



WorleyParsons

resources & energy

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ASX/Media Release

WORLEYPARSONS LIMITED

(ASX: WOR)

**Good earnings growth delivered in FY2012.
Sound platform for further growth in FY2013.**

Overview

- Reported net profit after tax (NPAT) of \$353 million attributable to members (FY2011: \$364 million); down 3%
- Underlying NPAT of \$ 346 million attributable to members (FY2011: \$299 million); up 16%, having excluded fair value gains on acquisition of associates of \$7.6 million in FY2012 and \$65.7 million in FY2011
- The results improved half on half through FY2012
- Record aggregated revenue of \$7,363 million; up 25 %
- Operating cash flow \$438 million, (FY2011: \$294 million); up 49%
- Number of people employed increased to a new high of 40,800 (FY2011: 35,100)
- 77 significant project and long term contract awards during the year
- Final dividend 51.0 cents per share (franked to 61.3%) brings the full year dividend to 91.0 cents per share

Professional services company WorleyParsons Limited today announced full year NPAT of \$353 million. The results, after excluding fair value gains on acquisition of associates, were:

- Aggregated revenue of \$7,363 million; up 25%
- NPAT of \$346 million; up 16% and in line with guidance
- EBIT of \$530 million; up 12%
- EBIT margin of 7.2%; down from 8.0% in 2011
- Effective tax rate of 24.1%; down from 26.8% in 2011

The underlying results improved in the second half with NPAT up 28% on that delivered in the first half. However, EBIT margin fell from 7.3% in the first half to 7.1% in the second half.

The result has been negatively impacted by exchange rate movements in the year to 30 June 2012 compared to FY2011. The net profit translation impact of this rate movement is approximately \$14.2 million.



Financial Results

	Change %	Consolidated	
		2012 \$ M	2011 \$ M
Revenue and other income	30.4	7,408.4	5,683.2
Earnings before interest and income tax expense (EBIT)	(0.4)	537.9	539.9
Profit before income tax expense	(0.9)	493.8	498.4
Profit attributable to members of WorleyParsons Limited	(3.0)	353.2	364.2
Basic earnings per share (cents)	(3.1)	143.7	148.3
Diluted earnings per share (cents)	(3.2)	142.5	147.2
Aggregated revenue			
Revenue and other income		7,408.4	5,683.2
Less: procurement services revenue at nil margin		(696.2)	(426.8)
Revenue excluding procurement services revenue at nil margin		6,712.2	5,256.4
Add: share of revenue from associates		665.0	718.9
Less: net gain on revaluation of investments previously accounted for as equity accounted associates		(7.6)	(65.7)
Less: interest income		(7.0)	(6.1)
Aggregated revenue¹		7,362.6	5,903.5

1. Aggregated revenue is defined as statutory revenue and other income plus share of revenue from associates less procurement services revenue at nil margin, interest income and fair value gains from acquisitions of associates. The directors believe the disclosure of revenue attributable to associates provides additional information in relation to the financial performance of the WorleyParsons Limited Group.

The Group has acquired an additional interest in an entity which had previously been accounted for as an equity accounted associate. This acquisition resulted in a change in the nature of the investment from equity accounted associate to subsidiary of the Company. As part of the accounting for the acquisition, the original investment held in this entity was remeasured to fair value and a fair value gain of \$7.6 million was recognized in the statement of financial performance. During the year ended 30 June 2011, the Group acquired additional interests in a number of entities which had previously been accounted for as equity accounted associates. A net fair value gain of \$65.7million was recognized in the statement of financial performance for that year.

The results excluding the net fair value gains on revaluation of investments previously accounted for as equity accounted associates are as follows:

Results excluding net fair value acquisition gains

	Change %	2012 \$ M	2011 \$ M
EBIT	11.8	530.3	474.2
EBIT margin on aggregated revenue		7.2%	8.0%
Profit attributable to members of WorleyParsons Limited	15.8	345.6	298.5
Basic earnings per share (cents)	15.7	140.6	121.5



Operating cash flow for the year was \$438 million, compared to \$294 million in the previous year. Tax paid in the year was \$114.1 million (FY2011: \$99.1 million). The Group invested \$106.3 million in FY2012 (FY2011: \$105.8 million) for acquisitions, property, plant and equipment and computer software.

The Group's gearing ratio at 30 June 2012 (calculated on a net debt to net debt + equity basis) was 19.9%, an improvement from the previous year's ratio of 21.5%. Interest cover (EBITDA to total interest expense) remained high at 12.4 times (FY2011: 12.0 times). The Group's cash position at 30 June 2012 was \$247.3 million (FY2011: \$171.2 million). The Group has available committed debt facilities of \$1,444.6 million (FY2011: \$1,277.3 million). The committed debt facilities have an average maturity of 3.8 years (FY2011: 4.6 years), with \$138.9 million (9.6%) maturing within one year, \$736.1 million (51.0%) between one and four years and \$569.6 million (39.4%) beyond four years. Facility utilization at 30 June 2012 was 51.2% (FY2011: 53.2%). In addition, the Group has bank guarantees and letter of credit facilities of \$787.3 million with utilization of 66.3% on these facilities at 30 June 2012.

Dividend declaration

The Directors have resolved to pay a final dividend of 51.0 cents per share franked to 61.3%. The dividend will be paid on 28 September 2012 for shareholders on the register at the record date of 7 September 2012.

Chief Executive's Comments

Commenting on the performance for the year, the Chief Executive Officer of WorleyParsons, John Grill, said:

"I am delighted that the Group has delivered good earnings growth for the year despite challenging global macroeconomic conditions and significant volatility across the industries we service. This result was underpinned by strong performances by the Hydrocarbons and Minerals, Metals & Chemicals customer sector groups, particularly in Canada, Australia and the USA. We continue to see an increase in the volume of projects in the unconventional oil and gas market, especially shale gas in the USA, oil sands in Canada and coal seam gas in Australia.

"WorleyParsons' expanding global presence, particularly the increasing footprint in the developing world, continues to create opportunities. This growth is perhaps best reflected by the increase in personnel numbers with more than 5,700 additional people joining WorleyParsons during the year.

"Operating out of 163 offices across 41 countries we now have 40,800 people, three quarters of whom are based outside Australia, a testament to the success of our global expansion strategy over many years.

"Our focussed strategy to capitalise on opportunities in the developing world continues to deliver on its promise. The developing world continues to provide an excellent pipeline of large project opportunities as countries look to tap into their extensive undeveloped resources and expand their asset bases.

"Importantly, the Group also generated a much improved operating cash flow performance. This outcome is the result of improved global cash management processes and systems, along with strong local commitment and focus on cash collection.



“Margins were generally lower particularly in the Hydrocarbons and Power customer sector groups. In our Hydrocarbons sector, margins were primarily impacted by a small number of underperforming contracts. These were finalized or provided for during the second half. The Power sector margins were impacted by continuing softness and competition in the USA market and low margin procurement activity in Brazil.

“Following the significant restructure of the business last year, it is pleasing to report that our new ‘local/global’ business model is being extremely well received by our clients and our people. At its roots, the ‘local/global’ business model depends on the principles of empowerment, collaboration and putting the customer at the centre of everything we do.

“The tangible benefits of the restructure are already being seen. Our large multinational customers are increasingly looking to contract on a global basis, usually in the form of global services agreements. These agreements provide a steady flow of work over a number of years and are often expanded to incorporate additional service requirements, thereby improving our earnings outlook.

“We are growing as a result of winning larger and more complex contracts, many of which we execute through close collaboration with key strategic partners and we are constantly striving to carry out these projects more efficiently and sustainably. This growth is clearly reflected in our financial performance with the majority of our revenue for the 2012 financial year being earned from our tier one customers. Despite the significant uncertainty in global markets, particularly in terms of the volatility in commodity prices, we remain optimistic that opportunities will continue to emerge for WorleyParsons,” he said.

Safety performance

With great sadness we report three work related employee fatalities this year. Two drivers, one in the Middle East and one in Kazakhstan, died in road incidents and an employee in Brazil died as a result of a bacterial infection. These deaths are tragedies for their families, friends and colleagues and further drives us as we continue to work tirelessly toward our goal of zero harm.

Travel remains one of the most hazardous activities for our people. During the period, we continued our group-wide focus on road safety and to underpin that commitment became a signatory to the UN Decade of Action for Road Safety.

The TRCFR (Total Recordable Case Frequency Rate) for our employees for the 2012 financial year was 0.12 (compared with 0.11 last financial year) and the LWCFR (Lost Workday Case Frequency Rate) was 0.03 (the same as for FY2011).

We continue to strengthen our focus on the safe performance of our work, particularly our field and construction activities.

WorleyParsons uses the United States Occupational Safety and Health Administration reporting protocol.



Segment Performance

Hydrocarbons

The Hydrocarbons business reported aggregated revenue of \$5,015 million, an increase of 24% from the previous corresponding period. Hydrocarbons' contribution to the group's aggregated revenue was 68%. Segment EBIT was \$587 million with a reported segment margin of 12% (FY2011: EBIT \$554 million; margin 14%). We experienced continued underperformance on a few projects during the second half, although these projects have now been finalized or provided for.

Demand for oil and gas continues to grow resulting in an increasing level of capital expenditure in major upstream developments throughout the year. There are clear signs that the petrochemicals sector, underpinned by a significant availability of low cost natural gas in the USA, will grow.

We experienced ongoing growth in *Improve* markets globally, together with a higher level of spending in onshore unconventional, LNG and offshore markets. Our major customers have expanded into unconventional gas markets and are seeking services from global companies like WorleyParsons.

Notably, during the year our Canadian construction business was awarded a number of significant module construction and construction services contracts in support of our key clients in the Alberta oil sands.

Key project awards during the year

- SORESCO – Moin refinery expansion project, Costa Rica
- PetroEcuador – Refineria del Pacifico refining and petrochemical complex project, Ecuador
- Chinese National Offshore Oil Company – LNG cold energy air separation unit, China
- ExxonMobil – Point Thomson initial production system, Alaska
- ExxonMobil – Hebron topsides engineering, procurement and construction services, Canada
- TransCanada Pipelines Limited – Hardisty Terminal A and B, Canada
- Hess – Equus front end engineering design, Australia
- Arrow Energy – Surat coal bed methane upstream development pre front end engineering design project, Australia
- Chevron – Wheatstone LNG integrated project management team, Australia
- Oman Oil Company – gas plant detailed design and procurement services, Oman
- Tengizchevroil – wellhead pressure management, Kazakhstan
- MEG Energy Corp – module construction services for Christina Lake steam assisted gravity drainage (SAGD) project expansion, Canada
- Suncor Energy – Firebag SAGD facility construction services, Canada

Key *Improve* awards and renewals

- Esso Production Malaysia – engineering, procurement and construction management umbrella agreement (renewal), Malaysia
- PT Chevron Pacific – overall program management, engineering and construction management services, Indonesia



- Imperial Oil – Nanticoke Refinery (renewal), Canada
- Suncor – gas facility supplier of choice, Canada
- TransCanada – project management, engineering, procurement, technical and field services, Canada
- Shell – engineering, procurement and construction management services for refining and chemical facilities, USA and Canada
- Joint Operations (Kuwait Gulf Oil, Saudi Arabian Chevron Inc) – engineering, project and construction management services, Kuwait and Saudi Arabia

Outlook for Hydrocarbons

Capital expenditure in oil and gas continues to increase, supported by the emergence of unconventional oil and gas developments around the world. We anticipate further growth in the global greenfield and *Improve* markets, both upstream and downstream, despite signs of a potential softening in the rate of growth compared to 2012.

The continued expansion of our global and multi-regional relationships with key customers, along with our comprehensive range of services, gives us confidence in our ability to continue to grow.

We expect margins and earnings in the Hydrocarbons customer sector to improve in FY2013.

Power

The Power business reported aggregated revenue of \$581 million, an increase of 13% on the previous corresponding period. Power's contribution to the group's aggregated revenue was 8%. Segment EBIT was \$60 million with a reported segment margin of 10% (2011: EBIT \$65 million; margin 13%). This fall in earnings is contrary to our previous guidance for this customer sector. While the power markets outside the USA remained robust, Power sector margins were impacted by continuing softness and competition in the USA market and low margin procurement activity in Brazil.

Investment in global power infrastructure is expected to grow based on a continuing increase in demand for power in developing economies and on the need for the developed world to improve and replace existing assets. Transmission networks are being seen as enabling assets with intelligent and smart grids driving investment.

We expect to continue to capitalize on investment in asset management and optimization, energy efficiency and alternative energy solutions in the developed world and new build opportunities across all fuel types in the developing world. We have expanded our service base in the USA, Canada and Australia and continue to pursue joint ventures with strategic partners to further enhance our offering.

The nuclear sector continues to offer growth opportunities in new build reactors in the developing world and in *Improve* opportunities as a result of tightening regulatory environments following the Fukushima disaster in Japan.



Key project awards during the year

- Akkuyu NGS Elektrik Uretim Anonim Sirketi – nuclear power plant, Turkey
- InterRAO UES – Baltic nuclear power plant bankable feasibility study phase 2, Russia
- King Abdullah City for Atomic and Renewable Energy – nuclear power plant siting services, Saudi Arabia
- Saudi Electricity Company – Power Plant 10 engineering and owner's engineer support, Saudi Arabia
- LS Cable & System – power supply upgrade, Qatar
- American Electric Power – air quality study and upgrade, USA
- Odebrecht – Chaglla hydropower plant, Peru
- Skanska – Baixada Fluminense power plant, Brazil
- BHP Billiton – Yarnima gas fired power station phase 1 & 2, Western Australia

Key *Improve* awards

- Kozloduy – stress-tests for nuclear power facilities, Bulgaria
- Bruce Power – sustaining projects, Canada
- Ontario Power Generation – Darlington nuclear refurbishment, Canada
- Arizona Public Services – Palo Verde nuclear power plant task level planning, USA
- Pacific Gas & Electric – master services agreement for power network services, USA
- Entergy – fossil fuel engineering services, USA
- Verve Energy – Muja / Kwinana maintenance alliance, Australia

Outlook for Power

We anticipate growth in new build power generation and networks opportunities across Asia, the Middle East, Latin America and Africa. The resource sector in Australia is providing opportunities for power generation projects. In the USA, Canada and Australia, we expect to continue to take advantage of investment in asset optimization and energy efficiency with our innovative *Improve* and EcoNomics™ solutions.

Growth in the Nuclear *Improve* market is likely to continue, while resource power opportunities are expected to deliver further growth in Australia, Latin America, Sub Saharan Africa and the Middle East.

We expect an improvement in earnings in the Power customer sector in FY2013.

Minerals, Metals & Chemicals

WorleyParsons' Minerals, Metals & Chemicals business reported a 39% increase in aggregated revenue to \$895 million. Minerals, Metals & Chemicals' contribution to the group's aggregated revenue was 12%. Segment EBIT was \$131 million with a reported segment margin of 15% (FY2011: EBIT \$103 million; margin 16%).

We continued to strengthen our relationship with major global companies and as a result have experienced growth in both project and *Improve* activity, particularly in Australia and Canada. During



the year, we secured major iron ore, coal, base metals and chemicals contracts with companies including BHP Billiton, Rio Tinto, Vale, Anglo American and BASF.

We continue to expand our presence in coal, copper and iron ore in both developed and developing countries, and have also experienced growth in new industries such as potash, uranium and chemicals. The global chemicals industry provides a strong opportunity for WorleyParsons to expand the business and we have renamed the customer sector group Minerals, Metals & Chemicals to reflect our increased focus on these markets.

We also continue to focus on generating growth through strategic partnerships. The recently established Cegertec WorleyParsons joint venture in Quebec, Canada has created a key capability centre for aluminium that will support growth in major projects and *Improve*, not only in Quebec but globally. During the year, we increased our ownership of ARA WorleyParsons in Chile to 94%.

Key project awards during the year

- Anglo American – Chagres smelter development, Chile
- Areva – JEB mill upgrade, Canada
- BASF – Acai / Nanjing super absorbent polymer projects, Brazil and China
- BHP Billiton Iron ore – engineering, procurement and construction management master framework agreement, Australia
- Black iron – Shymanivske iron ore project feasibility study, Ukraine
- EBX Group – MMX Serra Azul iron ore engineering, procurement and construction management, Brazil
- First Quantum Minerals – Kansanshi copper smelter, Zambia
- Mongolyn Alt (MAK) Group – Tsagaan Suvarga copper-molybdenum concentrator, Mongolia
- Sasol – Shondoni coal mine, South Africa
- WICET – Wiggins Island coal export terminal stage 1 project management consultancy, Australia
- Xstrata – Askaf iron ore design feasibility study, Mauritania
- Orica – Trident feasibility studies and design, Australia

Key *Improve* awards

- BASF – North American engineering partner contract, USA and Canada
- BHP Billiton Iron ore – sustaining capital, Australia
- BHP Billiton Mitsubishi Alliance – coal sustaining capital, Australia
- Fortescue Metals Group – iron ore sustaining capital services, Australia
- Rio Tinto Alcan – Weipa Bauxite mine engineering services, Australia

Outlook for Minerals, Metals & Chemicals

Uncertainty in the market is expected to continue in the immediate future. We continue to focus on globalising Minerals, Metals & Chemicals through long-term relationships with our major customers. We expect this approach to provide growth opportunities across the developed and developing worlds, particularly in bulk commodities and chemicals.



We look to continue to expand in Latin America and Africa, largely taking advantage of opportunities in the coal, copper and iron ore sectors and pit to port developments. Continued growth in project study work in these regions will also provide opportunities for pull through to execution of major projects. Meanwhile, our participation in the Chemicals sector is expected to grow as the market strengthens, particularly in China, USA and the Middle East.

We expect improved earnings in the Minerals, Metals & Chemicals customer sector in FY2013.

Infrastructure & Environment

The Infrastructure & Environment business delivered aggregated revenue for the year of \$871 million, an increase of 24% from the \$702 million reported in FY2011. Infrastructure & Environment's contribution to the group's aggregated revenue was 12%. Segment EBIT was \$115 million with a margin of 13% (FY2011: EBIT \$101 million; margin 14%).

The Infrastructure & Environment business has experienced significant growth across all sub-sectors during the year evidencing the success of the strategy to expand the focus of the business on supporting the resources industry in addition to the historical focus on urban infrastructure.

The Water business has shifted from a municipal to an industry focus, with over 70% of revenue now being generated from the mining, energy and power sectors. We are increasingly being recognised for our leadership in the environment sector, having been selected to join a panel of experts to support Chevron and other key hydrocarbons customers.

Our Master Planning business is engaged across multiple continents in the design, delivery and management of major industrial estates. We continue to grow our project portfolio in servicing global port operators around the world such as Dubai Ports and China Harbours. We have also experienced considerable growth in the Restoration business, delivering site remediation, decommissioning, response and recovery services via several long-term master service framework agreements with global customers.

The business has seen strong growth in the developing regions of Latin America and Sub Saharan Africa. The acquisitions of KV3 in South Africa, CNEC in Brazil and increased ownership of ARA WorleyParsons in Chile have considerably enhanced our capabilities in these regions and provide a strong platform from which to expand.

Key project awards during the year

- MPX – Guajira coal port and rail infrastructure, Colombia
- Norte Energia – Belo Monte hydroelectric plant environment and social compliance, Brazil
- Woodside – Browse downstream geotechnical investigations, Australia
- Queensland Curtis LNG – water treatment, environment and social licence, Australia
- Anglo American – coal water treatment, Canada
- Qatar Government – Doha Port development, Qatar
- Huta Marine Works – King Abdullah Port project, Saudi Arabia

Key *Select* and *Improve* awards

- Rio Tinto – master services agreement, risk advisory and catastrophic event management, Americas



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- ExxonMobil – Port Stanvac refinery program management contract for decommissioning services, Australia
- National Grid Property Holdings – remediation contract, United Kingdom
- BP – remediation management North American framework agreement, USA
- Port of Los Angeles / Long Beach – restoration services framework agreement, USA

Outlook for Infrastructure & Environment

Infrastructure & Environment opportunities are expected to grow through the delivery of enabling services to the Hydrocarbons and Minerals, Metals & Chemicals customer sector groups. These enabling capabilities include environment, water, geosciences, master planning, transport, port and marine terminals and restoration.

We anticipate improved performance in the pit to port sector through the migration of our capability into Latin America and Sub Saharan Africa while expansion of our Restoration services globally is expected to drive growth in decommissioning and remediation opportunities in the USA, Canada, Europe and Australia.

We expect improved earnings in the Infrastructure & Environment customer sector in FY2013.

Outlook for the WorleyParsons Group

Commenting on the outlook for the WorleyParsons Group, Mr John Grill said:

“Subject to the markets for our services remaining strong, we expect to achieve good growth in FY2013 compared to FY2012 underlying earnings.

“We have a clear growth strategy in place focused on improving margins and developing our skill set and geographic footprint across our four customer sectors. This will be achieved through organic growth as well as by taking advantage of acquisition opportunities that provide value for shareholders.

“We are confident that our medium and long term prospects remain positive based on our competitive position, our diversified operations and strong financial capacity.”

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The IFRS financial information contained within this announcement has been derived from 30 June 2012 Financial Report which has been audited by Ernst & Young. This announcement however has not been reviewed or audited.