

23 February 2021

ASX release

WORLEY LIMITED (WORLEY) (ASX: WOR)

HALF YEAR 2021 RESULTS

Delivering cash through a challenging environment and our business set up for the future

- Aggregated revenue \$4,498 million, compared to \$5,998 million
- Underlying EBITA \$207 million, compared to \$366 million
- Underlying NPATA \$117 million, compared to \$216 million
- Underlying operating cash flow \$281 million, compared to \$361 million
- Leverage at 1.8x compared to 1.8x at 30 June 2020
- Statutory result - revenue \$4,876 million compared to \$6,901 million and NPATA \$60 million, compared to \$154 million
- Operational cost savings target increased to \$350 million by 30 June 2022 of which a total of \$286 million has been delivered (all numbers on an annualized basis)
- ECR acquisition cost synergies of \$181 million delivered; target of \$190 million by 30 April 2021 (all numbers on an annualized basis)
- Board has resolved to pay an interim dividend of 25 cents per share

All comparisons above are to prior corresponding period unless noted otherwise.

Worley Limited, a leading global professional services company, today announced an underlying NPATA¹ of \$117 million for the six months ended 31 December 2020. Statutory NPATA was \$60 million, compared to \$154 million in the prior corresponding period while aggregated revenue decreased 25% to \$4,498 million.

Chief Executive Officer Chris Ashton said “The first half of FY2021 was a challenging period for our business. Global economic circumstances, including the COVID-19 pandemic, have impacted our customers, particularly demand in their end markets. As a result, we have seen project deferrals, mainly in the Americas, although minimal cancellations. Throughout the pandemic, the safety and well-being of our people remains our priority and we continue to provide a safe work environment for our office and field-based people.

“Our underlying EBITA decreased 43% compared to prior period driven by volume reductions due to deferrals and site access restrictions. This period we have a larger proportion of lower-margin construction and fabrication work, which has historically been less variable in periods of downturn. EBITA and aggregated revenue were also lower due to the impact of the stronger Australian dollar.

“We have generated underlying operating cash flow of \$281 million and further strengthened our balance sheet. We have reduced our net debt to \$1,206 million excluding lease liabilities, the lowest level of net debt since the ECR acquisition. Leverage (defined as net debt to EBITDA²) has been maintained at 1.8x and gearing³ is well below the target range of 25-35% at 18%.

“Our backlog is \$13.5 billion at 31 December 2020 compared to \$16.8 billion at 30 June 2020. The impact of lower activity on long-term contracts and foreign exchange translation account for almost 75% of the backlog reduction. Our long-term contracts remain in place and there has been minimal impact from project cancellations. Backlog was also

¹ Net profit after tax excluding the post-tax impact of amortization of intangible assets acquired through business combinations

² Earnings before interest, tax, depreciation and amortization as defined for debt covenant calculations

³ Net debt to net debt + equity, excluding lease liabilities

impacted by the deferral of projects and contract awards. Customer discussions indicate deferred projects and historical activity levels on long-term contracts are likely to return as global economic circumstances improve.

"Our 12-month factored sales pipeline⁴ is increasing which includes the acceleration of sustainability opportunities at a more favorable gross margin percentage than our historical services. We have announced significant sustainability projects since the beginning of the calendar year.

"The actions we have taken during the period have set the business up for the future. We have continued to deliver on our operational savings program, with a total of \$286 million⁵ savings delivered as at 31 December 2020, exceeding the original target of \$275 million⁵. Today we announce the target is increased to \$350 million⁵ to be delivered by 30 June 2022. The remaining savings are mostly related to our shared services program. In addition, the final savings from our ECR acquisition cost synergy program will be delivered by April 2021 in line with expectations. A total of \$190 million⁵ of cost synergies will be delivered, exceeding our original target by \$60 million⁵. We have delivered a total of \$125 million⁵ savings from these two cost savings programs in H1 FY21 which will flow into H2 FY21 and beyond.

"Our sustainability pivot provides the structural framework for growth. The contribution of sustainability projects is already sizeable, delivering \$1.2 billion of revenue in H1 FY21, around 30% of Group revenue. Energy transition and circular economy opportunities in particular are accelerating, and we have seen our factored sales pipeline⁴ increase in this area from 11% to 18% of total opportunities since November 2020. We're pleased with the level of work (and resulting margins) we're winning in line with our strategy. Today we announced the award by Occidental Petroleum's Low Carbon Ventures business 1PointFive for the industrial-scale commercialization of Direct Air Capture technology. This significant award supports our purpose of delivering a more sustainable world," Mr. Ashton said.

Dividend

The Board resolved to pay an interim dividend of 25 cents per share, unfranked. The dividend will be paid on 31 March 2021 with a record date of 2 March 2021.

Group Outlook

As a result of the global economic circumstances, including the COVID-19 pandemic, we have seen project deferrals, although minimal project cancellations. Customer discussions indicate deferred projects are likely to return as global economic circumstances improve.

We believe our strong cash result, cost savings programs and our sustainability pivot have set the business up for the future. To date, we have delivered \$286 million⁵ of operational savings and increased the target to \$350 million⁵ by June 2022. We are also on track to deliver the \$190 million⁵ ECR acquisition cost synergy target by April 2021.

Our diversification will continue to be important as different sectors and regions recover at different rates. Our 12-month factored sales pipeline⁴ is increasing which includes the acceleration of sustainability opportunities.

We expect an improved EBITA in H2 FY21 compared to H1 FY21 due to recent project awards as well as the impact of cost reductions implemented in the first half having a full year impact.

Our sustainability pivot provides the structural framework for growth and we are pleased with the level of work (and resulting margins) we are winning in line with our strategy. We are seeing sustainability opportunities accelerate across all our sectors and we are well positioned to capture these opportunities.

⁴ Factored for likelihood of project proceeding and award to Worley

⁵ Annualized savings

Financial Outcomes (Compared to the previous corresponding period, unless noted otherwise)

Statutory result

- **Statutory revenue** down 29% to \$4,876 million from \$6,901 million
- **Statutory NPATA** down 61% to \$60 million from \$154 million.

Underlying result

- **Aggregated revenue** down 25% to \$4,498 million from \$5,998 million
- Underlying **EBITA** down 43% to \$207 million from \$366 million
- Underlying **NPATA** down 46% to \$117 million from \$216 million
- Underlying **NPATA margin** down 1 pp to 2.6% from 3.6%
- Underlying basic earnings per share (**EPS**) on NPATA down 46% to 22.3 cents from 41.5 cents.

Other financial information

- **Underlying operating cash flow** was a net inflow of \$281 million, down from \$361 million.
- **Gearing**³ reduced to 18.0% from 18.5% at June 2020.
- **Net debt to EBITDA**² at 1.8 times, stable from 1.8 times at 30 June 2020.
- The average **cost of debt**⁶ in the half decreased to 2.8% from 3.3%, with **interest cover** at 7.2 times, up from 6.3 times at 30 June 2020.
- The Board resolved to pay an interim dividend of 25 cents per share, unfranked.

Operating outcomes

Safety performance

The Total Recordable Case Frequency Rate for employees for the six months to 31 December was 0.15 (per 200,000 work hours) compared to 0.16 at 30 June 2020. Worley has industry leading safety performance and we are committed to providing a respectful, safe and healthy environment where we support each other and our communities.

Backlog

Backlog at 31 December 2020 decreased to \$13.5 billion from \$16.8 billion at 30 June 2020. Site access restrictions have resulted in lower activity on long-term contracts, which under our backlog definition we effectively re-value by applying the most recent half-year work hours run rate over a 36-month period. The impact of lower activity on long-term contracts and foreign exchange translation account for almost 75% of the backlog reduction. Our long-term contracts remain in place and there has been minimal impact from project cancellations. Backlog was also impacted by the deferral of projects. Customer discussions indicate deferred projects and historical activity levels on long-term contracts are likely to return as global economic circumstances improve.

Operating performance⁷

Americas

The Americas region reported aggregated revenue of \$1,907 million and segment result of \$117 million (H1 FY20: aggregated revenue of \$3,044 million and segment result of \$231 million). The segment margin decreased to 6.1% from 7.6%. Project deferrals as a result of global economic circumstances including the COVID-19 pandemic have impacted aggregated revenue. The margin decrease was primarily driven by US Field Services which was impacted by COVID-19 with key sites inaccessible and curtailed customer spending, as well as the fixed-cost nature of the business in Alaska which experienced reduced volume.

⁶ Calculated based on the weighted average of closing debt and rates at reporting date

⁷ Consistent with 30 June 2020, the Group has allocated certain global support costs into the segment result in the current period. Prior period professional services costs, construction and fabrication costs and global support costs were restated for comparative purposes. Total expenses on the Statement of Financial Performance and Other Comprehensive Income have not changed.

EMEA

The Europe, Middle East and Africa region reported aggregated revenue of \$1,667 million and segment result of \$77 million (H1 FY20: aggregated revenue of \$1,877 million and segment result of \$118 million). Project deferrals as a result of global economic circumstances including the COVID-19 pandemic have impacted aggregated revenue. The segment margin decreased to 4.6% from 6.3%, as a result of significant volume reductions in the Middle East and Africa and the ramp down of a major project in Central Asia. Rate and price changes did not have a material impact on the segment result.

The fabrication business in Norway had a strong performance, however at lower margin compared to the prior period due to the type of projects.

APAC

The Australia, Pacific, Asia and China region reported aggregated revenue of \$924 million and segment result of \$89 million (H1 FY20: aggregated revenue of \$1,077 million and segment result of \$107 million). The segment margin decreased slightly to 9.6% from 9.9%. Revenue in the Asia business, particularly Global Integrated Delivery (GID), was impacted by project completions and deferrals related to global economic circumstances including the COVID-19 pandemic. APAC margin is higher than other regions due to a higher proportion of professional services work and the type of projects.

Market sector performance⁸

Energy

The Energy sector, comprising upstream and midstream hydrocarbons as well as power, reported aggregated revenue of \$2,127 million and segment result of \$125 million with a margin of 5.9% (H1 FY20: aggregated revenue of \$2,975 million, segment result of \$226 million and segment margin of 7.6%). Energy's contribution to the Group's aggregated revenue is 47% compared to 50% in the prior corresponding period.

The Power sector showed resilience across all regions, contributing 6% to Group aggregated revenue with comparable margins to the prior period. The Power sector experienced growth in APAC as a result of the acquisition of the remaining 50% of TW Power Services Pty Limited (TWPS).

Upstream and Midstream revenue and margin were impacted by project deferrals as a result of global economic circumstances including the COVID-19 pandemic, particularly in the Americas. In addition, margin was impacted by the change in projects in the Norway fabrication business noted above.

Chemicals

The Chemicals sector, comprising refining, petrochemicals and chemicals, reported aggregated revenue of \$1,745 million and segment result of \$113 million with a margin of 6.5% (H1 FY20: aggregated revenue of \$2,193 million, segment result of \$157 million and segment margin of 7.2%). Chemicals contributed 39% to the Group's aggregated revenue, increasing from H1 FY20.

Professional services margin in the Chemicals sector was relatively stable compared to H1 FY20, while construction and fabrication margin was impacted by COVID-19 with key sites inaccessible and curtailed customer spending.

⁸ H1 FY20 market sector segment results have been restated in accordance with a review of project allocations to these sector groups

Resources

The Resources sector, which includes mining, minerals and metals as well as infrastructure, reported aggregated revenue of \$626 million and segment result of \$45 million with a margin of 7.2% (H1 FY20: aggregated revenue of \$830 million, segment result of \$73 million and segment margin of 8.8%). Resources contribution to the Group's aggregated revenue was 14%.

The Resources sector revenue and margin were impacted primarily by COVID-19 related site shutdowns in Africa and the ramp down of procurement revenue with margin from a project in Latin America.

Authorized for release by Nuala O'Leary, Group Company Secretary.

For further information, please contact:

Veréna Preston

Group Director Investor Relations

Ph: +61 7 3239 7461

investor.relations@worley.com

www.worley.com

For media enquiries, please contact:

Mark Gell

Reputation Edge

Ph: + 61 419 440 533

mgell@reputationedge.com.au

About Worley: Worley is a global company headquartered in Australia and our purpose is delivering a more sustainable world. Worley is a leading global provider of professional project and asset services in the energy, chemicals and resources sectors. As a knowledge-based service provider, we use our knowledge and capabilities to support our customers to reduce their emissions and move towards a low carbon future.

Worley Limited is listed on the Australian Securities Exchange (ASX: WOR).

Consolidated

Key financials for the half year ended 31 December 2020	Change	31 Dec	31 Dec
	%	2020	2019
		\$'M	\$'M
STATUTORY RESULT			
Revenue and other income	(29)	4,876	6,901
Earnings before amortization, interest and income tax expense (EBITA)	(51)	140	285
Profit before income tax expense	(73)	47	172
Profit after income tax expense attributable to members of Worley Limited	(81)	22	115
Basic earnings per share (cents)		4.3	22.1
Diluted earnings per share (cents)		4.3	21.9
UNDERLYING RESULT			
The underlying results are as follows:			
EBITA		207	366
EBITA margin on aggregated revenue		4.6%	6.1%
Profit before amortization and after income tax expense attributable to members of Worley Limited (NPATA)		117	216
Basic earnings per share (cents)		22.3	41.5
Reconciliation of statutory profit after taxation to underlying profit after taxation is as follows:			
Profit after income tax expense attributable to members of Worley Limited		22	115
Add: Amortization of acquired intangibles net of taxation		38	39
Add: Impact of transformation and restructuring, comprised of:			
<i>Payroll restructuring</i>		19	-
<i>Impairment of property assets</i>		16	-
<i>Onerous contracts and other costs</i>		22	-
<i>International government subsidies, net of direct costs</i>		(41)	-
Add: Transition costs		34	81
Add: Impairment of fixed assets		6	-
Add: Impairment of investment in equity accounted associate		11	4
Less: Impact of arbitration award		-	(3)
Less: Net tax expense on items excluded from underlying results		(16)	(21)
Add: Tax from changes in tax legislation		6	1
Underlying profit before amortization and after income tax expense (NPATA) attributable to members of Worley Limited		117	216

Consolidated

	31 Dec 2020 \$'M	31 Dec 2019 \$'M
AGGREGATED REVENUE RESULT		
Aggregated revenue is defined as statutory revenue and other income plus share of revenue from associates less procurement revenue at nil margin, pass-through revenue at nil margin and interest income.		
Revenue and other income	4,876	6,901
Less: Procurement revenue at nil margin (including share of revenue from associates)	(471)	(1,075)
Less: Impact of an arbitration award	-	(3)
Add: Share of revenue from associates	97	179
Less: Interest income	(4)	(4)
Aggregated revenue	4,498	5,998
CASH FLOW		
Statutory operating cash inflow	253	227
OTHER KEY FINANCIAL METRICS as at		
	31 Dec 2020	30 Jun 2020
Gearing ratio % (net debt to net debt plus equity) ³	18.0%	18.5%
Leverage ratio (net debt to EBITDA) ²	1.8 times	1.8 times
EBITDA interest cover ²	7.2 times	6.3 times

Effective 1 July 2020, The Group completed a restructure of its operating model which has resulted in a revision to its operating segments. Segment reporting will now occur on a regional basis as follows:

- Americas;
- EMEA; and
- APAC.

Prior to the change, the Group's business model consisted of four business lines being Energy and Chemical Services, Mining, Minerals and Metal Services, Major Projects & Integrated Solutions and Advisian. The change in operating structure represents a change to the operating segments reported in the previous corresponding period. The previous reported segment results for the half year ended 31 December 2019 have been restated for comparison purposes as required by AASB 8 Operating Segments. The Group has also included additional information segmented according to its market sector groups, which are consistent with 30 June 2020 and the prior corresponding interim reporting period. The 31 December 2019 market sector segment results have been restated in accordance with a review of project allocations to these sector groups.

DISCLAIMER Important information

The information in this presentation about Worley Limited and the entities it controls (Group) and its activities is current as at 23 February 2021 and should be read in conjunction with the Company's Appendix 4D and Interim Financial Report for the half year ended 31 December 2020. It is in summary form and is not necessarily complete. The financial information contained in the Interim Report for the half year ended 31 December 2020 has been reviewed, but not audited, by the Group's external auditors.

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