230

(1) The total of depreciation and amortization expenses is different from the amounts on the consolidated statements of cash flows, which include amortization of deferred debt costs.

Table of Contents

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

Capital Requirements. Our capital requirements are to fund working capital needs, capital expenditures and debt service requirements, as well as to fund acquisitions and earn-out obligations from prior acquisitions. We believe that our cash balances, operating cash flow and available borrowing under our credit agreement (the "Credit Agreement") will be sufficient to meet our capital requirements for at least the next 12 months.

We utilize a variety of tax planning and financing strategies to manage our worldwide cash and deploy funds to locations where they are needed. We also indefinitely reinvest a significant portion of our foreign earnings, and our current plans do not demonstrate a need to repatriate these earnings. Should we require additional capital in the U.S., we may elect to repatriate indefinitely reinvested foreign funds or raise capital in the U.S. through debt. If we were to repatriate indefinitely reinvested foreign funds, we would be required to accrue and pay additional U.S. taxes less applicable foreign tax credits.

Operating Activities. For fiscal 2012, net cash provided by operating activities was $158.0 million, an increase of $26.4 million compared to fiscal 2011. The increase resulted from higher EBITDA, and lower prepaid expenses and other assets as a result of various cash settlements related to project claims in fiscal 2012. Further, the increase was driven by favorable changes in accounts payable and accrued compensation caused by the timing of payments to vendors, subcontractors and employees. The overall increase was partially offset by an increase in a net accounts receivable balance due primarily to revenue growth in the fourth quarter of fiscal 2012 compared to the same quarter last year.

Investing Activities. For fiscal 2012, net cash used in investing activities was $79.8 million, a decrease of $214.0 million compared to fiscal 2011. The decrease resulted primarily from reduced investments in business acquisitions in fiscal 2012 compared to fiscal 2011.

Financing Activities. For fiscal 2012, net cash used in financing activities was $67.4 million compared to net cash provided by financing activities of $31.4 in fiscal 2011. We made net payments on long-term debt and other borrowings of $68.1 million in fiscal 2012 compared to net borrowings of $24.6 million in fiscal 2011. In fiscal 2012, we made $18.1 million of contingent earn-out payments related to prior-year acquisitions, which were initially accrued at their respective acquisition dates. We received a $9.8 million increase in net proceeds from the exercise of stock options in fiscal 2012.

Debt Financing. Under our Credit Agreement, our revolving credit facility ("Facility") is a $460 million, five-year facility that matures on March 28, 2016. The Facility includes a $200 million sublimit for the issuance of standby letters of credit and a $100 million sublimit for multicurrency borrowings and letters of credit. At September 30, 2012, we had $79.2 million in borrowings under the Facility at a weighted-average interest rate of 2.15% per annum. Additionally, we had $24.3 million in standby letters of credit, of which $5.3 million was issued outside of the Facility, and we had $14.2 million in multicurrency borrowings under the Facility. At September 30, 2012, we had $361.8 million of available credit under the Facility all of which could be borrowed without being in violation of our debt covenants.

The Credit Agreement contains certain financial and various other affirmative and negative covenants. They include, among others, a maximum consolidated leverage ratio of 2.5x (total funded debt/EBITDA, as defined in the Credit Agreement) and a minimum consolidated fixed charge coverage ratio of 1.25x (EBITDA, as defined in the Credit Agreement minus capital expenditures/cash interest plus taxes plus principal payments of indebtedness including capital leases, notes and post-acquisition payments). At September 30, 2012, we were in compliance with these covenants with a consolidated leverage ratio of 0.72x and a consolidated fixed charge coverage ratio of 1.94x. The Facility is guaranteed by our material subsidiaries and certain additional designated subsidiaries. Borrowings under the Credit Agreement are collateralized by our accounts receivable, the stock of our subsidiaries and intercompany loans.

Inflation. We believe our operations have not been, and, in the foreseeable future, are not expected to be, materially adversely affected by inflation or changing prices due to the average duration of our projects and our ability to negotiate prices as contracts end and new contracts begin.

Table of Contents

Contractual Obligations. The following sets forth our contractual obligations at September 30, 2012:

	Total	Year 1	Years 2 - 3	Years 4 - 5	Beyond
			(in thousands)		
Debt:					
Credit facility	$ 79,233	$	$	$ 79,233	$
Other debt	995	909	86		
Interest[(1)]	5,883	1,682	3,361	840	
Capital leases	3,094	1,246	1,472	376	
Operating leases[(2)]	198,768	68,573	91,418	31,067	7,710
Contingent earn-outs[(3)]	51,539	35,407	16,132		
Deferred compensation liability	12,884				12,884
Unrecognized tax benefits[(4)]	13,237				13,237
Total	$ 365,633	$ 107,817	$ 112,469	$ 111,516	$ 33,831

(1) Interest primarily related to the credit facility is based on a weighted-average interest rate at September 30, 2012, and borrowings that are presently outstanding.

(2) Predominantly represents real estate leases.

(3) Represents the estimated fair value recorded for contingent earn-out obligations for acquisitions consummated after fiscal 2009. The remaining maximum contingent earn-out obligations for these acquisitions are $68.4 million. The remaining maximum earn-out obligations for acquisitions consummated prior to fiscal 2010 are approximately $3.0 million, which would be paid in fiscal 2013, if earned.

(4) Represents liabilities for unrecognized tax benefits related to uncertain tax positions, excluding amounts related primarily to outstanding refund claims. We are unable to reasonably predict the timing of tax settlements, as tax audits can involve complex issues and the resolution of those issues may span multiple years, particularly if subject to negotiation or litigation. For more information, see Note 7, "Income Taxes" of the "Notes to Consolidated Financial Statements" included in Item 8.

Off-Balance Sheet Arrangements

In the ordinary course of business, we may use off-balance sheet arrangements if we believe that such an arrangement would be an efficient way to lower our cost of capital or help us manage the overall risks of our business operations. We do not believe that such arrangements have had a material adverse effect on our financial position or our results of operations.

The following is a summary of our off-balance sheet arrangements:

Letters of credit and bank guarantees are used primarily to support project performance and insurance programs. We are required to reimburse the issuers of letters of credit and bank guarantees for any payments they make under the outstanding letters of credit or bank guarantees. Our Credit Agreement and additional letter of credit facilities cover the issuance of our standby letters of credit and bank guarantees and are critical for our normal operations. If we default on the Credit Agreement or additional credit facilities, our ability to issue or renew standby letters of credit and bank guarantees would impair our ability to maintain normal operations. As of September 30, 2012, we had $19.0 million in standby letters of credit outstanding under our Credit Agreement and $5.3 million in standby letters of credit outstanding under our additional letter of credit facilities.

We have guaranteed a bank overdraft facility at one of our foreign affiliates in the amount of $2.0 million as of September 30, 2012.

From time to time, we provide guarantees and indemnifications related to our services. If our services under a guaranteed or indemnified project are later determined to have resulted in a material defect or other material deficiency, then we may be responsible for monetary damages or other legal remedies. When sufficient information about claims on guaranteed or indemnified

Table of Contents

projects is available and monetary damages or other costs or losses are determined to be probable, we recognize such guaranteed losses.

In the ordinary course of business, we enter into various agreements as part of certain unconsolidated subsidiaries, joint ventures, and other jointly executed contracts where we are jointly and severally liable. We enter into these agreements primarily to support the project execution commitments of these entities. The potential payment amount of an outstanding performance guarantee is typically the remaining cost of work to be performed by or on behalf of third parties under engineering and construction contracts. However, we are not able to estimate other amounts that may be required to be paid in excess of estimated costs to complete contracts and, accordingly, the total potential payment amount under our outstanding performance guarantees cannot be estimated. For cost-plus contracts, amounts that may become payable pursuant to guarantee provisions are normally recoverable from the client for work performed under the contract. For lump sum or fixed-price contracts, this amount is the cost to complete the contracted work less amounts remaining to be billed to the client under the contract. Remaining billable amounts could be greater or less than the cost to complete. In those cases where costs exceed the remaining amounts payable under the contract, we may have recourse to third parties, such as owners, co-venturers, subcontractors or vendors, for claims.

In the ordinary course of business, our clients may request that we obtain surety bonds in connection with contract performance obligations that are not required to be recorded in our consolidated balance sheets. We are obligated to reimburse the issuer of our surety bonds for any payments made thereunder. Each of our commitments under performance bonds generally ends concurrently with the expiration of our related contractual obligation.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of our financial statements in conformity with U.S. GAAP requires us to make estimates and assumptions in the application of certain accounting policies that affect amounts reported in our consolidated financial statements and accompanying footnotes included in Item 8 of this report. In order to understand better the changes that may occur to our financial condition, results of operations and cash flows, readers should be aware of the critical accounting policies we apply and estimates we use in preparing our consolidated financial statements. Although such estimates and assumptions are based on management's best knowledge of current events and actions the Company may undertake in the future, actual results could differ materially from those estimates.

Our significant accounting policies are described in the "Notes to Consolidated Financial Statements" included in Item 8. Highlighted below are the accounting policies that management considers most critical to investors' understanding of our financial results and condition, and that require complex judgments by management.

Revenue Recognition and Contract Costs

We recognize revenue for most of our contracts using the percentage-of-completion method, primarily based on contract costs incurred to date compared to total estimated contract costs. We generally utilize the cost-to-cost approach to estimate the progress towards completion in order to determine the amount of revenue and profit to recognize. This method of revenue recognition requires us to prepare estimates of costs to complete contracts in progress. In making such estimates, judgments are required to evaluate contingencies such as potential variances in schedule; the cost of materials and labor productivity; and the impact of change orders, liability claims, contract disputes and achievement of contractual performance standards. Changes in total estimated contract cost and losses, if any, could materially impact our results of operations or financial position. Certain of our contracts are service-related contracts, such as providing operations and maintenance services or a variety of technical assistance services. Our service contracts are

Table of Contents

accounted for using the proportional performance method under which revenue is recognized in proportion to the number of service activities performed, in proportion to the direct costs of performing the service activities, or evenly across the period of performance depending upon the nature of the services provided.

We recognize revenue for work performed under three major types of contracts: fixed-price, time-and-materials and cost-plus.

Fixed-Price. We enter into two major types of fixed-price contracts: firm fixed-price ("FFP") and fixed-price per unit ("FPPU"). Under FFP contracts, our clients pay us an agreed fixed-amount negotiated in advance for a specified scope of work. We generally recognize revenue on FFP contracts using the percentage-of-completion method. If the nature or circumstances of the contract prevent us from preparing a reliable estimate at completion, we will delay profit recognition until adequate information about the contract's progress becomes available. Under our FPPU contracts, clients pay us a set fee for each service or production transaction that we complete. Accordingly, we recognize revenue under FPPU contracts as we complete the related service or production transactions, generally using the proportional performance method.

Time-and-Materials. Under time-and-materials contracts, we negotiate hourly billing rates and charge our clients based on the actual time that we spend on a project. In addition, clients reimburse us for our actual out-of-pocket costs of materials and other direct incidental expenditures that we incur in connection with our performance under the contract. The majority of our time-and-material contracts are subject to maximum contract values and, accordingly, revenue under these contracts is generally recognized under the percentage-of-completion method. However, time and materials contracts that are service-related contracts are accounted for utilizing the proportional performance method. Revenue on contracts that are not subject to maximum contract values is recognized based on the actual number of hours we spend on the projects plus any actual out-of-pocket costs of materials and other direct incidental expenditures that we incur on the projects. Our time-and-materials contracts also generally include annual billing rate adjustment provisions.

Cost-Plus. Under cost-plus contracts, we are reimbursed for allowable or otherwise defined costs incurred plus a fee or mark-up. The contracts may also include incentives for various performance criteria, including quality, timeliness, ingenuity, safety and cost-effectiveness. In addition, our costs are generally subject to review by our clients and regulatory audit agencies, and such reviews could result in costs being disputed as non-reimbursable under the terms of the contract. Revenue for cost-plus contracts is recognized at the time services are performed based upon the amounts we expect to realize using the percentage-of-completion method. Revenue is not recognized for non-recoverable costs. Performance incentives are included in our estimates of revenue when their realization is reasonably assured.

If estimated total costs on any contract indicate a loss, we recognize the entire estimated loss in the period the loss becomes known. The cumulative effect of revisions to revenue, estimated costs to complete contracts, including penalties, incentive awards, change orders, claims, anticipated losses and others are recorded in the period in which the revisions are identified and the loss can be reasonably estimated. Such revisions could occur in any reporting period and the effects may be material depending on the size of the project or the adjustment.

Once contract performance is underway, we may experience changes in conditions, client requirements, specifications, designs, materials and expectations regarding the period of performance. Such changes are "change orders" and may be initiated by us or by our clients. In many cases, agreement with the client as to the terms of change orders is reached prior to work commencing; however, sometimes circumstances require that work progress without obtaining client agreement. Revenue related to change orders is recognized as costs are incurred. Change orders that are unapproved as to both price and scope are evaluated as claims.

Table of Contents

Claims are amounts in excess of agreed contract prices that we seek to collect from our clients or other third parties for delays, errors in specifications and designs, contract terminations, change orders in dispute or unapproved as to both scope and price or other causes of unanticipated additional costs. Revenue on claims is recognized only to the extent that contract costs related to the claims have been incurred and when it is probable that the claim will result in a bona fide addition to contract value that can be reliably estimated. No profit is recognized on a claim until final settlement occurs. This can lead to a situation in which costs are recognized in one period and revenue is recognized in a subsequent period when a client agreement is obtained or a claim resolution occurs.

Insurance Matters, Litigation and Contingencies

In the normal course of business, we are subject to certain contractual guarantees and litigation. Generally, such guarantees relate to project schedules and performance. Most of the litigation involves us as a defendant in contractual disagreements, workers' compensation, personal injury and other similar lawsuits. We maintain insurance coverage for various aspects of our business and operations. However, we have elected to retain a portion of losses that may occur through the use of various deductibles, limits and retentions under our insurance programs. This practice may subject us to some future liability for which we are only partially insured or are completely uninsured.

We record in our consolidated balance sheets amounts representing our estimated liability for self-insurance claims. We utilize actuarial analyses to assist in determining the level of accrued liabilities to establish for our employee medical and workers' compensation self-insurance claims that are known and have been asserted against us, as well as for self-insurance claims that are believed to have been incurred based on actuarial analyses but have not yet been reported to our claims administrators at the balance sheet date. We include any adjustments to such insurance reserves in our consolidated results of operations.

Except as described in Note 16, "Commitments and Contingencies," of the "Notes to Consolidated Financial Statements" included in Item 8, we do not have any litigation or other contingencies that have had, or are currently anticipated to have, a material impact on our results of operations or financial position. As additional information about current or future litigation or other contingencies becomes available, management will assess whether such information warrants the recording of additional expenses relating to those contingencies. Such additional expenses could potentially have a material impact on our results of operations and financial position.

Stock-Based Compensation

Our stock-based compensation plans include stock options, restricted stock and an employee stock purchase plan for our eligible employees and outside directors. Stock-based compensation cost is measured at the grant date based on the fair value of the award and is recognized as expense over the requisite service period. Determining the fair value of stock-based awards at the grant date requires management to make assumptions and apply judgment to determine the fair value of our awards. These assumptions and judgments include future employee turnover rates, along with estimating the future volatility of our stock price, future stock option exercise behaviors and, for performance-based awards, the achievement of company performance goals. Our stock-based compensation expense was $10.8 million, $10.6 million and $10.2 million for fiscal 2012, 2011 and 2010, respectively.

Goodwill and Intangibles

The cost of an acquired company is assigned to the tangible and intangible assets purchased and the liabilities assumed on the basis of their fair values at the date of acquisition. The determination of fair values of assets and liabilities acquired requires us to make estimates and use valuation techniques when a market value is not readily available. Any excess of purchase price over the fair value of net tangible and

Table of Contents

intangible assets acquired is allocated to goodwill. Goodwill typically represents the value paid for the assembled workforce and enhancement of our service offerings.

Identifiable intangible assets include backlog, non-compete agreements, client relations, trade names, patents and other assets. The costs of these intangible assets are amortized over their contractual or economic lives, which range from one to ten years. We assess the recoverability of the unamortized balance of our intangible assets when indicators of impairment are present based on expected future profitability and undiscounted expected cash flows and their contribution to our overall operations. Should the review indicate that the carrying value is not fully recoverable, the excess of the carrying value over the fair value of the intangible assets would be recognized as an impairment loss.

We perform our annual goodwill impairment review at the beginning of our fiscal fourth quarter. Our annual review at July 2, 2012 (i.e., the first day of our fiscal fourth quarter), indicated that we had no impairment of goodwill, and all of our reporting units had estimated fair values that were in excess of their carrying values, including goodwill. In addition, we regularly evaluate whether events and circumstances have occurred that may indicate a potential change in recoverability of goodwill. We perform interim goodwill impairment reviews between our annual reviews if certain events and circumstances have occurred, including a deterioration in general economic conditions, an increased competitive environment, a change in management, key personnel, strategy or customers, negative or declining cash flows, or a decline in actual or planned revenue or earnings compared with actual and projected results of relevant prior periods.

During the fourth quarter of fiscal 2012, we evaluated whether any of our reorganization activities or our quarterly re-measurement of our contingent consideration liability resulted in a potential change in the recoverability of goodwill. During these reviews, we identified one reporting unit in the EAS segment with impairment, which caused a non-cash charge of $0.9 million representing all of the goodwill in this reporting unit. We also identified one reporting unit in the TSS segment with goodwill totaling $11.4 million with a fair value in excess of its carrying value of less than 20%. Although we believe our assumptions regarding future revenue, costs and operating margins are reasonable for this reporting unit, they are subject to uncertainty. Accordingly, it is reasonably possible that business performance for this reporting unit could be below our expectations and the goodwill for this operating unit could become impaired.

We believe the methodology that we use to review impairment of goodwill, which includes a significant amount of judgment and estimates, provides us with a reasonable basis to determine whether impairment has occurred. However, many of the factors employed in determining whether our goodwill is impaired are outside of our control and it is reasonably likely that assumptions and estimates will change in future periods. These changes could result in future impairments.

The goodwill impairment review involves the determination of the fair value of our reporting units, which for us are the components one level below our reportable segments. This process requires us to make significant judgments and estimates, including assumptions about our strategic plans with regard to our operations as well as the interpretation of current economic indicators and market valuations. Furthermore, the development of the present value of future cash flow projections includes assumptions and estimates derived from a review of our expected revenue growth rates, profit margins, business plans, cost of capital and tax rates. We also make certain assumptions about future market conditions, market prices, interest rates and changes in business strategies. Changes in assumptions or estimates could materially affect the determination of the fair value of a reporting unit. This could eliminate the excess of fair value over carrying value of a reporting unit entirely and, in some cases, result in impairment. Such changes in assumptions could be caused by a loss of one or more significant contracts, reductions in government or commercial client spending, or a decline in the demand for our services due to changing economic conditions. In the event that we determine that our goodwill is impaired, we would be required

Table of Contents

to record a non-cash charge that could result in a material adverse effect on our results of operations or financial position.

We utilize two methods to determine the fair value of our reporting units: (i) the Income Approach and (ii) the Market Approach. While each of these approaches is initially considered in the valuation of the business enterprises, the nature and characteristics of the reporting units indicate which approach is most applicable. The Income Approach utilizes the discounted cash flow method, which focuses on the expected cash flow of the reporting unit. In applying this approach, the cash flow available for distribution is calculated for a finite period of years. Cash flow available for distribution is defined, for purposes of this analysis, as the amount of cash that could be distributed as a dividend without impairing the future profitability or operations of the reporting unit. The cash flow available for distribution and the terminal value (the value of the reporting unit at the end of the estimation period) are then discounted to present value to derive an indication of the value of the business enterprise. The Market Approach is comprised of the guideline company method and the similar transactions method. The guideline company method focuses on comparing the reporting unit to select reasonably similar (or "guideline") publicly traded companies. Under this method, valuation multiples are (i) derived from the operating data of selected guideline companies; (ii) evaluated and adjusted based on the strengths and weaknesses of the reporting units relative to the selected guideline companies; and (iii) applied to the operating data of the reporting unit to arrive at an indication of value. In the similar transactions method, consideration is given to prices paid in recent transactions that have occurred in the reporting unit's industry or in related industries. For our annual impairment analysis at July 2, 2012, we weighted the Income Approach and the Market Approach at 70% and 30%, respectively. The Income Approach was given a higher weight because it has the most direct correlation to the specific economics of the reporting unit, as compared to the Market Approach, which is based on multiples of broad-based (i.e., less comparable) companies.

Contingent Consideration. Certain of our acquisition agreements include contingent earn-out arrangements, which are generally based on the achievement of future operating income thresholds. The contingent earn-out arrangements are based upon our valuations of the acquired companies and reduce the risk of overpaying for acquisitions if the projected financial results are not achieved. For acquisitions completed prior to fiscal 2010, contingent earn-out payments are accrued as "Estimated earn-out liabilities" when the related operating income thresholds have been achieved, and a corresponding increase in goodwill is recorded. These contingent earn-out payments are reflected as cash flows used in investing activities on the consolidated statements of cash flows in the period paid.

For acquisitions consummated in or after fiscal 2010, the fair values of these earn-out arrangements are included as part of the purchase price of the acquired companies on their respective acquisition dates. For each transaction, we estimate the fair value of contingent earn-out payments as part of the initial purchase price and record the estimated fair value of contingent consideration as a liability in "Estimated contingent earn-out liabilities" and "Other long-term liabilities" on the consolidated balance sheets. We consider several factors when determining that contingent earn-out liabilities are part of the purchase price, including the following: (1) the valuation of our acquisitions is not supported solely by the initial consideration paid, and the contingent earn-out formula is a critical and material component of the valuation approach to determining the purchase price; and (2) the former shareholders of acquired companies that remain as key employees receive compensation other than contingent earn-out payments at a reasonable level compared with the compensation of our other key employees. The contingent earn-out payments are not affected by employment termination.

We measure our contingent earn-out liabilities at fair value on a recurring basis using significant unobservable inputs classified within Level 3 of the fair value hierarchy (See Note 2, "Basis of Presentation and Preparation Fair Value of Financial Instruments" of the "Notes to Consolidated Financial Statements" included in Item 8. We use a probability weighted discounted income approach as a valuation technique to convert future estimated cash flows to a single present value amount. The significant unobservable inputs used in the fair value measurements are operating income projections over the earn-out period (generally two or three years), and the probability outcome percentages we assign to each scenario. Significant increases or decreases to either of these inputs in isolation would result in a significantly higher or lower liability with a higher liability capped by the contractual maximum of the contingent earn-out obligation. Ultimately, the liability will be equivalent to the amount paid, and the difference between the fair value estimate and amount paid will be recorded in earnings. The amount paid that is less than or equal to the liability on the acquisition date is reflected as cash used in financing activities in our condensed consolidated statements of cash flows. Any amount paid in excess of the liability on the acquisition date is reflected as cash used in operating activities.

We review and re-assess the estimated fair value of contingent consideration on a quarterly basis, and the updated fair value could differ materially from the initial estimates. Changes in the estimated fair value of our contingent earn-out liabilities related to the time component of the present value calculation are reported in interest expense. Adjustments to the estimated fair value related to changes in all other unobservable inputs are reported in operating income.

Income Taxes

We file a consolidated U.S. federal income tax return and combined California franchise tax return. In addition, we file other returns that are required in the states, foreign jurisdictions and other jurisdictions in which we do business. We account for certain income and expense items differently for financial reporting and income tax purposes. Deferred tax assets and liabilities are computed for the differences between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to reverse. In determining the need for a valuation allowance on deferred tax assets, management reviews both positive and negative evidence, including current and historical results of operations, future income projections and potential tax planning strategies. Although realization is not assured, based on our assessment, we have concluded that it is more likely than not that the deferred tax assets at September 30, 2012, will be realized.

According to the authoritative guidance on accounting for uncertainty in income taxes, we may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. For more information related to our unrecognized tax benefits, see Note 7, "Income Taxes," of the "Notes to Consolidated Financial Statements" included in Item 8.

RECENT ACCOUNTING PRONOUNCEMENTS

For a discussion of recent accounting standards and the effect they could have on the consolidated financial statements, see Note 2, "Basis of Presentation and Preparation," of the "Notes to Consolidated Financial Statements" included in Item 8.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

We do not enter into derivative financial instruments for trading or speculation purposes. In the normal course of business, we have exposure to both interest rate risk and foreign currency transaction and translation risk, primarily related to the Canadian dollar ("CAD").

We are exposed to interest rate risk under our Credit Agreement. We may borrow on our Facility, at our option, at either (a) a base rate (the highest of the U.S. federal funds rate plus 0.50% per annum, the bank's prime rate or the Eurocurrency rate plus 1.00%) plus a margin that ranges from 0.50% to 1.50% per annum, or (b) a Eurocurrency rate plus a margin that ranges from 1.50% to 2.50% per annum. Borrowings at the base rate have no designated term and may be repaid without penalty any time prior to the Facility's maturity date. Borrowings at a Eurodollar rate have a term no less than 30 days and no greater than 90 days. Typically, at the end of such term, such borrowings may be rolled over at our discretion into either a borrowing at the base rate or a borrowing at a Eurodollar rate with similar terms, not to exceed the maturity date of the Facility. The Facility matures on March 28, 2016, or earlier at our discretion upon payment in full of loans and other obligations. At September 30, 2012, we had $79.2 million in borrowings outstanding under the Facility at a weighted-average interest rate of 2.15% per annum.

Most of our transactions are in U.S. dollars; however, some of our subsidiaries conduct business in foreign currencies, primarily the CAD. Therefore, we are subject to currency exposure and volatility because of currency fluctuations. We attempt to minimize our exposure to these fluctuations by matching revenue and expenses in the same currency for our contracts. For fiscal 2012, we had foreign currency gains of $0.1 million compared to foreign currency losses of $1.3 million in fiscal 2011. The fiscal 2011 losses were primarily attributable to intercompany balances from transactions between and advances made to foreign affiliates denominated in currencies other than the U.S. dollar, and the weakening of the values of certain foreign currencies relative to the U.S. dollar in the fourth quarter of fiscal 2011. These gains and losses were recognized as part of SG&A expenses in our consolidated statements of income.

We have foreign currency exchange rate exposure in our results of operations and equity primarily as a result of the currency translation related to our Canadian subsidiaries where the local currency is the functional currency. To the extent the U.S. dollar strengthens against the CAD, the translation of these foreign currency denominated transactions will result in the reduced revenue, operating expenses, assets and liabilities. Similarly, our revenue, operating expenses, assets and liabilities will increase if the U.S. dollar weakens against the CAD. For fiscal 2012 and 2011, 24.5% and 23.2% of our consolidated revenue, respectively, was generated by our international business, and such revenue was primarily denominated in CAD. For fiscal 2012, the effect of foreign exchange rate translation on the consolidated balance sheets was an increase in equity of $26.3 million compared to a reduction in equity of $14.0 million in fiscal 2011. These amounts were recognized as an adjustment to equity through other comprehensive income.

In fiscal 2009, we entered into an intercompany promissory note with a wholly-owned Canadian subsidiary in connection with the acquisition of Wardrop Engineering, Inc. The intercompany note receivable is denominated in CAD and has a fixed rate of interest payable in CAD. In the first quarter of fiscal 2010, we entered into a forward contract for CAD $4.2 million (equivalent to U.S. $4.0 million at the date of inception) that matured on January 27, 2012. In the second quarter of fiscal 2010, we entered into a forward contract for CAD $4.2 million (equivalent to U.S. $3.9 million at the date of inception) that matures on January 28, 2013. In the third quarter of fiscal 2011, we entered into a new forward contract for CAD $4.2 million (equivalent to U.S. $4.2 million at the date of inception) that matures on January 27, 2014. In the second quarter of fiscal 2012, we settled one of the foreign currency forward contracts for U.S. $3.9 million. Our objective is to eliminate variability of our cash flows on the amount of interest income we receive on the promissory notes from changes in foreign currency exchange rates. For more information, see Note 14, "Other Fair Value Measurements" of the "Notes to Consolidated Financial Statements" included in Item 8.

Table of Contents

Item 8. Financial Statements and Supplementary Data

INDEX TO FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULE

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders of Tetra Tech, Inc.:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, equity and cash flows present fairly, in all material respects, the financial position of Tetra Tech, Inc. and its subsidiaries at September 30, 2012 and October 2, 2011, and the results of their operations and their cash flows for each of the three years in the period ended September 30, 2012, in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the accompanying index presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of September 30, 2012 based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and the financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting, appearing under Item 9A of this Form 10-K. Our responsibility is to express opinions on these financial statements, on the financial statement schedule and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

As discussed in Note 2 to the Consolidated Financial Statements, the Company changed the manner in which it accounts for variable interest entities on October 4, 2010.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PRICEWATERHOUSECOOPERS LLP

Los Angeles, California
November 14, 2012

Table of Contents

TETRA TECH, INC.
Consolidated Balance Sheets
(in thousands, except par value)

	September 30, 2012	October 2, 2011
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 104,848	$ 90,494
Accounts receivable net	700,480	657,179
Prepaid expenses and other current assets	48,168	84,612
Income taxes receivable	5,817	6,817
Total current assets	859,313	839,102
PROPERTY AND EQUIPMENT NET	74,309	77,536
INVESTMENTS IN AND ADVANCES TO UNCONSOLIDATED JOINT VENTURES	3,279	3,454
GOODWILL	635,958	569,414
INTANGIBLE ASSETS NET	74,231	81,053
OTHER ASSETS	23,940	23,429
TOTAL ASSETS	$ 1,671,030	$ 1,593,988
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 154,003	$ 164,819
Accrued compensation	128,086	110,937
Billings in excess of costs on uncompleted contracts	90,909	84,754
Deferred income taxes	20,809	22,870
Current portion of long-term debt	2,031	2,556
Estimated contingent earn-out liabilities	35,407	64,119
Other current liabilities	72,549	81,654
Total current liabilities	503,794	531,709
DEFERRED INCOME TAXES	24,268	25,394
LONG-TERM DEBT	81,047	144,868
OTHER LONG-TERM LIABILITIES	42,054	36,767
COMMITMENTS AND CONTINGENCIES		
EQUITY:		
Preferred stock Authorized, 2,000 shares of $0.01 par value; no shares issued and outstanding at September 30, 2012, and October 2, 2011		
Common stock Authorized, 150,000 shares of $0.01 par value; issued and outstanding, 63,837 and 62,495 shares at September 30, 2012, and October 2, 2011, respectively	638	625
Additional paid-in capital	433,009	399,420
Accumulated other comprehensive income	31,017	4,754
Retained earnings	554,306	449,926
Tetra Tech stockholders' equity	1,018,970	854,725
Noncontrolling interests	897	525

TOTAL EQUITY		1,019,867		855,250
TOTAL LIABILITIES AND EQUITY	$	1,671,030	$	1,593,988

See accompanying Notes to Consolidated Financial Statements.

Table of Contents

TETRA TECH, INC.
Consolidated Statements of Income
(in thousands, except per share data)

	Fiscal Year Ended September 30, 2012	October 2, 2011	October 3, 2010
Revenue	$ 2,711,075	$ 2,573,144	$ 2,201,232
Subcontractor costs	(689,005)	(780,817)	(741,002)
Other costs of revenue	(1,663,065)	(1,454,374)	(1,172,542)
Selling, general and administrative expenses	(211,884)	(193,286)	(163,479)
Contingent consideration fair value adjustments	19,246	1,755	265
Operating income	166,367	146,422	124,474
Interest income	873	879	801
Interest expense	(6,444)	(6,809)	(2,188)
Income before income tax expense	160,796	140,492	123,087
Income tax expense	(56,064)	(47,510)	(46,268)
Net income including noncontrolling interests	104,732	92,982	76,819
Net income attributable to noncontrolling interests	(352)	(2,943)	
Net income attributable to Tetra Tech	$ 104,380	$ 90,039	$ 76,819
Earnings per share attributable to Tetra Tech:			
Basic	$ 1.65	$ 1.45	$ 1.25
Diluted	$ 1.63	$ 1.43	$ 1.24
Weighted-average common shares outstanding:			
Basic	63,217	62,053	61,430
Diluted	63,934	62,775	62,087

See accompanying Notes to Consolidated Financial Statements.

Table of Contents

TETRA TECH, INC.
Consolidated Statements of Equity
Fiscal Years Ended October 3, 2010, October 2, 2011, and September 30, 2012
(in thousands)

	Common Stock		Additional	Accumulated Other		Total		
	Shares	Amount	Paid-in Capital	Comprehensive Income	Retained Earnings	Tetra Tech Equity	Non-Controlling Interests	Total Equity
BALANCE AT SEPTEMBER 27, 2009	61,257	$ 613	$ 350,571	$ 12,226	$ 283,068	$ 646,478	$	$ 646,478
Comprehensive income:								
Net income					76,819	76,819		76,819
Foreign currency translation adjustment				6,874		6,874		6,874
Foreign currency hedge				(337)		(337)		(337)
Comprehensive income						83,356		83,356
Stock-based compensation			10,178			10,178		10,178
Stock options exercised	291	3	2,510			2,513		2,513
Shares issued for Employee Stock Purchase Plan	207	2	4,740			4,742		4,742
Tax benefit for stock options			866			866		866
BALANCE AT OCTOBER 3, 2010	61,755	618	368,865	18,763	359,887	748,133		748,133
Comprehensive income:								
Net income					90,039	90,039	2,943	92,982
Foreign currency translation adjustment				(14,447)		(14,447)	492	(13,955)
Foreign currency hedge				438		438		438
Comprehensive income						76,030	3,435	79,465
Adjustments for consolidation of variable interest entities							670	670
Noncontrolling interest from business acquisitions							438	438
Acquisition of noncontrolling interests			6,883			6,883	(2,316)	4,567
Distributions paid to noncontrolling interests							(1,702)	(1,702)
Stock-based compensation			10,582			10,582		10,582
Stock options exercised	443	4	8,000			8,004		8,004
Shares issued for Employee Stock Purchase Plan	297	3	5,246			5,249		5,249
Tax benefit for stock options			(156)			(156)		(156)
BALANCE AT OCTOBER 2, 2011	62,495	625	399,420	4,754	449,926	854,725	525	855,250
Comprehensive income:								
Net income					104,380	104,380	352	104,732
Foreign currency translation adjustment				26,457		26,457	29	26,486
Foreign currency hedge				(194)		(194)		(194)

Comprehensive income						130,643	381	131,024
Distributions paid to noncontrolling interests							(9)	(9)
Stock-based compensation			10,839			10,839		10,839
Stock options exercised	1,053	10	17,525			17,535		17,535
Shares issued for Employee Stock Purchase Plan	289	3	5,297			5,300		5,300
Tax benefit for stock options			(72)			(72)		(72)
BALANCE AT SEPTEMBER 30, 2012	63,837	$ 638	$ 433,009	$ 31,017	$ 554,306	$ 1,018,970	$ 897	$ 1,019,867

See accompanying Notes to Consolidated Financial Statements.

Table of Contents

TETRA TECH, INC.
Consolidated Statements of Cash Flows
(in thousands)

	Fiscal Year Ended		
	September 30, 2012	**October 2, 2011**	**October 3, 2010**
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income including noncontrolling interests	$ 104,732	$ 92,982	$ 76,819
Adjustments to reconcile net income including noncontrolling interests to net cash from operating activities:			
Depreciation and amortization	56,902	55,684	33,491
Loss on settlement of foreign currency forward contract	286	293	28
Equity in earnings of unconsolidated joint ventures	(2,916)	(4,877)	(1,184)
Distributions of earnings from unconsolidated joint ventures	3,194	4,802	1,689
Stock-based compensation	10,839	10,582	10,178
Excess tax benefits from stock-based compensation	(624)	(104)	(754)
Deferred income taxes	(5,512)	1,720	11,641
Provision for doubtful accounts	4,768	3,733	7,179
Impairment of goodwill	914		
Fair value adjustments to contingent consideration	(19,246)	(1,755)	(265)
Fair value adjustment to assets held for sale	3,437		
Foreign exchange (gain) loss	(139)	1,288	(205)
Lease termination costs	1,261	1,281	
Loss (gain) on disposal of property and equipment	191	(231)	(1,480)
Changes in operating assets and liabilities, net of effects of acquisitions:			
Accounts receivable	(39,960)	2,046	(23,161)
Prepaid expenses and other assets	26,284	(28,324)	5,770
Accounts payable	(14,529)	(34,013)	(10,002)
Accrued compensation	15,678	11,157	4,582
Billings in excess of costs on uncompleted contracts	2,425	(1,669)	(19,957)
Other liabilities	7,371	6,475	9,855
Income taxes receivable/payable	2,665	10,553	2,618
Net cash provided by operating activities	158,021	131,623	106,842
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures	(25,106)	(18,901)	(21,584)
Payments for business acquisitions, net of cash acquired	(55,014)	(269,996)	(78,905)
Payment in settlement of foreign currency forward contract	(4,192)	(4,216)	(3,960)
Receipt in settlement of foreign currency forward contract	3,906	3,923	3,932
Change in restricted cash		(5,000)	
Investments in unconsolidated joint ventures	(430)	(530)	
Proceeds from sale of property and equipment	1,037	879	3,128
Net cash used in investing activities	(79,799)	(293,841)	(97,389)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Payments on long-term debt	(120,792)	(43,047)	(2,673)
Proceeds from borrowings	52,672	67,618	120,000
Payments of earn-out liabilities	(18,055)		

Distributions paid to noncontrolling interests		(9)		(1,702)		
Excess tax benefits from stock-based compensation		624		104		754
Net proceeds from issuance of common stock		18,166		8,378		3,353
Net cash (used in) provided by financing activities		(67,394)		31,351		121,434
EFFECT OF EXCHANGE RATE CHANGES ON CASH		3,526		428		861
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		14,354		(130,439)		131,748
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		90,494		220,933		89,185
CASH AND CASH EQUIVALENTS AT END OF YEAR	$	104,848	$	90,494	$	220,933
SUPPLEMENTAL CASH FLOW INFORMATION:						
Cash paid during the year for:						
Interest	$	5,279	$	4,226	$	1,287
Income taxes, net of refunds received	$	58,126	$	33,715	$	32,407

See accompanying Notes to Consolidated Financial Statements.

Table of Contents

TETRA TECH, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Description of Business

We are a leading provider of consulting, engineering, program management, construction management, construction and technical services that focuses on addressing fundamental needs for water, the environment, energy, infrastructure and natural resources. We are a full-service company that leads with science. We typically begin at the earliest stage of a project by identifying technical solutions to problems and developing execution plans tailored to our clients' needs and resources. Our solutions may span the entire life cycle of consulting and engineering projects and include applied science, research and technology, engineering, design, construction management, construction, operations and maintenance, and information technology.

2. Basis of Presentation and Preparation

Principles of Consolidation and Presentation. The accompanying consolidated financial statements include our accounts and those of joint ventures of which we are the primary beneficiary. Certain prior year amounts for Tetra Tech, Inc. and its reportable segments have been revised to conform to the current year presentation. These revisions include reclassification of $7.8 million of expenses that were previously reported in "Other costs of revenue" to be part of "Selling, general and administrative expenses" for fiscal 2011. In the first quarter of fiscal 2012, we re-aligned certain operating activities in our reportable segments to improve organizational effectiveness and efficiency by better aligning operations with similar client types, project types and financial metrics (see Note 17, "Reportable Segments," for further discussion). All significant intercompany balances and transactions have been eliminated in consolidation.

Fiscal Year. We report results of operations based on 52 or 53-week periods ending near September 30 of each year. Fiscal years 2012, 2011 and 2010 contained 52, 52 and 53 weeks, respectively.

Use of Estimates. The preparation of financial statements in conformity with U.S. GAAP requires us to make estimates and assumptions. These estimates and assumptions affect the amounts reported in our consolidated financial statements and accompanying notes. Although such estimates and assumptions are based on management's best knowledge of current events and actions we may take in the future, actual results could differ materially from those estimates.

Revenue Recognition and Contract Costs. We recognize revenue for most of our contracts using the percentage-of-completion method, primarily based on contract costs incurred to date compared to total estimated contract costs. We generally utilize the cost-to-cost approach to estimate the progress towards completion in order to determine the amount of revenue and profit to recognize. Certain of our contracts are service-related contracts, such as providing operations and maintenance services or a variety of technical assistance services. Our service contracts are accounted for using the proportional performance method under which revenue is recognized in proportion to the number of service activities performed, in proportion to the direct costs of performing the service activities, or evenly across the period of performance depending upon the nature of the services provided.

We recognize revenue for work performed under three major types of contracts: fixed-price, time-and-materials and cost-plus.

Fixed-Price. We enter into two major types of fixed-price contracts: FFP and FPPU. Under FFP contracts, our clients pay us an agreed fixed-amount negotiated in advance for a specified scope of work. We generally recognize revenue on FFP contracts using the percentage-of-completion method. If the nature or circumstances of the contract prevent us from preparing a reliable estimate at completion, we will delay profit recognition until adequate information about the contract's progress becomes available.

TETRA TECH, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Basis of Presentation and Preparation (Continued)

Under our FPPU contracts, clients pay us a set fee for each service or production transaction that we complete. Accordingly, we recognize revenue under FPPU contracts as we complete the related service or production transactions, generally using the proportional performance method.

Time-and-Materials. Under time-and-materials contracts, we negotiate hourly billing rates and charge our clients based on the actual time that we spend on a project. In addition, clients reimburse us for our actual out-of-pocket costs for materials and other direct incidental expenditures that we incur in connection with our performance under the contract. The majority of our time-and-material contracts are subject to maximum contract values and, accordingly, revenue under these contracts is generally recognized under the percentage-of-completion method. However, time and materials contracts that are service-related contracts are accounted for utilizing the proportional performance method. Revenue on contracts that are not subject to maximum contract values is recognized based on the actual number of hours we spend on the projects plus any actual out-of-pocket costs of materials and other direct incidental expenditures that we incur on the projects. Our time-and-materials contracts also generally include annual billing rate adjustment provisions.

Cost-Plus. Under cost-plus contracts, we are reimbursed for allowable or otherwise defined costs incurred plus a fee or mark-up. The contracts may also include incentives for various performance criteria, including quality, timeliness, ingenuity, safety and cost-effectiveness. In addition, our costs are generally subject to review by our clients and regulatory audit agencies, and such reviews could result in costs being disputed as non-reimbursable under the terms of the contract. Revenue for cost-plus contracts is recognized at the time services are performed based upon the amounts we expect to realize using the percentage-of-completion method. Revenue is not recognized for non-recoverable costs. Performance incentives are included in our estimates of revenue when their realization is reasonably assured.

If estimated total costs on any contract indicate a loss, we recognize the entire estimated loss in the period the loss becomes known. The cumulative effect of revisions to revenue; estimated costs to complete contracts, including penalties, incentive awards, change orders, claims, liquidated damages, anticipated losses, and other revisions are recorded in the period in which the revisions are identified and the loss can be reasonably estimated. Such revisions could occur in any reporting period and the effects may be material depending on the size of the project or the adjustment.

Once contract performance is underway, we may experience changes in conditions, client requirements, specifications, designs, materials and expectations regarding the period of performance. Such changes are "change orders" and may be initiated by us or by our clients. In many cases, agreement with the client as to the terms of change orders is reached prior to work commencing; however, sometimes circumstances require that work progress without obtaining client agreement. Revenue related to change orders is recognized as costs are incurred. Change orders that are unapproved as to both price and scope are evaluated as claims.

Claims are amounts in excess of agreed contract prices that we seek to collect from our clients or other third parties for delays, errors in specifications and designs, contract terminations, change orders in dispute or unapproved as to both scope and price, or other causes of unanticipated additional costs. Revenue on claims is recognized only to the extent that contract costs related to the claims have been incurred and when it is probable that the claim will result in a bona fide addition to contract value that can be reliably estimated. No profit is recognized on a claim until final settlement occurs. This can lead to a situation in which costs are recognized in one period and revenue is recognized in a subsequent period when a client agreement is obtained or a claims resolution occurs.

TETRA TECH, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Basis of Presentation and Preparation (Continued)

Cash and Cash Equivalents. Cash and cash equivalents include all highly liquid investments with maturities of 90 days or less at the date of purchase. Restricted cash of $5.0 million was included in "Prepaid expenses and other current assets" on both consolidated balance sheets at fiscal 2012 and 2011 year-ends. For cash held by our consolidated joint ventures, see Note 15, "Joint Ventures."

Insurance Matters, Litigation and Contingencies. In the normal course of business, we are subject to certain contractual guarantees and litigation. In addition, we maintain insurance coverage for various aspects of our business and operations. We record in our consolidated balance sheets amounts representing our estimated liability for these legal and insurance obligations. We include any adjustments to these liabilities in our consolidated results of operations.

Accounts Receivable Net. Net accounts receivable is primarily comprised of billed and unbilled accounts receivable, contract retentions and allowances for doubtful accounts. Billed accounts receivable represent amounts billed to clients that have not been collected. Unbilled accounts receivable represent revenue recognized but not yet billed pursuant to contract terms or billed after the period end date. Most of our unbilled receivables at September 30, 2012 are expected to be billed and collected within 12 months. Unbilled accounts receivable also include amounts related to requests for equitable adjustment to contracts that provide for price redetermination primarily with the U.S. federal government. These amounts are recorded only when they can be reliably estimated and realization is probable. Contract retentions represent amounts withheld by clients until certain conditions are met or the project is completed, which may be several months or years. Allowances for doubtful accounts represent the amounts that may become uncollectible or unrealizable in the future. We determine an estimated allowance for uncollectible accounts based on management's judgment regarding our operating performance related to the adequacy of the services performed and delivered, the status of change orders and claims, our experience settling change orders and claims, and the financial condition of our clients. Billings in excess of costs on uncompleted contracts represent the amounts of cash collected from clients and billings to clients on contracts in advance of work performed and revenue recognized. The majority of these amounts will be earned within 12 months.

Property and Equipment. Property and equipment are recorded at cost and are depreciated over their estimated useful lives using the straight-line method. When property and equipment are retired or otherwise disposed of, the cost and accumulated depreciation are removed from our consolidated balance sheets and any resulting gain or loss is reflected in our consolidated statements of income. Expenditures for maintenance and repairs are expensed as incurred. Generally, estimated useful lives range from three to ten years for equipment, furniture and fixtures. Buildings are depreciated over periods not exceeding 40 years. Leasehold improvements are amortized on a straight-line basis over the shorter of their estimated useful lives or the length of the lease.

Long-Lived Assets. Our policy regarding long-lived assets is to evaluate the recoverability of our assets when the facts and circumstances suggest that the assets may be impaired. This assessment is performed based on the estimated undiscounted cash flows compared to the carrying value of the assets. If the future cash flows (undiscounted and without interest charges) are less than the carrying value, a write-down would be recorded to reduce the related asset to its estimated fair value.

We recognize a liability for contract termination costs associated with an exit activity for costs that will continue to be incurred under a lease for its remaining term without economic benefit to us, initially measured at its fair value at the cease-use date. The fair value is determined based on the remaining lease

TETRA TECH, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Basis of Presentation and Preparation (Continued)

rentals, adjusted for the effects of any prepaid or deferred items recognized under the lease, and reduced by estimated sublease rentals.

Variable Interest Entities. At the beginning of fiscal 2011, we adopted an accounting standard that requires us to perform an analysis to determine whether our variable interests give us a controlling financial interest in a variable interest entity ("VIE") and whether we should therefore consolidate the VIE. This analysis requires us to assess whether we have the power to direct the activities of the VIE and the obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIE. This guidance eliminates the quantitative approach previously required for determining the primary beneficiary of a VIE and significantly enhances disclosures.

In the normal course of business, we form joint ventures, including partnerships and partially owned limited liability companies, with third parties primarily to bid on and execute specific projects. In accordance with the current consolidation standard, we analyzed all of our joint ventures and classified them into two groups: (1) joint ventures that must be consolidated because they are either not VIEs and we hold the majority voting interest, or because they are VIEs and we are the primary beneficiary; and (2) joint ventures that do not need to be consolidated because they are either not VIEs and we hold a minority voting interest, or because they are VIEs and we are not the primary beneficiary.

Joint ventures are considered VIEs if (1) the total equity investment at risk is not sufficient to permit the entity to finance its activities without additional financial support; (2) as a group, the holders of the equity investment at risk lack the ability to make certain decisions, the obligation to absorb expected losses or the right to receive expected residual returns; or (3) an equity investor has voting rights that are disproportionate to its economic interest and substantially all of the entity's activities are on behalf of the investor. Many of our joint venture agreements provide for capital calls to fund operations, as necessary; however, such funding has been historically infrequent and is not anticipated to be material. The majority of our joint ventures are pass-through entities for client invoicing purposes. As such, these are VIEs because the total equity investment is typically nominal and not sufficient to permit the entity to finance its activities without additional financial support.

We are considered the primary beneficiary and required to consolidate a VIE if we have the power to direct the activities that most significantly impact that VIE's economic performance, and the obligation to absorb losses or the right to receive benefits of that VIE that could potentially be significant to the VIE. In determining whether we are the primary beneficiary, our significant assumptions and judgments include the following: (1) identifying the significant activities and the parties that have the power to direct them; (2) reviewing the governing board composition and participation ratio; (3) determining the equity, profit and loss ratio; (4) determining the management-sharing ratio; (5) reviewing employment terms, including which joint venture partner provides the project manager; and (6) reviewing the funding and operating agreements. Examples of significant activities include engineering and design services; management consulting services; procurement and construction services; program management; construction management; and operations and maintenance services. If we determine that the power to direct the significant activities is shared by two or more joint venture parties, then there is no primary beneficiary and no party consolidates the VIE. In making the shared-power determination, we analyze the key contractual terms, governance, related party and de facto agency as they are defined in the accounting standard, and other arrangements.

A majority of our joint ventures are unconsolidated VIEs because we are not the primary beneficiary of those joint ventures. In some cases, we consolidate VIEs because we are the primary beneficiary of

TETRA TECH, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Basis of Presentation and Preparation (Continued)

those joint ventures. In fiscal 2012, there are no changes in the status of the VIEs and no changes to the primary beneficiary designation of each VIE. Accordingly, we determined that none of the unconsolidated joint ventures should be consolidated and none of the consolidated joint ventures should be de-consolidated.

Business Combinations. The cost of an acquired company is assigned to the tangible and intangible assets purchased and the liabilities assumed on the basis of their fair values at the date of acquisition. The determination of fair values of assets and liabilities acquired requires us to make estimates and use valuation techniques when a market value is not readily available. Any excess of purchase price over the fair value of net tangible and intangible assets acquired is allocated to goodwill. Goodwill typically represents the value paid for the assembled workforce and enhancement of our service offerings. Transaction costs associated with business combinations are expensed as they are incurred.

Goodwill and Intangibles. Goodwill represents the excess of the aggregate purchase price over the fair value of the net assets acquired in a business acquisition. Following an acquisition, we perform an analysis to value the acquired company's tangible and identifiable intangible assets and liabilities. With respect to identifiable intangible assets, we consider backlog, non-compete agreements, client relations, trade names, patents and other assets. The costs of these intangible assets are amortized using the straight-line method over their contractual or economic lives, which range from one to ten years. We assess the recoverability of the unamortized balance of our intangible assets when indicators of impairment are present based on expected future profitability and undiscounted expected cash flows and their contribution to our overall operations. Should the review indicate that the carrying value is not fully recoverable, the excess of the carrying value over the fair value of the intangible assets would be recognized as an impairment loss.

We test our goodwill for impairment on an annual basis, and more frequently when an event occurs or circumstances indicate that the carrying value of the asset may not be recoverable. We believe the methodology that we use to review impairment of goodwill, which includes a significant amount of judgment and estimates, provides us with a reasonable basis to determine whether impairment has occurred. However, many of the factors employed in determining whether our goodwill is impaired are outside of our control and it is reasonably likely that assumptions and estimates will change in future periods. These changes could result in future impairments.

We perform our annual goodwill testing on the first day of our fiscal fourth quarter (July 2, 2012, in fiscal 2012). Our reporting units for goodwill impairment testing are the components one level below our reportable segments. The annual impairment test for goodwill is a two-step process involving the comparison of the estimated fair value of each reporting unit to the reporting unit's carrying value, including goodwill. If the fair value of a reporting unit exceeds its carrying amount, the goodwill of the reporting unit is not considered impaired; therefore, the second step of the impairment test is unnecessary. If the carrying amount of a reporting unit exceeds its fair value, we perform the second step of the goodwill impairment test to measure the amount of impairment loss to be recorded. If our goodwill were impaired, we would be required to record a non-cash charge that could have a material adverse effect on our consolidated financial statements.

Contingent Consideration. Most of our acquisition agreements include contingent earn-out arrangements, which are generally based on the achievement of future operating income thresholds. The contingent earn-out arrangements are based upon our valuations of the acquired companies and reduce the risk of overpaying for acquisitions if the projected financial results are not achieved. For acquisitions

TETRA TECH, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Basis of Presentation and Preparation (Continued)

completed prior to fiscal 2010, contingent earn-out payments are accrued as "Estimated earn-out liabilities" when the related operating income thresholds have been achieved, and a corresponding increase in goodwill is recorded. These contingent earn-out payments are reflected as cash flows used in investing activities on the consolidated statements of cash flows in the period paid.

For acquisitions consummated in or after fiscal 2010, the fair values of these earn-out arrangements are included as part of the purchase price of the acquired companies on their respective acquisition dates. For each transaction, we estimate the fair value of contingent earn-out payments as part of the initial purchase price and record the estimated fair value of contingent consideration as a liability in "Estimated contingent earn-out liabilities" and "Other long-term liabilities" on the consolidated balance sheets. We consider several factors when determining that contingent earn-out liabilities are part of the purchase price, including the following: (1) the valuation of our acquisitions is not supported solely by the initial consideration paid, and the contingent earn-out formula is a critical and material component of the valuation approach to determining the purchase price; and (2) the former shareholders of acquired companies that remain as key employees receive compensation other than contingent earn-out payments at a reasonable level compared with the compensation of our other key employees. The contingent earn-out payments are not affected by employment termination.

We measure our contingent earn-out liabilities at fair value on a recurring basis using significant unobservable inputs classified within Level 3 of the fair value hierarchy. We use a probability weighted discounted income approach as a valuation technique to convert future estimated cash flows to a single present value amount. The significant unobservable inputs used in the fair value measurements are operating income projections over the earn-out period (generally two or three years), and the probability outcome percentages we assign to each scenario. Significant increases or decreases to either of these inputs in isolation would result in a significantly higher or lower liability with a higher liability capped by the contractual maximum of the contingent earn-out obligation. Ultimately, the liability will be equivalent to the amount paid, and the difference between the fair value estimate and amount paid will be recorded in earnings. The amount paid that is less than or equal to the liability on the acquisition date is reflected as cash used in financing activities in our condensed consolidated statements of cash flows. Any amount paid in excess of the liability on the acquisition date is reflected as cash used in operating activities.

We review and re-assess the estimated fair value of contingent consideration on a quarterly basis, and the updated fair value could differ materially from the initial estimates. Changes in the estimated fair value of our contingent earn-out liabilities related to the time component of the present value calculation are reported in interest expense. Adjustments to the estimated fair value related to changes in all other unobservable inputs are reported in operating income.

Assets Held for Sale. Assets that meet the held for sale classification criteria are valued at the lower of their carrying amount or estimated fair value less cost to sell. If the carrying amount of the asset exceeds its estimated fair value less cost to sell, an impairment loss is recognized. Depreciation, depletion, and amortization expense is not recorded on assets once they are classified as held for sale.

Fair Value of Financial Instruments. The carrying amounts of cash and cash equivalents, accounts receivable and accounts payable approximate fair value because of the short maturities of these instruments. Any borrowings under our revolving credit facility approximate fair value because the interest rates are based upon variable reference rates. Certain other assets and liabilities, such as contingent earn-out liabilities, assets held for sale and forward foreign exchange contracts that we purchased as cash-flow hedges, are required to be carried in our consolidated financial statements at fair value.

TETRA TECH, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Basis of Presentation and Preparation (Continued)

We perform fair value measurements in accordance with the Financial Accounting Standard Board's ("FASB") guidance on "Fair Value Measurements and Disclosures." This guidance defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required to be recorded at their fair values, we consider the principal or most advantageous market in which we would transact and consider assumptions that market participants would use when pricing the assets or liabilities, such as inherent risk, transfer restrictions, and risk of nonperformance. This standard establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into the following three levels:

Level 1: quoted prices in active markets for identical assets or liabilities.

Level 2: quoted prices that are observable for the asset or liability, either directly or indirectly such as quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in market that are not active.

Level 3: unobservable inputs based on our own assumptions used to measure assets and liabilities at fair value.

Stock-Based Compensation. We recognize the fair value of our stock-based compensation awards as compensation expense on a straight-line basis over the requisite service period of the award. We estimate the fair value of options and stock purchase rights granted using the Black-Scholes option pricing model. The fair value of restricted stock grants is estimated at the grant date using the market price of the underlying common stock at the date of grant. The assumptions used in computing the fair value of stock-based payments reflect our estimates, but involve uncertainties relating to market and other conditions, many of which are outside of our control. We estimate expected volatility based on historical daily price changes of our stock for a period that approximates the current expected term of the awards, in addition to recent option market activity. For performance-based awards, our expected performance is reviewed to determine the percentage of shares pursuant to the award in accordance with our Executive Compensation Policy. The expected term is the number of years we estimate that the award will be outstanding prior to exercise considering vesting schedules and our historical exercise patterns.

Deferred Compensation. We maintain a non-qualified defined contribution supplemental retirement plan for certain key employees that is accounted for in accordance with applicable authoritative guidance on accounting for deferred compensation arrangements where amounts earned are held in a rabbi trust and invested. Employee deferrals and our match are deposited into a rabbi trust, and the funds are generally invested in individual variable life insurance contracts that we own and are specifically designed to informally fund savings plans of this nature. Our consolidated balance sheets reflect our investment in variable life insurance contracts in "Other assets." Our obligation to participating employees is reflected in "Other long-term liabilities." All income and expenses related to the rabbi trust are reflected in our consolidated statements of income.

Selling, General and Administrative Expenses. SG&A expenses represent overhead expenses that are not associated with contract execution and are expensed in the period incurred. SG&A expenses are comprised primarily of marketing, bid and proposal costs, and our corporate headquarters' costs related to the executive offices, finance, accounting, administration and information technology. Additionally, we include in our SG&A expenses the amortization of identifiable intangible assets.

TETRA TECH, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Basis of Presentation and Preparation (Continued)

Income Taxes. We file a consolidated U.S. federal income tax return and a combined California franchise tax return. In addition, we file other returns that are required in the states, foreign jurisdictions and other jurisdictions in which we do business. We account for certain income and expense items differently for financial reporting and income tax purposes. Deferred tax assets and liabilities are computed for the difference between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to reverse. In determining the need for a valuation allowance, management reviews both positive and negative evidence, including current and historical results of operations, future income projections and potential tax planning strategies.

According to the authoritative guidance on accounting for uncertainty in income taxes, we may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. This guidance also addresses de-recognition, classification, interest and penalties on income taxes, accounting in interim periods and disclosure requirements for uncertain tax positions.

Earnings Per Share. Basic earnings per share ("EPS") is computed by dividing net income available to common stockholders by the weighted-average number of common shares outstanding, less unvested restricted stock. Diluted EPS is computed by dividing net income by the weighted-average number of common shares outstanding and dilutive potential common shares for the period. Potential common shares include the weighted-average dilutive effects of outstanding stock options and unvested restricted stock using the treasury stock method.

Concentration of Credit Risk. Financial instruments that subject us to credit risk consist primarily of cash and cash equivalents and net accounts receivable. In the event that we have surplus cash, we place our temporary cash investments with lower risk financial institutions and, by policy, limit the amount of investment exposure to any one financial institution. Approximately 26% and 32% of accounts receivable were due from various agencies of the U.S. federal government at fiscal 2012 and 2011 year-ends, respectively. The remaining accounts receivable are generally diversified due to the large number of organizations comprising our client base and their geographic dispersion. We perform ongoing credit evaluations of our clients and maintain an allowance for potential credit losses.

Foreign Currency Translation. We determine the functional currency of our foreign operating units based upon the primary currency in which they operate. These operating units maintain their accounting records in their local currency, primarily Canadian dollars. Where the functional currency is not the U.S. dollar, translation of assets and liabilities to U.S. dollars is based on exchange rates at the balance sheet date. Translation of revenue and expenses to U.S. dollars is based on the average rate during the period. Translation gains or losses are reported as a component of other comprehensive income (loss). Gains or losses from foreign currency transactions are included in results of operations, with the exception of intercompany foreign transactions that are considered long-term investments, which are recorded in "Accumulated other comprehensive income" on the consolidated balance sheets.

Recently Adopted and Issued Accounting Guidance. In January 2010, the FASB issued updated accounting guidance that amends the disclosure requirements with respect to fair value measurements. Specifically, the new guidance requires disclosure of amounts transferred in and out of Levels 1 and 2 fair

TETRA TECH, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Basis of Presentation and Preparation (Continued)

value measurements, a reconciliation presented on a gross basis rather than a net basis of activity in Level 3 fair value measurements, greater disaggregation of the assets and liabilities for which fair value measurements are presented, and more robust disclosure of the valuation techniques and inputs used to measure Level 2 and 3 fair value measurements. Part of this guidance was effective for us in the first quarter of fiscal 2011. We adopted the additional requirement on Level 3 fair value measurements on October 3, 2011. The adoption of this guidance did not have a material impact on the consolidated financial statements.

In December 2010, the FASB issued updated accounting guidance to clarify that pro forma disclosures should be presented as if a business combination occurred at the beginning of the prior annual period for purposes of preparing both the current reporting period and the prior reporting period pro forma financial information. These disclosures should be accompanied by a narrative description about the nature and amount of material, nonrecurring pro forma adjustments. The new accounting guidance is effective prospectively for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2010. We adopted this guidance on October 3, 2011; however, no business combinations completed in fiscal 2012 were considered material, individually or in aggregate, to our consolidated financial statements.

In December 2010, the FASB issued updated accounting guidance to amend the criteria for performing Step 2 of the goodwill impairment test for reporting units with zero or negative carrying amounts and requires performing Step 2 if qualitative factors indicate that it is more likely than not that a goodwill impairment exists. We adopted the disclosures on October 3, 2011, and it did not have an impact on our consolidated financial statements.

In May 2011, the FASB issued updated guidance to improve comparability of fair value measurements between U.S. GAAP and International Financial Reporting Standards. This update amends current fair value measurement and disclosure guidance to include increased transparency around valuation inputs and investment categorization. The updated guidance is effective for fiscal years and interim periods beginning after December 15, 2011. We adopted the updated guidance in the second quarter of fiscal 2012 and it did not have an impact on our consolidated financial statements.

In June 2011, the FASB issued new guidance on the presentation of comprehensive income. The new guidance allows an entity to present components of net income and other comprehensive income in either a single continuous statement of comprehensive income or in two separate but consecutive statements. The new guidance eliminates the current option to report other comprehensive income and its components in the statement of changes in equity. While the new guidance changes the presentation of comprehensive income, there are no changes to the components that are recognized in net income or other comprehensive income under current accounting guidance. Additionally, in December 2011, the FASB issued new guidance to defer the effective date pertaining to present reclassification adjustments out of accumulated other comprehensive income by component in both the statement in which net income is presented and the statement in which other comprehensive income is presented. During the deferral period, the existing requirements in the original guidance for the presentation of reclassification adjustments must continue to be followed. This new guidance is effective for the first quarter of fiscal 2013 on a retrospective basis.

In September 2011, the FASB issued updated accounting guidance to simplify how an entity tests goodwill for impairment. The amendment permits an entity to first assess qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test. An entity will not be required to calculate the fair value of a reporting unit unless the entity determines that it is more likely

Table of Contents

TETRA TECH, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Basis of Presentation and Preparation (Continued)

than not that its fair value is less than its carrying amount. The updated guidance is effective in fiscal year 2013. Early adoption is permitted; however, we have not yet adopted it. We do not expect the adoption of this guidance to have a material impact on our consolidated financial statements.

In December 2011, the FASB issued new guidance to enhance disclosures about financial instruments and derivative instruments that are either offset on the statement of financial position or subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are offset on the statement of financial position. Entities are required to provide both net and gross information for these assets and liabilities in order to facilitate comparability between financial statements prepared on the basis of U.S. GAAP and financial statements prepared on the basis of International Financial Reporting Standards. This updated guidance will be effective for the first quarter of fiscal 2014 on a retrospective basis and we are evaluating the impact on our consolidated financial statements.

3. Accounts Receivable Net

Net accounts receivable and billing in excess of costs on uncompleted contracts consisted of the following at September 30, 2012, and October 2, 2011:

	Fiscal Year Ended	
	September 30, 2012	October 2, 2011
	(in thousands)	
Billed	$ 362,331	$ 364,779
Unbilled	355,793	309,091
Contract retentions	17,908	15,553
Total accounts receivable gross	736,032	689,423
Allowance for doubtful accounts	(35,552)	(32,244)
Total accounts receivable net	$ 700,480	$ 657,179
Current billings in excess of costs on uncompleted contracts	$ 90,909	$ 84,754
Non-current billings in excess of costs on uncompleted contracts	4,410	5,832
Total billings in excess of costs on uncompleted contracts	$ 95,319	$ 90,586

Billed accounts receivable represent amounts billed to clients that have not been collected. Unbilled accounts receivable represent revenue recognized but not yet billed pursuant to contract terms or billed after the period end date. Most of our unbilled receivables at September 30, 2012 are expected to be billed and collected within 12 months. Unbilled accounts receivable at September 30, 2012 and October 2, 2011, include approximately $21 million and $16 million, respectively, related to claims, and requests for equitable adjustment on contracts that provide for price redetermination primarily with U.S. federal government agencies. These amounts are management's estimate of the most probable amount to be realized upon the conclusion of the claims settlement process. We regularly evaluate these claim amounts and record appropriate adjustments to operating earnings when collection is deemed to have changed. No material losses were recognized related to the collectability of claims during fiscal 2012 and 2011. Contract retentions represent amounts withheld by clients until certain conditions are met or the project is

TETRA TECH, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Accounts Receivable Net (Continued)

completed, which may be several months or years. The allowance for doubtful accounts is determined based on a review of client-specific accounts, and contract issues resulting from current events and economic circumstances. Billings in excess of costs on uncompleted contracts represent the amount of cash collected from clients and billings to clients on contracts in advance of revenue recognized. The majority of billings in excess of costs on uncompleted contracts will be earned within 12 months. The non-current billings in excess of costs on uncompleted contracts were reported as part of our "Other long-term liabilities" on our consolidated balance sheets.

Billed accounts receivable related to U.S. federal government contracts were $65.9 million and $88.5 million at September 30, 2012 and October 2, 2011, respectively. U.S. federal government unbilled receivables, net of progress payments, were $100.4 million and $102.7 million at September 30, 2012 and October 2, 2011, respectively. Other than the U.S. federal government, no single client accounted for more than 10% of our accounts receivable at September 30, 2012 and October 2, 2011.

4. Mergers and Acquisitions

In fiscal 2010, we made certain acquisitions that enhanced our service offerings and expanded our geographic presence in the ECS, TSS and RCM segments. The aggregate purchase price for fiscal 2010 acquisitions was $107.3 million as of the respective acquisition dates, of which $86.6 million was paid to the sellers and $20.7 million was the estimated fair value of contingent earn-out liabilities on acquisition with an aggregate maximum of $26.7 million upon the achievement of specified financial objectives.

At the beginning of the first quarter of fiscal 2011, we acquired all of the outstanding capital stock of BPR, Inc. ("BPR"), a Canadian scientific and engineering services firm that provides multidisciplinary consulting and engineering support for water, energy, industrial plants, buildings and infrastructure projects. This acquisition further expanded our geographic presence in eastern Canada, and enabled us to provide clients with additional services throughout Canada. BPR is part of our ECS segment. The estimated fair value of the purchase price was $185.7 million as of the acquisition date, of which payments of $157.0 million were financed with borrowings under our credit facility and available cash resources and $28.7 million was the estimated fair value of contingent earn-out liabilities on acquisition with a maximum of $39.2 million upon the achievement of specified financial objectives over a two-year period from the acquisition date. The goodwill related to the BPR acquisition represented the value paid for the assembled work force, the international geographic presence in eastern Canada, and engineering and consulting

Table of Contents

TETRA TECH, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Mergers and Acquisitions (Continued)

expertise. The following table summarizes the estimated fair values of the assets acquired and liabilities assumed as of the date of acquisition:

	Amount (in thousands)
Current assets	$ 77,698
Property and equipment	7,178
Goodwill	128,140
Intangible and other assets	36,988
Current liabilities	(42,481)
Long-term deferred taxes	(9,622)
Noncontrolling interests	(12,222)
Net assets acquired	$ 185,679

In fiscal 2011, we made other acquisitions that further enhanced our service offerings and expanded our geographic presence in the ECS and TSS segments. The aggregate purchase price for these acquisitions was $100.3 million as of the respective acquisition dates. Of this amount, $68.7 million was paid to the sellers, $4.5 million was accrued in accordance to the purchase agreements and $26.9 million was the estimated fair value of contingent earn-out obligations with an aggregate maximum of $32.3 million upon the achievement of specified financial objectives.

In fiscal 2012, we made acquisitions that enhanced our service offerings and expanded our geographic presence in our ECS and TSS segments. The aggregate purchase price for these acquisitions was $63.2 million as of the respective acquisition dates. Of this amount, $42.2 million was paid to the sellers, $2.0 million was accrued in accordance to the purchase agreements and $19.0 million was the estimated fair value of contingent earn-out obligations with an aggregate maximum of $20.0 million upon the achievement of specified financial objectives.

Goodwill additions resulting from the above business combinations are primarily attributable to the existing workforce of the acquired companies and synergies expected to arise after the acquisitions. The results of these acquisitions were included on the consolidated financial statements from their respective closing dates. None of the acquisitions were considered material, individually or in the aggregate, for the respective reporting periods. As a result, no pro forma information has been provided. The purchase price allocations related to fiscal 2012 acquisitions are preliminary, and subject to adjustment, based on the valuation and final determination of net assets acquired. We do not believe that any adjustments will have a material effect on the consolidated results of operations.

The aggregate current estimated earn-out liabilities of $35.4 million and $64.1 million are reported in "Estimated contingent earn-out liabilities," and the aggregate non-current estimated earn-out liabilities of $16.1 million and $11.0 million are reported in "Other long-term liabilities" on the consolidated balance sheets at September 30, 2012 and October 2, 2011, respectively. Each contingent consideration is based on future operating income, and its fair value is estimated by management assessing the probability of the results being achieved in the future. At September 30, 2012, there was a maximum of $3.0 million of contingent consideration remaining for acquisitions completed prior to fiscal 2010 that will be recorded as an addition to goodwill if earned. At September 30, 2012, there was a maximum of $68.4 million of contingent consideration remaining for acquisitions completed in or after fiscal 2010.

Table of Contents

TETRA TECH, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Mergers and Acquisitions (Continued)

Every quarter-end, we re-measure the fair value of our contingent earn-out liabilities by re-evaluating the significant unobservable inputs and probability weightings in our discounted income valuation models. Any resulting decreases or increases in the fair value result in a corresponding gain or loss reported in operating income. During fiscal 2012, 2011 and 2010, we recorded a net decrease in our contingent earn-out liabilities and reported related net gains in operating income of $19.2 million ($17.3 million in the fourth quarter), $1.8 million and $0.3 million, respectively, as a result of re-measurements of fair value. In each case, subsequent to the acquisition date, we determined that the related acquired companies would achieve operating income different than the estimated level used to calculate the fair value. On a net basis, the updated estimates of operating income were lower than the original projections. The $17.3 million net decrease in our contingent earn-out liabilities in the fourth quarter of fiscal 2012 included $12.5 million related to our determination in that quarter that one of our acquisitions in the TSS segment would not achieve the operating income we previously expected for the earn-out period. The remaining fourth quarter net earn-out adjustments primarily related to several of our recent acquisitions in the ECS segment for which the earn-out periods concluded in the fourth quarter of fiscal 2012. Although certain acquired operating units with contingent earn-outs are currently expected to or did achieve lower operating income than we estimated at the time of acquisition, their results, projected earnings and related cash flows did not result in goodwill impairment.

The following table summarizes the changes in the carrying value of estimated contingent earn-out liabilities:

	Fiscal Year Ended		
	September 30, 2012	October 2, 2011	October 3, 2010
	(in thousands)		
Beginning balance (at fair value)	$ 75,159	$ 20,504	$
Estimated earn-out liabilities for acquisitions during the fiscal year	18,981	55,622	20,708
Earn-out liabilities for acquisitions completed prior to fiscal 2010	9,974	21,978	13,591
Increases due to re-measurement of fair value reported in interest expense	1,374	1,612	156
Net decreases due to re-measurement of fair value reported as gains in operating income	(19,246)	(1,755)	(265)
Currency translation adjustments	3,027	(743)	(95)
Earn-out payments:			
Reported as cash used in operating activities	(601)		
Reported as cash used in investing activities	(11,773)	(22,059)	(13,591)
Reported as cash used in financing activities	(18,055)		
Settlement of receivables due from sellers	(7,301)		
Ending balance (at fair value)	$ 51,539	$ 75,159	$ 20,504

Table of Contents

TETRA TECH, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Goodwill and Intangibles

The following table summarizes the changes in the carrying value of goodwill:

	ECS	TSS	EAS	RCM	Total
			(in thousands)		
Balance at October 3, 2010	$ 244,616	$ 68,661	$ 17,210	$ 63,935	$ 394,422
Goodwill additions	149,193	11,469			160,662
Currency translation adjustments	(3,486)				(3,486)
Goodwill adjustments	15,355	1,961	500		17,816
Balance at October 2, 2011	405,678	82,091	17,710	63,935	569,414
Inter-segment transfers	(29,338)	45,435		(16,097)	
Goodwill additions	5,245	31,201		1,945	38,391
Currency translation adjustments	18,910				18,910
Goodwill adjustments	10,122	35			10,157
Goodwill impairment			(914)		(914)
Balance at September 30, 2012	$ 410,617	$ 158,762	$ 16,796	$ 49,783	$ 635,958

Goodwill additions are attributable to acquisitions described in Note 4, "Mergers and Acquisitions," for the respective fiscal years. Substantially all of the goodwill additions are not deductible for income tax purposes. Currency translation adjustments related to our foreign subsidiaries with functional currencies that are different than our reporting currency. Goodwill adjustments resulted primarily from earn-out payments and accruals associated with acquisitions consummated prior to fiscal 2010, which are accounted for as goodwill adjustments under previous accounting rules. Inter-segment transfers related to the realignment of certain operating activities in our reportable segments in the first quarter of fiscal 2012. For more information regarding the fiscal 2012 realignment, see Note 17, "Reportable Segments." A goodwill impairment charge of $0.9 million was recognized in the fourth quarter of fiscal 2012 for a reporting unit in the EAS segment. This reporting unit reported lower than planned operating income during the fourth quarter of fiscal 2012, and projected future operating losses and negative cash flows. The impairment represented all of the goodwill for this reporting unit.

Gross amount of goodwill for the EAS segment was $122.7 million for both fiscal 2012 and 2011 year-ends. We recorded impairment charges of $105.0 million in fiscal 2005 and $0.9 million in fiscal 2012. Accordingly, accumulated impairment losses for this segment were $105.9 million and $105.0 million for September 30, 2012 and October 2, 2011, respectively. There were no impairment charges in the other reportable segments.

Table of Contents

TETRA TECH, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Goodwill and Intangibles (Continued)

The gross amount and accumulated amortization of our acquired identifiable intangible assets with finite useful lives included in "Intangible assets net" on the consolidated balance sheets, were as follows:

	Fiscal Year Ended				
	September 30, 2012			October 2, 2011	
	Weighted-Average Remaining Life (in years)	Gross Amount	Accumulated Amortization	Gross Amount	Accumulated Amortization
	($ in thousands)				
Non-compete agreements	1.3	$ 5,467	$ (4,685)	$ 5,175	$ (3,430)
Client relations	5.6	99,096	(31,477)	81,619	(17,951)
Backlog	1.1	59,931	(55,908)	52,938	(39,452)
Technology and trade names	3.8	3,034	(1,227)	2,684	(530)
Total		$ 167,528	$ (93,297)	$ 142,416	$ (61,363)

In fiscal 2012, the increases in gross amounts are attributable to the fiscal 2012 acquisitions described in Note 4, "Mergers and Acquisitions" and, to a lesser extent, foreign currency translation adjustments. Amortization expense for these intangible assets for fiscal 2012, 2011 and 2010 was $29.6 million, $28.0 million and $12.7 million, respectively. Estimated amortization expense for the succeeding five years and beyond is as follows:

	Amount (in thousands)
2013	$ 17,834
2014	14,272
2015	13,229
2016	11,617
2017	9,563
Beyond	7,716
Total	$ 74,231

Table of Contents

TETRA TECH, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. Property and Equipment

The property and equipment consisted of the following:

	Fiscal Year Ended September 30, 2012	October 2, 2011
	(in thousands)	
Land and buildings	$ 5,537	$ 11,729
Equipment, furniture and fixtures	177,710	160,644
Leasehold improvements	26,180	23,304
Total property and equipment	209,427	195,677
Accumulated depreciation	(135,118)	(118,141)
Property and equipment, net	$ 74,309	$ 77,536

The depreciation expense related to property and equipment, including assets under capital leases, was $26.7 million, $27.1 million and $20.4 million for fiscal 2012, 2011 and 2010, respectively.

During the fourth quarter of fiscal 2012, one of our properties met the held for sale classification criteria at fiscal 2012 year-end. This property consists of land and a building at a net book value of $5.8 million. We estimated the fair value of this property using market values for similar properties, and this is considered a Level 3 measurement as defined in FASB's guidance on "Fair Value Measurements and Disclosures." After adjustment to fair value, the $2.4 million carrying value of this property has been reclassified to "Prepaid expenses and other current assets" in the consolidated balance sheet at September 30, 2012. Additionally, we recorded the related non-cash impairment charge of $3.4 million in our corporate "Selling, general and administrative expenses" in the consolidated statement of income for fiscal 2012.

7. Income Taxes

The income before income taxes, by geographic area, was as follows:

	Fiscal Year Ended September 30, 2012	October 2, 2011	October 3, 2010
		(in thousands)	
Income before income taxes:			
United States	$ 141,035	$ 126,912	$ 119,729
Foreign	19,761	13,580	3,358
Total income before income taxes	$ 160,796	$ 140,492	$ 123,087

Table of Contents

TETRA TECH, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. Income Taxes (Continued)

Income tax expense consisted of the following:

	Fiscal Year Ended		
	September 30, 2012	October 2, 2011	October 3, 2010
		(in thousands)	
Current:			
Federal	$ 46,058	$ 30,246	$ 28,538
State	6,949	5,948	5,489
Foreign	8,569	9,596	600
Total current income tax expense	61,576	45,790	34,627
Deferred:			
Federal	(200)	6,755	9,978
State	(622)	1,069	1,951
Foreign	(4,690)	(6,104)	(288)
Total deferred income tax expense (benefit)	(5,512)	1,720	11,641
Total income tax expense	$ 56,064	$ 47,510	$ 46,268

Total income tax expense was different from the amount computed by applying the U.S. federal statutory rate to pre-tax income as follows:

	Fiscal Year Ended					
	September 30, 2012		October 2, 2011		October 3, 2010	
			($ in thousands)			
Tax at federal statutory rate	$ 56,278	35.0%	$ 49,172	35.0%	$ 43,080	35.0%
State taxes, net of federal benefit	4,932	3.1	4,376	3.1	4,787	3.9
R&E credits	(360)	(0.2)	(1,689)	(1.2)	(400)	(0.3)
Domestic production deduction	(774)	(0.5)	(770)	(0.6)	(714)	(0.6)
Tax differential on foreign earnings	(4,444)	(2.8)	(4,140)	(3.0)	(863)	(0.7)
Contingent consideration adjustments	(1,552)	(1.0)				
Valuation allowance	2,512	1.6			786	0.6
Other	(528)	(0.3)	561	0.5	(408)	(0.3)
Total income tax expense	$ 56,064	34.9%	$ 47,510	33.8%	$ 46,268	37.6%

Our fiscal year 2012 effective tax rate was 34.9% compared to 33.8% for fiscal 2011. The higher effective tax rate resulted primarily from the non-extension of R&E credits subsequent to December 31, 2011. The R&E credits expired on December 31, 2011 for federal purposes but California R&E credits are still available. We are currently under examination by the IRS for the fiscal years 2005 through 2009, and by the California Franchise Tax Board for fiscal years 2004 through 2005, with respect to R&E credits.

Table of Contents

TETRA TECH, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. Income Taxes (Continued)

With a few exceptions, we are no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations for fiscal years before 2004.

Temporary differences comprising the net deferred income tax liability shown on the accompanying consolidated balance sheets were as follows:

	Fiscal Year Ended September 30, 2012	Fiscal Year Ended October 2, 2011
	(in thousands)	
Deferred Tax Asset:		
State taxes	$ 975	$ 765
Reserves and contingent liabilities	4,689	5,271
Allowance for doubtful accounts	2,039	5,876
Accrued liabilities	13,298	16,974
Stock-based compensation	10,980	10,057
Loss carry-forwards	2,926	388
Valuation allowance on loss carry-forwards	(2,512)	
Total deferred tax asset	32,395	39,331
Deferred Tax Liability:		
Unbilled revenue	(45,417)	(47,858)
Prepaid expense	(2,251)	(3,950)
Intangibles	(21,695)	(26,128)
Cash-to-accrual adjustments		(262)
Property and equipment	(8,109)	(9,397)
Total deferred tax liability	(77,472)	(87,595)
Net deferred tax liability	$ (45,077)	$ (48,264)

We have performed an assessment of positive and negative evidence regarding the realization of the deferred tax assets at September 30, 2012. This assessment included the evaluation of scheduled reversals of deferred tax liabilities, availability of carry-backs, and estimates of projected future taxable income. Although realization is not assured, based on our assessment, we have concluded that it is more likely than not that the assets will be realized except for the assets related to loss carry-forwards in India for which a valuation allowance of $2.5 million has been provided.

At September 30, 2012, undistributed earnings of our foreign subsidiaries, primarily in Canada, amounting to approximately $37.0 million are expected to be permanently reinvested. Accordingly, no provision for U.S. income taxes or foreign withholding taxes has been made. Upon distribution of those earnings, we would be subject to U.S. income taxes and foreign withholding taxes. Determination of the amount of unrecognized deferred U.S. income tax liability is not practicable; however, the potential foreign tax credit associated with the deferred income would be available to partially reduce the resulting U.S. tax liabilities.

Table of Contents

TETRA TECH, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. Income Taxes (Continued)

At September 30, 2012, we had $24.1 million of unrecognized tax benefits. Included in the balance of unrecognized tax benefits at the end of fiscal year 2012 were $18.5 million of tax benefits that, if recognized, would affect our effective tax rate. It is not expected that there will be a significant change in the unrecognized tax benefits in the next 12 months. A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

	Fiscal Year Ended September 30, 2012	Fiscal Year Ended October 2, 2011	Fiscal Year Ended October 3, 2010
	(in thousands)		
Beginning balance	$ 25,940	$ 21,806	$ 20,530
Additions for current year tax positions	6,273	8,007	6,895
Additions for prior year tax positions	19	2,554	2,720
Reductions for prior year tax positions	(8,072)	(6,315)	(5,093)
Settlements	(68)	(112)	(3,246)
Ending balance	$ 24,092	$ 25,940	$ 21,806

We recognize potential interest and penalties related to unrecognized tax benefits in income tax expense. The amount of interest expense (net of interest income) accrued at September 30, 2012 and October 2, 2011, was $3.1 million and $3.2 million, respectively.

8. Long-Term Debt

Long-term debt consisted of the following:

	Fiscal Year Ended September 30, 2012	Fiscal Year Ended October 2, 2011
	(in thousands)	
Credit facility	$ 79,233	$ 143,803
Other	3,845	3,621
Total long-term debt	83,078	147,424
Less: Current portion of long-term debt	(2,031)	(2,556)
Long-term debt, less current portion	$ 81,047	$ 144,868

Our Credit Agreement provides for a $460 million five-year Facility, which includes a $200 million sublimit for the issuance of standby letters of credit and a $100 million sublimit for multicurrency borrowings and letters of credit. At our election, the Facility may be increased from time to time by an amount up to $140 million in the aggregate, provided that no existing lender is required to commit to any such increased amount. Borrowings under the Credit Agreement are collateralized by our accounts receivable, the stock of our subsidiaries and intercompany loans. At September 30, 2012, we had $79.2 million in borrowings outstanding at a weighted-average interest rate of 2.15% per annum, $19.0 million in standby letters of credit and $361.8 million in availability under the Facility. We had

Table of Contents

TETRA TECH, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. Long-Term Debt (Continued)

$14.2 million in multicurrency borrowings and standby letters of credit under the Facility at September 30, 2012.

Interest on borrowings under the Credit Agreement is payable, at our election, at either (a) a base rate (the highest of the U.S. federal funds rate plus 0.50% per annum, the bank's prime rate or the Eurocurrency rate plus 1.00%) plus a margin that ranges from 0.50% to 1.50% per annum, or (b) a Eurocurrency rate plus a margin that ranges from 1.50% to 2.50% per annum. Borrowings at the base rate have no designated term and may be repaid without penalty any time prior to the Facility's maturity date. Borrowings at a Eurodollar rate have a term no less than 30 days and no greater than 90 days. Typically, at the end of such term, such borrowings may be rolled over at our discretion into either a borrowing at the base rate or a borrowing at a Eurodollar rate with similar terms, not to exceed the maturity date of the Facility. The Facility matures on March 28, 2016, or earlier at our discretion upon payment in full of loans and other obligations.

In fiscal 2012, other debt includes capital leases of $2.8 million, property and equipment loans of $0.5 million, and a bank overdraft facility of $0.5 million at one of our foreign affiliates. In fiscal 2011, other debt includes capital leases of $1.7 million, property and equipment loans of $1.2 million, and a bank overdraft facility of $0.7 million at one of our foreign affiliates.

We entered into two letters of credit agreements with two banks to issue up to $30 million in standby letters of credit. In fiscal 2012, we entered into a third letter of credit agreement with a third bank to issue up to $10 million in standby letters of credit. The amount of standby letters of credit outstanding under these facilities at September 30, 2012 was $5.3 million, issued in currencies other than the U.S. dollar.

The following table presents scheduled maturities of our long-term debt:

	Amount (in thousands)
2013	$ 2,031
2014	848
2015	601
2016	79,598
Total	$ 83,078

Table of Contents

TETRA TECH, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9. Leases

We lease office and field equipment, vehicles and buildings under various operating leases. In fiscal 2012, 2011 and 2010, we recognized $76.6 million, $71.9 million and $60.9 million of expense associated with operating leases, respectively. Amounts payable under non-cancelable operating and capital lease commitments are as follows during the following fiscal years:

	Operating	Capital
	(in thousands)	
2013	$ 68,573	$ 1,246
2014	53,595	836
2015	37,823	636
2016	20,340	376
2017	10,727	
Beyond	7,710	
Total	$ 198,768	3,094
Less: Amounts representing interest		(244)
Net present value		$ 2,850

We vacated certain facilities under long-term non-cancelable leases and recorded contract termination costs of $1.3 million at corporate in fiscal 2012 and $1.3 million at the RCM segment in fiscal 2011. This amount was initially measured at the fair value of the portion of the lease payments associated with the vacated facilities, reduced by estimated sublease rentals, less the write off of a prorated portion of existing deferred items previously recognized on these leases. We expect the remaining lease payments to be paid through the various lease expiration dates that continue until 2017. The RCM contract termination costs are recorded in "Other costs of revenue" and the corporate contract termination costs are recorded in "Selling, general and administrative expenses" on the consolidated statements of income.

10. Stockholders' Equity and Stock Compensation Plans

At September 30, 2012, we had the following stock-based compensation plans:

2003 Outside Director Stock Option Plan. Non-employee directors may be granted options to purchase an aggregate of up to 400,000 shares of our common stock at prices not less than 100% of the market value on the date of grant. Exercise prices of all options granted were at the market value on the date of grant. These options vest and become exercisable on the first anniversary of the date of grant if the director has not ceased to be a director prior to such date, and expire no later than ten years from the grant date.

2005 Equity Incentive Plan. Key employees and non-employee directors may be granted equity awards, including stock options, restricted stock and restricted stock units ("RSUs"), with respect to an aggregate of 6,086,216 shares of our common stock. Options granted before March 6, 2006 vest at 25% on the first anniversary of the grant date, and the balance vests monthly thereafter, such that these options become fully vested no later than four years from the date of grant. These options expire no later than ten years from the date of grant. Options granted on and after March 6, 2006 vest at 25% on each anniversary of the grant date. These options expire no later than eight years from the grant date. RSUs granted to date vest at 25% on each anniversary of the grant date.

Table of Contents

TETRA TECH, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. Stockholders' Equity and Stock Compensation Plans (Continued)

In accordance with our Executive Compensation Policy, our Compensation Committee has awarded restricted stock to executive officers and non-employee directors under the 2005 Equity Incentive Plan. Restricted stock grants generally vest over a minimum three-year period, and may be performance-based, determined by EPS growth, or service-based.

Employee Stock Purchase Plan ("ESPP"). Purchase rights to purchase common stock are granted to our eligible full and part-time employees, and shares of common stock are issued upon exercise of the purchase rights. An aggregate of 2,373,290 shares may be issued pursuant to such exercise. The maximum amount that an employee can contribute during a purchase right period is $5,000. The exercise price of a purchase right is the lesser of 100% of the fair market value of a share of common stock on the first day of the purchase right period or 85% of the fair market value on the last day of the purchase right period (calendar year).

The stock-based compensation and related income tax benefits were as follows:

	Fiscal Year Ended		
	September 30, 2012	October 2, 2011	October 3, 2010
	(in thousands)		
Total stock-based compensation	$ 10,839	$ 10,582	$ 10,178
Income tax benefit related to stock-based compensation	(4,288)	(3,804)	(3,590)
Stock-based compensation, net of tax benefit	$ 6,551	$ 6,778	$ 6,588

Stock Options

Stock option activity for the fiscal year ended September 30, 2012 was as follows:

	Number of Options (in thousands)	Weighted-Average Exercise Price per Share	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Outstanding on October 2, 2011	5,580	$ 20.93		
Granted	458	22.82		
Exercised	(976)	18.62		
Cancelled	(186)	22.73		
Outstanding at September 30, 2012	4,876	$ 21.50	4.3	$ 23,201
Vested or expected to vest at September 30, 2012	4,750	$ 21.53	4.2	$ 22,475
Exercisable on September 30, 2012	3,115	$ 20.63	5.9	$ 17,542

Table of Contents

TETRA TECH, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. Stockholders' Equity and Stock Compensation Plans (Continued)

The aggregate intrinsic value in the table above represents the total intrinsic value (the difference between our closing stock price on the last trading day of fiscal 2012 and the exercise price, times the number of shares) that would have been received by the in-the-money option holders if they had exercised their options on September 30, 2012. This amount will change based on the fair market value of our stock. At September 30, 2012, we expect to recognize $10.3 million of unrecognized compensation cost related to stock option grants over a weighted-average period of 1.9 years. At September 30, 2012, there were approximately 2.6 million options available for future awards.

The weighted-average fair value of stock options granted during fiscal 2012, 2011 and 2010 was $8.37, $9.08 and $10.09, respectively. The aggregate intrinsic value of options exercised during fiscal 2012, 2011 and 2010 was $6.1 million, $2.3 million and $2.2 million, respectively.

The fair value of our stock options was estimated on the date of grant using the Black-Scholes option pricing model. The following assumptions were used in the calculation:

	Fiscal Year Ended		
	September 30, 2012	October 2, 2011	October 3, 2010
Dividend yield			
Expected stock price volatility	41.9% - 44.0%	41.8 - 42.7%	42.6 - 43.4%
Risk-free rate of return, annual	0.7% - 1.1%	1.3 - 2.1%	2.0% - 2.5%
Expected life (in years)	4.4 - 5.6	4.8 - 5.5	4.4 - 5.6

For purposes of the Black-Scholes model, forfeitures were estimated based on historical experience. For the fiscal 2012, 2011 and 2010 year-ends, we based our expected stock price volatility on historical volatility behavior and current implied volatility behavior. Our risk-free rate of return was based on constant maturity rates provided by the U.S. Treasury. The expected life was based on historical experience.

Net cash proceeds from the exercise of stock options were $18.2 million, $8.4 million and $3.4 million for fiscal 2012, 2011 and 2010, respectively. Our policy is to issue shares from our authorized shares upon the exercise of stock options. The actual income tax benefit realized from exercises of nonqualified stock options and disqualifying dispositions of qualified options for fiscal 2012, 2011 and 2010 was $3.2 million, $1.4 million and $2.0 million, respectively.

Restricted Stock and RSUs

In fiscal 2012, 2011 and 2010, we awarded 105,567 shares, 94,606 shares and 88,258 shares, respectively, of restricted stock to certain of our executive officers and non-employee directors. Of these 288,431 awards, 10,000 shares were time-based, and are dependent on the officer's continued employment with us, but otherwise vest over a three-year period. The remaining 278,431 shares were performance-based, such that the percentage of awarded shares that ultimately vests, from 0% to 140%, depends on fiscal year earnings per share growth rates for the three fiscal years that end after the award date. In fiscal 2012, 2011 and 2010, an additional 5,305 shares, 8,356 shares and 11,557 shares of restricted stock, respectively, were awarded for performance-based adjustments in excess of 100% vesting. Restricted stock forfeitures result from employment terminations prior to vesting, and from performance-based vesting of

TETRA TECH, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. Stockholders' Equity and Stock Compensation Plans (Continued)

less than 100%. Forfeited shares return to the pool of authorized shares available for award. As of September 30, 2012, there were 1,251,518 shares available for future awards of restricted stock.

Restricted stock activity for the fiscal year ended September 30, 2012 was as follows:

	Number of Shares (in thousands)	Weighted-Average Grant Date Fair Value
Nonvested balance at October 2, 2011	174	$ 23.14
Granted	111	22.53
Vested	(89)	22.44
Forfeited	(6)	24.30
Nonvested balance at September 30, 2012	190	$ 23.08
Vested or expected to vest at September 30, 2012	190	$ 23.08

The fair value of the total compensation cost of each restricted stock award was determined at the date of grant using the market price of the underlying common stock as of the date of grant. For performance-based awards, our expected performance is reviewed to estimate the percentage of shares that will vest. The total compensation cost of the awards is then amortized over their applicable vesting period on a straight-line basis.

In the first quarter of fiscal 2012, we also awarded 181,348 RSUs to our employees at the fair value of $22.53 per share on the award date. All of the RSUs have time-based vesting over a four-year period. At September 30, 2012, there were 171,967 shares of RSUs outstanding. Restricted stock unit forfeitures result from employment terminations prior to vesting. Forfeited shares return to the pool of authorized shares available for award.

The stock-based compensation expense related to restricted stock and RSUs for fiscal years 2012, 2011 and 2010 was $2.2 million, $1.7 million and $1.2 million, respectively, and was included in the total stock-based compensation expense. At September 30, 2012, there was $2.5 million of unrecognized compensation costs related to the restricted stock and RSUs that will be substantially recognized by the end of fiscal 2015.

Table of Contents

TETRA TECH, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. Stockholders' Equity and Stock Compensation Plans (Continued)

RSU activity for the fiscal year ended September 30, 2012 was as follows:

	Number of Shares (in thousands)	Weighted-Average Grant Date Fair Value
Nonvested balance at October 2, 2011		$
Granted	181	22.53
Vested		
Forfeited	(9)	22.53
Nonvested balance at September 30, 2012	172	$ 22.53

ESPP

The following table summarizes shares purchased, weighted-average purchase price, cash received and the aggregate intrinsic value for shares purchased under the ESPP:

	Fiscal Year Ended		
	September 30, 2012	October 2, 2011	October 3, 2010
	(in thousands, except for purchase price)		
Shares purchased	289	246	208
Weighted-average purchase price	$ 18.35	$ 21.30	$ 22.87
Cash received from exercise of purchase rights	$ 5,300	$ 5,249	$ 4,733
Aggregate intrinsic value	$ 935	$ 926	$ 892

The grant date fair value of each award granted under the ESPP was estimated using the Black-Scholes option pricing model with the following assumptions:

	Fiscal Year Ended		
	September 30, 2012	October 2, 2011	October 3, 2010
Dividend yield	-	-	-
Expected stock price volatility	34.7%	38.0%	38.5%
Risk-free rate of return, annual	0.1%	0.3%	0.5%
Expected life (in years)	1	1	1

For fiscal 2012, 2011 and 2010, we based our expected stock price volatility on historical volatility behavior and current implied volatility behavior. The risk-free rate of return was based on constant maturity rates provided by the U.S. Treasury. The expected life was based on the ESPP terms and conditions.

Included in stock-based compensation expense for fiscal 2012, 2011 and 2010 was a charge of $0.9 million, $1.0 million and $1.3 million, respectively, related to the ESPP. The unrecognized stock-based

Table of Contents

TETRA TECH, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. Stockholders' Equity and Stock Compensation Plans (Continued)

compensation costs for awards granted under the ESPP at September 30, 2012, and October 2, 2011, were $0.2 million and $0.3 million, respectively. At September 30, 2012, ESPP participants had accumulated $2.8 million to purchase our common stock.

11. Retirement Plans

We have established defined contribution plans including 401(k) plans. Generally, employees are eligible to participate in the defined contribution plans upon completion of one year of service and in the 401(k) plans upon commencement of employment. For fiscal 2012, 2011 and 2010, employer contributions to the plans were $14.7 million, $14.1 million and $13.8 million, respectively.

We have established a non-qualified deferred compensation plan for certain key employees and non-employee directors. Eligible employees and non-employee directors may elect to defer receipt of salary, incentive payments and Board of Directors' fees, which are generally invested by us in individual variable life insurance contracts we own that are designed to informally fund savings plans of this nature. At September 30, 2012, and October 2, 2011, the consolidated balance sheets reflect assets of $13.4 million and $11.3 million, respectively, related to the deferred compensation plan in "Other assets," and liabilities of $12.9 million and $10.6 million, respectively, related to the deferred compensation plan in "Other long-term liabilities."

12. Earnings Per Share

The following table sets forth the number of weighted-average shares used to compute basic and diluted EPS:

	Fiscal Year Ended September 30, 2012	October 2, 2011	October 3, 2010
	(in thousands, except per share data)		
Net income attributable to Tetra Tech	$ 104,380	$ 90,039	$ 76,819
Weighted-average common shares outstanding basic	63,217	62,053	61,430
Effect of diluted stock options and unvested restricted stock	717	722	657
Weighted-average common stock outstanding diluted	63,934	62,775	62,087
Earnings per share attributable to Tetra Tech:			
Basic	$ 1.65	$ 1.45	$ 1.25
Diluted	$ 1.63	$ 1.43	$ 1.24

For fiscal 2012, 2011 and 2010, 1.9 million, 2.6 million and 3.1 million options were excluded from the calculation of dilutive potential common shares, respectively. These options were not included in the

Table of Contents

TETRA TECH, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12. Earnings Per Share (Continued)

computation of dilutive potential common shares because the assumed proceeds per share exceeded the average market price per share for that period. Therefore, their inclusion would have been anti-dilutive.

13. Comprehensive Income

Comprehensive income is comprised of net income, translation gains and losses from foreign subsidiaries with functional currencies different than our reporting currency, and unrealized gains and losses on hedging activities. The components of comprehensive income, net of related tax, are as follows:

	Fiscal Year-Ended		
	September 30, 2012	October 2, 2011	October 3, 2010
	(in thousands)		
Net income including noncontrolling interests	$ 104,732	$ 92,982	$ 76,819
Other comprehensive income:			
Foreign currency translation adjustment	26,486	(13,955)	6,874
Foreign currency hedge	(194)	438	(337)
Comprehensive income including noncontrolling interests	131,024	79,465	83,356
Net income attributable to noncontrolling interests	(352)	(2,943)	
Foreign currency translation adjustment	(29)	(492)	
Comprehensive income attributable to noncontrolling interests	(381)	(3,435)	
Comprehensive income attributable to Tetra Tech	$ 130,643	$ 76,030	$ 83,356

14. Other Fair Value Measurements

Derivative Instruments. In fiscal 2009, we entered into an intercompany promissory note with a wholly-owned Canadian subsidiary in connection with the acquisition of Wardrop Engineering, Inc. The intercompany note receivable is denominated in Canadian dollars ("CAD") and has a fixed rate of interest payable in CAD. In the first quarter of fiscal 2010, we entered into a forward contract for CAD $4.2 million (equivalent to U.S. $4.0 million at the date of inception) that matured on January 27, 2012. In the second quarter of fiscal 2010, we entered into a forward contract for CAD $4.2 million (equivalent to U.S. $3.9 million at the date of inception) that matures on January 28, 2013. In the third quarter of fiscal 2011, we entered into a forward contract for CAD $4.2 million (equivalent to U.S. $4.2 million at the date of inception) that matures on January 27, 2014. In the second quarter of fiscal 2012, we settled one of the foreign currency forward contracts for U.S. $3.9 million. Our objective is to eliminate variability of our cash flows on the amount of interest income we receive on the promissory note from changes in foreign currency exchange rates. These contracts were designated as cash flow hedges. Accordingly, changes in the fair value of the contracts are recorded in "Other comprehensive income". The fair value and the change in the fair value were not material for fiscal 2012, 2011 and 2010. No gains or losses were recognized in earnings as these contracts were deemed to be effective hedges.

TETRA TECH, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14. Other Fair Value Measurements (Continued)

Debt. The fair value of long-term debt was determined using the present value of future cash flows based on the borrowing rates currently available for debt with similar terms and maturities (Level 2 measurement as described in Note 2, "Basis of Presentation and Preparation"). The carrying value of our long-term debt approximates fair value at September 30, 2012 and October 2, 2011.

15. Joint Ventures

Consolidated Joint Ventures

The aggregate revenue of the consolidated joint ventures was $19.3 million and $74.3 million for fiscal 2012 and 2011, respectively. The revenue decline resulted from our acquisition of the largest consolidated joint venture in fiscal 2011, which was related to the BPR acquisition. Assets and liabilities of these consolidated joint ventures were immaterial at fiscal 2012 and 2011 year-ends. These assets are restricted for use only by those joint ventures and are not available for our general operations. Cash and cash equivalents at September 30, 2012 and October 2, 2011 were $1.6 million and $1.0 million, respectively.

Unconsolidated Joint Ventures

We account for the majority of our unconsolidated joint ventures using the equity method of accounting. Under this method, we recognize our proportionate share of the net earnings of these joint ventures as a single line item under "Other costs of revenue" in our consolidated statements of income. For fiscal 2012, 2011 and 2010, we reported $2.9 million, $4.9 million and $1.2 million of equity in earnings of unconsolidated joint ventures, respectively. Our maximum exposure to loss as a result of our investments in unconsolidated VIEs is typically limited to the aggregate of the carrying value of the investment. Future funding commitments for the unconsolidated joint ventures are immaterial. The unconsolidated joint ventures are, individually and in aggregate, immaterial to our consolidated financial statements.

The aggregate carrying values of the assets and liabilities of the unconsolidated joint ventures were $19.0 million and $15.7 million, respectively, at September 30, 2012, and $24.0 million and $21.0 million, respectively, at October 2, 2011.

16. Commitments and Contingencies

We are subject to certain claims and lawsuits typically filed against the engineering, consulting and construction profession, alleging primarily professional errors or omissions. We carry professional liability insurance, subject to certain deductibles and policy limits, against such claims. However, in some actions, parties are seeking damages that exceed our insurance coverage or for which we are not insured. While management does not believe that the resolution of these claims will have a material adverse effect, individually or in aggregate, on our financial position, results of operations or cash flows, management acknowledges the uncertainty surrounding the ultimate resolution of these matters.

In May 2003, Innovative Technologies Corporation ("ITC") filed a lawsuit in Montgomery County, Ohio against Advanced Management Technology, Inc. ("AMT") and other defendants for misappropriation of trade secrets, among other claims. In June 2004, we purchased all the outstanding shares of AMT. As part of the purchase agreement, the former owners of AMT agreed to indemnify us for all costs and damages related to this lawsuit. In December 2007, the case went to trial and the jury awarded $5.8 million in compensatory damages to ITC. In addition, the jury awarded $17 million in punitive

TETRA TECH, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16. Commitments and Contingencies (Continued)

damages to ITC plus reasonable attorneys' fees. In July 2008, the Common Pleas Court of Montgomery County denied AMT's motion for judgment notwithstanding the verdict and conditionally denied AMT's motion for a new trial. Further, the court remitted the verdict to $2.0 million in compensatory damages and $5.8 million in punitive damages. ITC accepted the remittitur, and AMT appealed. The appellate court remanded the matter to the trial court for ruling on ITC's motion for prejudgment interest and attorneys' fees. In December 2009, the trial court awarded ITC $2.9 million in attorneys' fees and costs, and denied ITC's motion for prejudgment interest. AMT appealed the trial court's decision awarding compensatory and punitive damages, and attorneys' fees and costs. ITC cross-appealed the trial court's decision to remit the jury verdict and the trial court's denial of prejudgment interest. On October 28, 2011, the court of appeals issued its decision and affirmed the trial court's rulings. ITC has filed a motion seeking additional attorneys' fees which is pending. In December 2011, AMT appealed the court of appeals decision to the Ohio Supreme Court which declined to accept the appeal. On April 5, 2012, AMT paid the judgment in the amount of $14.4 million, including all post-judgment interest, in full. The former owners of AMT honored their indemnification agreement and reimbursed us in full for the amount paid in satisfaction of the judgment.

On April 17, 2012, authorities in the province of Quebec, Canada charged two employees of BPR Triax, a subsidiary of BPR Inc., and BPR Triax, under the Canadian Criminal Code with allegations of corruption. BPR Triax generates approximately $7 million in annual revenue. BPR Inc. is one of our Canadian subsidiaries, headquartered in Quebec City, Quebec. The preliminary hearing for this matter is scheduled to begin in February 2013. We have conducted an internal investigation concerning this matter and we believe the allegations are limited to activities at BPR Triax prior to our acquisition of BPR Inc. in October 2010. The financial impact to us is unknown at this time.

17. Reportable Segments

In the first quarter of fiscal 2012, we implemented organizational changes that resulted in a realignment of certain operating activities in our reportable segments. This realignment resulted from the organic growth of new activities in a component of an existing reportable segment due to changing business conditions. These activities are not regularly reviewed by our Chief Operating Decision Maker to assess performance or make decisions about the resources to be allocated to them and do not individually meet the definition of a reportable segment. The changes were intended to improve organizational effectiveness and efficiency by better aligning operations with similar characteristics such as client types, project types, required resources and financial metrics. Prior year amounts have been reclassified to conform to the current year presentation.

In the fourth quarter of fiscal 2012, we initiated the execution of the reorganization of our operations to improve future growth and profitability. These activities included the consolidation and realignment of certain operating activities to improve organizational effectiveness and achieve efficiencies in our segment management. We also decided to exit certain unprofitable business activities. Specifically, this reorganization included the elimination of the EAS reportable segment effective at the beginning of fiscal 2013. Operating activities previously reported in this segment have been realigned with operations with similar client types, project types and financial metrics in the ECS and TSS segments. Segment results on a prospective basis will be revised consistent with the new organization structure. Prior period amounts will be restated to conform to the new presentation beginning in fiscal 2013.

TETRA TECH, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17. Reportable Segments (Continued)

Our reportable segments were as follows for fiscal 2012:

Engineering and Consulting Services. ECS provides front-end science, consulting engineering services and project management in the areas of surface water management, solid waste management, mining, geotechnical sciences, arctic engineering, industrial process and oil sands, and information technology.

Technical Support Services. TSS advises clients through the study, design and implementation phases of projects. TSS provides management consulting services and strategic direction in the areas of environmental assessments/hazardous waste management; climate change; international development; international reconstruction and stabilization; energy; oil and gas; and technical government consulting.

Engineering and Architecture Services. EAS provides engineering and architecture design services, together with technical and program administration services for projects related to water infrastructure, transportation, and buildings and facilities. Beginning in fiscal 2013, the EAS operations were re-assigned to the ECS and TSS business segments. The water and transportation infrastructure services were aligned with related services in ECS, and the buildings and facilities activities were aligned with complementary energy efficiency and international development services in TSS.

Remediation and Construction Management. RCM provides full-service support to all of our client sectors including the U.S. federal government, in the U.S. and internationally, and commercial clients worldwide. We provide construction and construction management services in the areas of environmental remediation, infrastructure development, energy, and oil and gas.

Management evaluates the performance of these reportable segments based upon their respective segment operating income before the effect of amortization expense related to acquisitions and other unallocated corporate expenses. We account for inter-segment sales and transfers as if the sales and transfers were to third parties; that is, by applying a negotiated fee onto the costs of the services performed. All significant intercompany balances and transactions are eliminated in consolidation.

Table of Contents

TETRA TECH, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17. Reportable Segments (Continued)

The following tables set forth summarized financial information concerning our reportable segments:

Reportable Segments

	Fiscal Year Ended		
	September 30, 2012	October 2, 2011	October 3, 2010
	(in thousands)		
Revenue			
ECS	$ 1,036,588	$ 930,067	$ 536,384
TSS	919,862	867,130	829,231
EAS	318,755	308,112	294,112
RCM	621,957	604,651	651,595
Elimination of inter-segment revenue	(186,087)	(136,816)	(110,090)
Total revenue	$ 2,711,075	$ 2,573,144	$ 2,201,232
Operating Income			
ECS	$ 88,091	$ 88,135	$ 48,582
TSS	67,411	59,113	54,822
EAS	12,485	22,597	12,194
RCM	22,374	13,183	30,243
Corporate(1)	(23,994)	(36,606)	(21,367)
Total operating income	$ 166,367	$ 146,422	$ 124,474
Depreciation			
ECS	$ 8,887	$ 10,786	$ 5,503
TSS	2,801	2,822	2,199
EAS	1,665	1,814	2,100
RCM	10,233	8,775	7,850
Corporate	3,065	2,941	2,750
Total depreciation	$ 26,651	$ 27,138	$ 20,402

(1) Corporate includes amortization of intangibles, other costs and other income not allocable to segments. Amortization expense for fiscal 2012, 2011 and 2010 was $29.6 million, $28.0 million and $12.7 million, respectively. Corporate results also included income for fair value adjustments to contingent consideration liabilities of $19.2 million, $1.8 million and $0.3 million for fiscal 2012, 2011 and 2010, respectively.

Table of Contents

TETRA TECH, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17. Reportable Segments (Continued)

	September 30, 2012	October 2, 2011
	(in thousands)	
Total Assets		
ECS	$ 877,919	$ 767,347
TSS	558,575	505,198
EAS	113,201	111,555
RCM	310,991	296,361
Assets not allocated to segments and intercompany eliminations[(1)]	(189,656)	(86,473)
Total assets	$ 1,671,030	$ 1,593,988

(1) Assets not allocated to segments include goodwill, intangible assets, deferred income taxes, and certain other assets.

Geographic Information

	Fiscal Year Ended					
	September 30, 2012		October 2, 2011		October 3, 2010	
	Revenue	Long-Lived Assets[(2)]	Revenue	Long-Lived Assets[(2)]	Revenue	Long-Lived Assets[(2)]
	(in thousands)					
United States	$ 2,046,700	$ 100,958	$ 1,976,452	$ 102,316	$ 1,991,758	$ 121,611
Foreign countries[(1)]	664,375	70,010	596,692	78,198	209,474	15,873

(1) Includes revenue generated from our foreign operations, primarily in Canada, and revenue generated from non-U.S. clients. Long-lived assets consist primarily of amounts from our Canadian operations.

(2) Excludes goodwill and intangible assets.

Major Clients

Other than the U.S. federal government, we had no single client that accounted for more than 10% of our revenue. All of our segments generated revenue from all client sectors.

Table of Contents

TETRA TECH, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17. Reportable Segments (Continued)

The following table presents our revenue by client sector:

	Fiscal Year Ended		
	September 30, 2012	October 2, 2011	October 3, 2010
	(in thousands)		
Client Sector			
International[(1)]	$ 664,375	$ 596,692	$ 209,474
U.S commercial	718,457	577,782	523,723
U.S. federal government[(2)]	1,008,424	1,115,729	1,142,082
U.S. state and local government	319,819	282,941	325,953
Total	$ 2,711,075	$ 2,573,144	$ 2,201,232

(1) Includes revenue generated from our foreign operations, primarily in Canada, and revenue generated from non-U.S. clients.

(2) Includes revenue generated under U.S. government contracts performed outside the United States.

18. Quarterly Financial Information Unaudited

In the opinion of management, the following unaudited quarterly data for fiscal years ended September 30, 2012 and October 2, 2011 reflect all adjustments necessary for a fair statement of the results of operations.

In the fourth quarter of fiscal 2012, operating income was adversely impacted by $16.9 million of costs related to the reorganization of our operations as described in Note 17, "Reportable Segments." These costs included $6.4 million of compensation-related expenses for severance and employee retention. In addition, we recorded $4.4 million (see Note 6, "Property and Equipment") of lease exit costs, fixed asset write-downs and other long-lived asset impairments associated with office space reductions and relocations. Further, we incurred operational losses of $5.2 million for winding down certain India-based activities that are no longer supported by our reorganized business model. We also identified one small reporting unit in the EAS segment in which goodwill was impaired that resulted in a $0.9 million non-cash goodwill impairment charge. Fourth quarter fiscal 2012 operating income also included net gains of

Table of Contents

TETRA TECH, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18. Quarterly Financial Information Unaudited (Continued)

$17.3 million related to changes in the estimated fair value of our contingent earn-out liabilities. See Note 4, "Mergers and Acquisitions" for further discussion.

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(in thousands, except per share data)			
Fiscal Year 2012				
Revenue	$ 682,627	$ 624,345	$ 684,698	$ 719,405
Operating income	36,093	35,543	46,261	48,470
Net income attributable to Tetra Tech	22,610	22,284	29,054	30,432
Earnings per share attributable to Tetra Tech[(1)]:				
Basic	$ 0.36	$ 0.35	$ 0.46	$ 0.48
Diluted	$ 0.36	$ 0.35	$ 0.45	$ 0.47
Weighted-average common shares outstanding:				
Basic	62,433	63,072	63,387	63,623
Diluted	63,068	63,817	64,179	64,396
Fiscal Year 2011				
Revenue	$ 611,124	$ 612,566	$ 673,792	$ 675,662
Operating income	34,325	29,256	39,408	43,433
Net income attributable to Tetra Tech	22,301	17,500	23,839	26,399
Earnings per share attributable to Tetra Tech[(1)]:				
Basic	$ 0.36	$ 0.28	$ 0.38	$ 0.42
Diluted	$ 0.36	$ 0.28	$ 0.38	$ 0.42
Weighted-average common shares outstanding:				
Basic	61,665	62,121	62,203	62,310
Diluted	62,443	62,945	62,934	62,864

(1) The sum of the quarterly EPS may not add up to the full-year EPS due to rounding.

Table of Contents

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of disclosure controls and procedures and changes in internal control over financial reporting

At September 30, 2012, we carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures. Based on our management's evaluation (with the participation of our principal executive officer and principal financial officer), our principal executive officer and principal financial officer have concluded that, as of the end of the period covered by this report, our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act), were effective.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. As defined in Exchange Act Rule 13a-15(f), internal control over financial reporting is a process designed by, or under the supervision of, our principal executive and principal financial officer and effected by our Board of Directors, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with U.S. GAAP. Internal controls include those policies and procedures that (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. GAAP and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Accordingly, even effective internal control over financial reporting can only provide reasonable assurance of achieving their control objectives.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we assessed the effectiveness of our internal control over financial reporting at September 30, 2012, based on the criteria in *Internal Control Integrated Framework* issued by the COSO. Based upon this assessment, management has concluded that our internal control over financial reporting was effective at September 30, 2012, at a reasonable assurance level.

PricewaterhouseCoopers LLP, the independent registered public accounting firm that audited the consolidated financial statements included in this Form 10-K, has issued a report on our internal control over financial reporting. This report, dated November 14, 2012, appears on page 74 of this Form 10-K.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the three months ended September 30, 2012 that have materially affected, or are reasonable likely to materially affect, our internal control over financial reporting.

Table of Contents

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this item relating to our directors and nominees, regarding compliance with Section 16(a) of the Exchange Act, and regarding our Audit Committee is included under the captions "Proposal No. 1 Election of Directors General" and "Business Experience of Nominees," "Ownership of Securities Section 16(a) Beneficial Ownership Reporting Compliance," and "Proposal No. 1 Election of Directors Board Committees and Meetings" in our Proxy Statement related to the 2013 Annual Meeting of Stockholders and is incorporated by reference.

Pursuant to General Instruction G(3) of Form 10-K, the information required by this item relating to our executive officers is included under the caption "Executive Officers of the Registrant" in Part I of this Report.

We have adopted a code of ethics that applies to our principal executive officer and all members of our finance department, including our principal financial officer and principal accounting officer. This code of ethics, entitled "Finance Code of Professional Conduct," is posted on our website. The Internet address for our website is *www.tetratech.com*, and the code of ethics may be found through a link to the Investor Relations section of our website.

We intend to satisfy the disclosure requirement under Item 5.05 of Form 8-K for any amendment to, or waiver from, a provision of this code of ethics by posting any such information on our website, at the address and location specified above.

Item 11. Executive Compensation

The information required by this item is included under the captions "Proposal No. 1 Election of Directors Director Compensation" and "Executive Compensation and Related Information" in our Proxy Statement related to the 2013 Annual Meeting of Stockholders and is incorporated by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this item relating to security ownership of certain beneficial owners and management, and securities authorized for issuance under equity compensation plans, is included under the caption "Ownership of Securities" in our Proxy Statement related to the 2013 Annual Meeting of Stockholders and is incorporated by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this item relating to review, approval or ratification of transactions with related persons is included under the captions "Review, Approval or Ratification of Transactions with Related Persons" and "Certain Transactions with Related Persons," and the information required by this item relating to director independence is included under the caption "Proposal No. 1 Election of Directors Independent Directors," in each case in our Proxy Statement related to the 2013 Annual Meeting of Stockholders and is incorporated by reference.

Item 14. Principal Accounting Fees and Services

The information required by this item is included under the captions "Proposal No. 4 Ratification of Independent Registered Public Accounting Firm Principal Accountant Fees and Services" and "Policy on

Table of Contents

Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Registered Public Accounting Firm" in our Proxy Statement related to the 2013 Annual Meeting of Stockholders and is incorporated by reference.

PART IV

Item 15. Exhibits, Financial Statement Schedules

(a.) 1. **Financial Statements**

The Index to Financial Statements and Financial Statement Schedule on page 73 is incorporated by reference as the list of financial statements required as part of this Report.

2. **Financial Statement Schedule**

The Index to Financial Statements and Financial Statement Schedule on page 73 is incorporated by reference as the list of financial statement schedules required as part of this Report.

3. **Exhibits**

The exhibit list in the Index to Exhibits on pages 119-120 is incorporated by reference as the list of exhibits required as part of this Report.

Table of Contents

TETRA TECH, INC.
SCHEDULE II VALUATION AND QUALIFYING ACCOUNTS AND RESERVES

For the Fiscal Years Ended
October 3, 2010, October 2, 2011, and September 30, 2012
(in thousands)

	Balance at Beginning of Period	Additions (Charged to Costs, Expenses and Revenue)	Deductions[1]	Other[2]	Balance at End of Period
Allowance for doubtful accounts:					
Fiscal 2010	$ 30,893	$ 7,179	$ (7,141)	$ 1,995	$ 32,926
Fiscal 2011	32,926	3,733	(6,478)	2,063	32,244
Fiscal 2012	32,244	4,768	(2,356)	896	35,552
Income tax valuation allowance:					
Fiscal 2010	$ 11,313	$ 786	$	$ (6,573)	$ 5,526
Fiscal 2011	5,526			(5,526)	
Fiscal 2012		2,512			2,512

(1) Primarily represents uncollectible accounts written off, net of recoveries.

(2) Includes allowances from new business acquisitions and currency adjustments, and represents valuation allowance adjustments related to expired capital loss carry-forwards.

Table of Contents

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized.

TETRA TECH, INC.

Dated: November 14, 2012

By: /s/ DAN L. BATRACK

Dan L. Batrack
Chairman, Chief Executive Officer and President

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Dan L. Batrack and Steven M. Burdick, jointly and severally, his attorney-in-fact, each with the full power of substitution, for such person, in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he might do or could do in person, hereby ratifying and confirming all that each of said attorneys-in-fact and agents, or his substitute, may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report on Form 10-K has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ DAN L. BATRACK Dan L. Batrack	Chairman, Chief Executive Officer and President (Principal Executive Officer)	November 14, 2012
/s/ STEVEN M. BURDICK Steven M. Burdick	Chief Financial Officer and Treasurer (Principal Financial Officer)	November 14, 2012
/s/ BRIAN N. CARTER Brian N. Carter	Senior Vice President, Corporate Controller (Principal Accounting Officer)	November 14, 2012
/s/ ALBERT E. SMITH Albert E. Smith	Director	November 14, 2012
/s/ HUGH M. GRANT Hugh M. Grant	Director	November 14, 2012
/s/ PATRICK C. HADEN	Director	November 14, 2012

Patrick C. Haden

Table of Contents

Signature	Title	Date
/s/ J. CHRISTOPHER LEWIS J. Christopher Lewis	Director	November 14, 2012
/s/ J. KENNETH THOMPSON J. Kenneth Thompson	Director	November 14, 2012
/s/ RICHARD H. TRULY Richard H. Truly	Director	November 14, 2012

Table of Contents

INDEX TO EXHIBITS

3.1 Restated Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K dated February 26, 2009).

3.2 Amended and Restated Bylaws of the Company (as of April 24, 2009) (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K dated April 24, 2009).

10.1 Credit Agreement, dated as of March 28, 2011, among the Registrant, certain subsidiaries of the Registrant, Bank of America, N.A., as Administrative Agent, and the other lenders party thereto (incorporated by reference to Exhibit 10.1 to the Company's Current Report of Form 8-K dated March 30, 2011).

10.2 Employee Stock Purchase Plan (as amended and restated effective October 15, 2012).+

10.3 Form of Stock Purchase Agreement used in connection with the Company's Employee Stock Purchase Plan (incorporated by reference to Exhibit 10.23 to the Company's Annual Report on Form 10-K for the fiscal year ended October 2, 1994).

10.4 2005 Equity Incentive Plan (as amended through November 7, 2010) (incorporated by reference to the Company's Proxy Statement for its 2011 Annual Meeting of Stockholders held on March 1, 2011).*

10.5 Form of Stock Option Agreement to be used for employees in connection with the 2005 Equity Incentive Plan (incorporated by reference to Exhibit 10.19 to the Company's Annual Report on Form 10-K for the fiscal year ended October 2, 2005).*

10.6 Form of Restricted Stock Agreement to be used in connection with the 2005 Equity Incentive Plan (incorporated by reference to Exhibit 10.20 to the Company's Annual Report on Form 10-K for the fiscal year ended October 2, 2005).*

10.7 Form of Stock Appreciation Rights Agreement to be used in connection with the 2005 Equity Incentive Plan (incorporated by reference to Exhibit 10.21 to the Company's Annual Report on Form 10-K for the fiscal year ended October 2, 2005).*

10.8 Form of Restricted Stock Unit Agreement to be used in connection with the 2005 Equity Incentive Plan (incorporated by reference to Exhibit 10.22 to the Company's Annual Report on Form 10-K for the fiscal year ended October 2, 2005).*

10.9 Form of Stock Option Agreement to be used for non-employee directors in connection with the 2005 Equity Incentive Plan (incorporated by reference to Exhibit 4.3 to Post-Effective Amendment No. 4 to the Company's Registration Statement on Form S-8).*

10.10 2003 Outside Director Stock Option Plan (as amended through July 30, 2007) (incorporated by reference to Exhibit 10.13 to the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2007).*

10.11 Form of Option Agreement used in connection with the 2003 Outside Director Stock Option Plan (incorporated by reference to Exhibit 10.21 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended March 30, 2003).*

10.12 Form of Indemnity Agreement entered into between the Company and each of its directors and executive officers (incorporated by reference to Exhibit 10.20 to the Company's Annual Report on Form 10-K for the fiscal year ended October 3, 2004).*

10.13 Executive Compensation Policy (as amended through July 27, 2012).+*

10.14 Deferred Compensation Plan (incorporated by reference to Exhibit 10.17 to the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2007).*

Table of Contents

10.15	Change of Control Agreement with Dan L. Batrack dated March 26, 2008 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated March 28, 2008).*
10.16	Form of Change of Control Agreement dated March 26, 2008 (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K dated March 28, 2008).*
10.17	Executive Compensation Plan (incorporated by reference to Exhibit 10.25 to the Company's Annual Report on Form 10-K for the fiscal year ended September 28, 2008).*
21.	Subsidiaries of the Company.+
23.	Consent of Independent Registered Public Accounting Firm (PricewaterhouseCoopers LLP).+
24.	Power of Attorney (included on page 117 of this Annual Report on Form 10-K).
31.1	Chief Executive Officer Certification pursuant to Rule 13a-14(a)/15d-14(a).+
31.2	Chief Financial Officer Certification pursuant to Rule 13a-14(a)/15d-14(a).+
32.1	Certification of Chief Executive Officer pursuant to Section 1350.+
32.2	Certification of Chief Financial Officer pursuant to Section 1350.+
95.	Mine Safety Disclosures.+
101	The following financial information from our Company's Annual Report on Form 10-K, for the period ended September 30, 2012, formatted in eXtensible Business Reporting Language: (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Income, (iii) Consolidated Statements of Equity, (iv) Consolidated Statements of Cash Flows, (v) Notes to Consolidated Financial Statements.+[1]

* Indicates a management contract or compensatory arrangement.

\+ Filed herewith.

(1) Pursuant to Rule 406T of Regulation S-T, the XBRL related information in Exhibit 101 to this Annual Report on Form 10-K shall not be deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 (the "Exchange Act"), as amended, or otherwise subject to the liability of the section, and shall not be deemed part of a registration statement, prospectus or other document filed under the Securities Act of 1933 or the Exchange Act, except as shall be expressly set forth by specific reference in such filings.