



# WorleyParsons

resources & energy

27 August 2007

**ASX/Media Release**  
**WORLEYPARSONS LIMITED**  
**(ASX: WOR)**

**WORLEYPARSONS ANNOUNCES RECORD PROFIT**

**Highlights**

- Full year net profit up 61.6 % to \$224.8 million
- Colt integration and performance are positive
- Full year EBITDA growth of 60.7% to \$353.4 million
- Normalised EPS up 57.5% to 105.4 cents per share
- International operations contribute 72.4% of earnings
- EBIT and net margin expansion
- Final dividend increased to 32.5 cents per share (2006: 22.5 cents per share)
- Continued positive outlook for 2008

Professional services company WorleyParsons Limited today announced a full year result for 2007 of \$224.8 million, an increase of 61.6% over the \$139.1 million net profit reported in 2006.

The result was earned on aggregated revenue of \$3,534.6 million, an increase of 43.4% on the \$2,464.4 million reported in 2006. EBITDA for the year was \$353.4 million, an increase of 60.7% from the \$219.9 million reported in 2006.

The EBIT margin for the group increased to 9.0% from 8.1% in 2006. After tax the company earned a net margin on aggregated revenue of 6.4%, compared to the 2006 net margin of 5.6%. The effective corporate tax rate was 26.1%.

Basic earnings per share were 101.8 cents per share, an increase of 53.5% above the 66.3 cents per share for 2006.

Included in the full year result is a four months contribution to EBITA of \$42.0 million from the Colt group that was acquired during the year.



## Dividend declaration

The Directors have declared a final dividend of 32.5 cents per share, franked at 29% (9.5 cents per share franked) bringing the total dividend for 2007 to 60.5 cents per share (14.9 cents per share franked) or 60.4% of reported net profit. Last year's final dividend was 22.5 cents per share, franked at 30% (7.7 cents per share franked).

The dividend will be paid on 25 September 2007 for shareholders on the register as at midnight (Australian Eastern Standard Time) on 11 September 2007.

## Results

	%	2007 \$'000	2006 \$'000
Revenue	UP 45.3	3,492,802	2,404,512
Earnings before interest and income tax expense	UP 59.9	319,126	199,543
Profit before income tax expense	UP 55.5	306,205	196,885
Profit attributable to members of WorleyParsons Limited	UP 61.6	224,766	139,106
Basic earnings per share (cents per share)	UP 53.5	101.8	66.3
Diluted earnings per share (cents per share)	UP 51.4	100.4	66.3
Revenue		3,492,802	2,404,512
Procurement services revenue		(357,802)	(299,857)
Revenue excluding procurement services revenue		3,135,000	2,104,655
Share of revenue from associates		691,803	786,328
Procurement services revenue of associates		(292,212)	(426,601)
Net revenue from associates		399,591	359,727
Aggregated revenue <sup>1</sup>		3,534,591	2,464,382

<sup>1</sup> Aggregated revenue is defined as statutory revenue plus share of revenue from associates less procurement services revenue at nil margin. The directors believe the disclosure of revenue attributable to associates provides additional information in relation to the financial performance of WorleyParsons.



## Finance

The company retains a strong cash position with net cash of \$118.6 million. Gearing on a net debt to net debt + equity basis at year end was 22.3%; within the company's target gearing range and reflecting the financing of the Colt acquisition. EBITDA interest cover for 2007 was 16 times.

The average AUD:USD exchange rate for the 2007 year was 78.3 cents (2006 74.7 cents). Operating cash flow for the period was \$195.9 million, compared to \$115.7 million in 2006.

Major investing and financing activity in the 2007 year was in relation to the \$1.12 billion acquisition of the Colt group of companies. The transaction was funded through the issue of 12.3 million exchangeable shares to the vendors, \$480.0 million by the issue of 23.0 million new shares and \$313.2 million in new debt facilities.

Subsequent to the completion of the acquisition the company refinanced part of its debt facility through the issuing of US\$350 million notes payable in the US private placement market. The issue comprised US\$40 million at floating rates maturing in five years, US\$140.5 million maturing in seven years at a fixed coupon of 5.61%, and US\$169.5 million maturing in ten years at a fixed coupon of 5.75%.

In addition to the Colt acquisition the company invested \$63.5 million in other acquisitions including Sea Engineering Inc, TMG International Holdings Pty Limited, the remaining 50% of the Australian power and water joint venture, and a 50% interest in Arze Recine y Asociados Ingenieros Consultores SA (ARA).

The company continues to benefit from concessions for expenditure for R&D activities in a number of jurisdictions. As a consequence the effective corporate tax rate for the group was 26.1% (2006:28.0%).

## Chief Executive Comment on 2007 performance

Commenting on 2007 performance the Chief Executive Officer of WorleyParsons, Mr John Grill, said:

"It has been another year of strong operational performance across all areas of the group, reflecting the high level of on-going demand for our services. Our markets continue to reflect the buoyant conditions that have been in place in recent years and I am pleased with how the organisation has responded to this demand. We have ended 2007 with our reputation enhanced by the great performance of approximately 23,800 people in the organisation."

"As well as our operational performance, other highlights in the year have been the continued development of the company's capabilities and expanded global presence. The major contribution to this has been the recently acquired Colt Group which has continued to deliver in line with our expectations. This hasn't surprised us given the strength of the Colt management team. The integration of Colt with our existing Canadian operations positions us well in one of the world's fastest growing hydrocarbons markets as well as giving us a leadership position in heavy oil and pipelines globally. We are looking forward to a full year's contribution from the enhanced Canadian business in 2008."



“2007 has also seen a number of other highlights including a continued effort in moving towards best practice in HS&E performance, continued development and roll out of our systems capabilities and our risk management framework, and a number of small but significant acquisitions in addition to Colt.”

“It has been another exceptional year as we continue toward our goal of being the preferred global provider of technical, project and operational support services to our customers.”

## EcoNomics™

The company is today announcing a major initiative in our range of services and technologies that profitably embed environmental, social and financial sustainability into project delivery, across the asset lifecycle. Commenting on EcoNomics™ Mr John Grill, said:

“In recent years we have seen a marked increase in requests from our clients to help enhance the environmental performance of new project developments as well as improve and enhance the sustainability of their existing assets. We have spent considerable effort in 2007 in ensuring that we have sufficient capability and capacity to support our clients in this area.”

“As a result of this review we have grouped our already impressive capability in this area under the name EcoNomics™ to describe the full range of services we can offer in providing profitable sustainability to our clients. You will see a number of the EcoNomics™ projects that we are currently performing highlighted in the Annual Review document.”

## Safety Performance

WorleyParsons now has offices in 32 countries, many of which have different requirements for classification and reporting safety performance. The company believes that the most appropriate system for classification and reporting consolidated safety performance for the group is the use of the US OSHA (Occupational Safety and Health Act) reporting requirements for Total Recordable Injury Frequency (TRIF) and Lost Time Injury Frequency (LTIF).

WorleyParsons safety performance as reported under OSHA showed a total injury case rate of TRIF 0.11 for the 2007 financial year, an improved performance when compared to the 0.16 achieved in 2006. Our LTIF rate was 0.02 in 2007.

Commenting, Mr John Grill said:

“Whilst our safety TRIF and LTIF results compare very favourably with international safety best practices and within our industry sectors, we always have a view our performance can be better. Our safety performance is paramount and we still have more to do in ensuring that we achieve our objective of ‘Zero Harm’. We have committed additional resources to our management process and practices in 2007 and will continue to do more in 2008 to ensure we progress towards this objective.”



## Segment Performance

### Hydrocarbons

Aggregated revenue for the **Hydrocarbons** group in the year was \$2,585.0 million representing approximately 73.1% of WorleyParsons revenue and an increase of 45.4% from the prior year. Segment EBIT was \$239.6 million with a reported segment margin of 9.3%. (2006: EBIT \$156.9 million, margin 8.8%.)

A number of material contracts were announced during the year. In the Australasian region, these included the award by Woodside Energy and the subsequent performance of A\$192 million in FEED contacts for the Pluto project. The award saw FWW (the (Foster Wheeler WorleyParsons) joint venture) and Eos (the WorleyParsons/KBR joint venture) perform the FEED contracts for respectively the onshore LNG production plant and associated infrastructure as well as the offshore platform and systems engineering. A highlight of the Hydrocarbons business in recent years has been its continued ability to partner with other service providers in the industry for the increased number of mega projects being performed.

In October 2006 WorleyParsons announced the renewal of a three-year contract to provide engineering, procurement and construction management services to ExxonMobil for its Baytown area projects alliance in Texas.

Also in October 2006 WorleyParsons announced it had been engaged to provide detailed engineering services to Hyundai Heavy Industries for the Umm Shaif gas injection facilities project, offshore Abu Dhabi. The company had previously performed the FEED for this project in Perth.

This was followed in November 2006 with the award of a US\$250 million project management services contract by Saudi International Petrochemical Company for its Phase III olefins & derivatives complex highlighting the strong demand for world scale downstream hydrocarbons projects in the Middle East.

The company's expanding West African operations were significantly boosted in December when WorleyParsons was awarded a US\$220 million EPCM services contract by Mobil Producing Nigeria to support the execution of a portfolio of projects in offshore Nigeria.

The Parsons Iraq joint venture, a joint venture of WorleyParsons and Parsons Corporation—the entity executing the contract to restore Iraqi oil infrastructure—performed strongly in the year. The joint venture no longer has personnel in the country with the Iraq based work complete.

In addition to the significant workload in new project development we continue to ensure that we remain very focused and responsive to the enormous asset services market for existing facilities. A significant proportion of our workload is focused on improving our clients' existing assets.

### Outlook for Hydrocarbons

The outlook for Hydrocarbons remains positive for 2008. Actual and forecast exploration and production capital and operating expenditure levels in the industry are at historically high levels. This factor, combined with our comprehensive geographic coverage, established client relationships and partnering strategies provide significant opportunities for WorleyParsons in the global hydrocarbons market.



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## Power

WorleyParsons **Power** business experienced strong growth in 2007. Aggregated revenue grew 18.9% to \$437.4 million. Segment EBIT was \$57.8 million with a reported segment margin of 13.2%. (2006: EBIT \$47.8 million, margin 13.0%.)

Demand for new power generation including nuclear and air quality control projects continued to drive performance in the Power business in 2007.

Our increased Global capability and presence enabled contract awards in 2007 in solar energy, new nuclear, new coal plants, long term asset services and Integrated Gas Combined Cycle (IGCC) front end engineering. These contracts included an agreement with the National Electric Company of Bulgaria for the second phase of the Belene nuclear power plant contract and the award of a US\$64 million professional services contract for Santee Cooper's 600-megawatt coal-fired generation facility in South Carolina.

We anticipate that in the near future WorleyParsons personnel will not have any physical presence in Iraq on the electricity sector reconstruction program.

The acquisition of the remaining 50% share of the Australian power joint venture and formation of Transfield Worley Power Services for long term asset services was a major step in Australia.

In addition new offices were established in Sacramento, California and Bratislava, Slovakia. The Colt acquisition also provides a power track record and capabilities in Canada, a significant new market opportunity.

## Outlook for Power

2008 should see continued geographic and capability expansion as demand for services in the power sector is expected to remain strong. Our focus on clean coal technology, renewable energy, gas turbine, nuclear and efficiency improvements and upgrades to existing plants enables us to support increased demand for environmental services. In addition significant capital expenditure in the expansion and improvement of electric transmission networks is expected in most markets.

## Minerals & Metals

The **Minerals & Metals** group performed ahead of expectations with aggregated revenue for the year of \$292.7 million, an increase of 44.8% from the \$202.2 million reported in 2006. EBIT for the year was \$42.7 million with a margin of 14.6% (2006: EBIT \$27.7 million, margin 13.7%.)

The 2007 Minerals & Metals result reflects good primary demand in a strong global commodities market. Growth in the year was experienced across all regions. The ARA WorleyParsons joint venture in Chile has established a strong base in the Latin American region.

The company continued to develop its technical and project delivery capability including the award of the EMAL greenfield aluminium smelter project in addition to on-going support for Ma'aden phosphate and the Pilbara iron ore project for FMG.



2007 also saw the successful completion of the BHP Billiton's Olympic Dam expansion pre-feasibility study deliverables; performed in joint venture with SNC Lavalin and solid progress in the development of Program Management (PMC) and EPCM activities in the Middle East, Russia and FSU and the company's first major chemicals project in China. Many projects undertaken in 2007 included a significant work share component.

The company continues to be very active in the alumina process engineering market with support for a number of projects in the study and expansion phase. The Dallas based gas cleaning group has continued its strong growth through support for gas cleaning and energy optimization services worldwide.

WorleyParsons HGE in Toronto has experienced significant growth throughout the year with some early synergies from the Colt acquisition, diversification into alumina and the award of several key EPCM projects and studies.

Long-term asset services contracts continue to grow in Australia in the year with the Zinifex relationship expanded to include the Roseberry mine, Tasmania.

## **Outlook for Minerals & Metals**

The outlook for Minerals & Metals remains positive for 2008 as commodity demand remains strong. The focus for 2008 will be the transition of the large number of current feasibility studies to project sanction. The company is well positioned to respond to these projects if they are sanctioned, including in new development regions.

## **Infrastructure**

The **Infrastructure** business reported Aggregated Revenue of \$219.6 million, an increase of 73.2% on the prior year. EBIT of \$20.4 million was 110.3% ahead of the 2006 result of \$9.7 million. Margins in Infrastructure in 2007 were 9.3%, higher than the 7.7% margin achieved in 2006.

Support of world scale resource development projects including Ma'aden phosphate project, Pilbara iron ore project for FMG, and the Pluto LNG project were the key drivers of large project-related business in 2007.

Specialised consulting services in the water and wastewater, marine and rail markets continue to provide a solid base for the Infrastructure business.

The recently announced acquisition of two Australian consulting groups, Patterson Britton and Partners and John Wilson and Partners, will significantly expand our water and infrastructure capability on the east coast of Australia.

## **Outlook for Infrastructure**

Infrastructure associated with major resource development projects remains a key global market for the company with significant opportunities for growth remaining.

The recent acquisitions in water & wastewater market in Australia provide the basis for expansion into other regions along with the expansion of our rail and marine capability outside of Australia. Reconstruction of ageing infrastructure in developed countries also provides an emerging and growing business opportunity.



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## Outlook for WorleyParsons Group

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

“We expect the markets for WorleyParsons’ services will remain strong. Our key markets and sectors continue to experience positive conditions and we are well positioned to respond to these opportunities. Subject to conditions remaining favourable in these markets we expect to achieve increased earnings from our existing operations and an additional eight months contribution from the Colt group in 2008.”

“Our ability to support the EcoNomics™ initiative will be a key component of growth in 2008.”

“The Company continues to evaluate opportunities for new business growth that will add to our existing capabilities and provide value for our shareholders.”

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